

## Human Relations in the Banking Industry : Supervisory-Management Relations<sup>†</sup>

BALDEV R SHARMA, G S DAS

*In this diagnostic study, the authors have tried to explore the determinants of the quality of human relations in the banking industry in India. They have evolved a number of hypotheses through a pilot study and designed the final instrument, based on the results of the pilot study. This study throws a number of interesting conclusions. For instance it was found that the climate of human relations between the supervisory-management relations is not rated high. There are many other interesting conclusions.*

When one deals with the world of management practice in India, one often hears the question: Is this all relevant? While some people are quite cynical about the relevance of the imported knowledge and techniques, most others are genuinely concerned whether those developed in an affluent society with a very different socio-cultural background, in fact, can find application in a developing economy like India. Some of us in the field of management education and training are equally occupied with the latter concern. The study reported in this paper is part of our continuing concern to develop new instruments for use in our field.

Human relations, as a field of study, originated with the famous Hawthorne studies in the late twenties and early thirties in the US. Actually those studies were aimed at studying "productivity" and not human relations which emerged as a by-product of those studies. During the last

half century, the subject of human relations in business, commerce and industry has been studied from a variety of points of view. Thus, some have studied it mainly in terms of inter-personal relations, others have looked at it in terms of inter-group relations and still others have concentrated on the overall climate of relationships in the organisation.

This paper is based on a diagnostic study of what determines the quality of human relations in an organisation or industry. As a departure from the conventional approach, we did not begin with a hypothesis. Instead, we evolved a number of hypotheses through a "pilot" study and then designed the final instrument, based entirely on the results of this study. Through repeated use and testing of this instrument, we hope to come up with a thoroughly indigenous measure for studying the climate of human relations in Indian organisations. In the following section, we have described

<sup>†</sup> The authors are extremely grateful to prof M A Vanjour for his valuable help at various stages in the preparation of this paper.

how we developed an instrument to measure human relations in an organisation. As a first part of this on-going research, the instrument was administered on 27 members of the supervisory staff belonging to 21 nationalised and private sector banks. These officers from the banking industry were attending a training programme in "industrial relations" organised at Calcutta in the third week of September 1980. Annexures I and II give a list of the banks represented and the salient characteristics of the sample.

## II

### The Instrument

Against this backdrop, a "pilot" study was carried out in four Jamshedpur based organisations to develop a questionnaire for measuring the quality of human relations in an organisation and the factors that influence that climate. For this purpose, the overall climate of human relations was measured at two different levels: (1) labour-management relations, and (2) supervisory-management relations. Altogether, 156 members of the supervisory staff from four participating organisations took part in the "pilot" study. This sample represented a cross-section of each organisation in terms of functional responsibility as well as length of experience.

Each respondent was asked to rate on a six-point scale the prevailing climate of employer-employee relations in his com-

pany. Points 1 and 2 of the rating scale stood for "poor", 3 and 4 for "satisfactory", and 5 and 6 for "excellent" relations. The respondents were asked to rate their organisations separately against the two interfaces: labour-management and supervisory-management relations. Those who gave a rating of 1 or 2 were asked to list out, in their own words, the factors that, in their opinion, were responsible for the "poor" relationship climate. The respondents who checked 3 or 4 on the rating scale were asked to describe, in their own words, what could be done to turn the existing "satisfactory" climate into an "excellent" one. Finally, those who ticked points 5 or 6 were asked to name the factors which, in their opinion, had contributed to the "excellent" relationship climate. The respondents were asked to mention as many factors as they thought important and in a language they felt most comfortable with. The 156 supervisors who took part in the "pilot" study generated the pattern of responses as depicted in Table 1. Although the number of factors mentioned by the respondents (539 in all) was relatively large, a closer examination would suggest these could be reduced to a much smaller number. This was so because the same factors were mentioned, in different words, by several respondents. The 539 responses were therefore subjected to content analysis and as a result, these were reduced to 16

Table 1 : Pattern of Responses

Rating score	Reasons in support of rating							
	L—M relations		S—M relations		L—M relations		S—M relations	
	N	%	N	%	N	%	N	%
Poor (1 or 2)	31	19.87	26	16.67	49	18.22	52	19.26
Satisfactory (3 or 4)	72	46.15	103	66.03	121	44.98	175	64.81
Excellent (5 or 6)	53	33.97	27	17.31	99	36.80	43	15.93
Total	156	99.99	156	100.01	269	100.00	270	100.00

factors depending upon their salient features. The presence of these 16 factors, in different combinations, was reportedly responsible for the "excellent" relations, whereas their absence allegedly contributed to the "poor" relations. Similarly, these factors were also mentioned by those who had given "satisfactory" rating to their organisation.

Of course, the 16 factors were not always independent of one another nor were they mentioned with the same frequency. Since the data at this stage had come from a "pilot" study, it was decided to include all the 16 factors in the questionnaire, instead of either clubbing some factors together or rejecting them. The latter, it was decided, could be done at a subsequent stage of data collection. A list of the selected variables is given in Annexure III. The purpose of this study is to examine the importance of these factors in determining the quality of human relations in an organisation or industry.

### Methodology

In designing the final questionnaire, it was decided to use four representative statements to measure each of the 16 predictors and to take the summed score of the four items as a measure of that factor. It was also decided to so word the statements that agreement with two of them would amount to a positive evaluation of the organisation while agreement with the other two would mean a negative rating. Thus, we selected with slight editorial changes, 64 statements, out of the available universe of 539 to measure 16 organisational characteristics. These statements were randomly arranged to ensure unbiased responses. Each statement was required to be answered through a check mark in terms of the following three-point scale: very true; somewhat true; not true. In the case of a posi-

tive statement, a score of 3 was given to "very true," 2 to "somewhat true" and 1 to "not true" responses. This scoring system was reversed in the case of responses to the negative statements. Thus, for each of the 16 predictors, the overall score ranged between 4 and 12.

For the study in hand, before the responses to the 64 statements were grouped into 16 factors, these were correlated with one another to verify inter-item consistency of responses to items within each cluster of four statements. All those items which were associated negatively and consistently weakly (less than .1) with other items were excluded from that cluster. The resulting indices, therefore, are compressed into less than four statements in the case of some predictors.

Next, the responses to the selected items in each cluster were converted into a score for each of the 16 predictors which were then correlated with one another through Product-Moment Correlation. On the basis of these associations, eight predictors were identified for merger into four pairs. The decision to merge any two predictors was based on two considerations: (1) high positive association between the two, and (2) meaningfulness of the new index. Consequently, the total number of variables to be examined in the present study was reduced from 17 to 13. The revised list of variables selected for this study together with the mean score and standard deviation of each are given in Annexure IV. Details of the variables merged are given in Table 2.

### Findings

As shown in Annexure IV, the mean score for the criterion (supervisory-management relations) is 3.7593, which amounts to 62.66 per cent of the maximum possible

Table 2 : Merged Variables

Var. No.	Variables combined	Correlation coefficient	Level of significance	New variable
3	Communication	+.6220	P < .001	"Communication"
10	faith			
5	Delegation	+.5875	P < .01	"Style"
14	Style			
6	Disparities	+.6907	P < .001	"Rationality"
13	objectivity			
9	Facilities	+.6959	P < .001	"Welfare"
16	welfare			

score of six. Thus, as perceived and reported by the members of the supervisory staff, the climate of human relations between them and the higher management in the banking industry is not rated very high. In a study carried out some ten years ago, we found an almost identical rating to the climate of employer-employee relations in the banking industry. Thus, the situation does not seem to have changed much during the last ten years, at least in this area.

Rearranging the mean scores of the 12 predictors (shown in Annexure IV) in a descending order, we obtain a picture of the banking industry as presented in Table 3.

Table 3 : Relative ranking of banking industry in terms of selected organisational characteristics\*

Sr. No.	Variable	Mean score ( per cent )	
1	Recognition (× 7)	88.07	} High rating
2	Monetary benefits (× 12)	80.25	
3	Education and training (× 10)	75.62	
4	Employee welfare (× 5)	73.77	} Average rating
5	Scope for advancement (× 8)	71.61	
6	Working/service conditions (× 11)	71.30	
7	Rational decision-making (× 4)	66.49	
8	Style of management (× 2)	63.84	
9	Communication (× 3)	63.27	
10	Grievance-handling (× 9)	63.27	} Low rating
11	Participation (× 6)	56.17	
12	Discipline and control (× 13)	50.00	

\* The information presented in this table is taken from Annexure IV

The difference between the highest and the lowest mean scores is of the order of about 38 per cent. If this "gap" is divided into three equi-distance parts, we find that the first three organisational characteristics are given the highest rating by the respondents. On the other hand, both participation and control are given the lowest rating, with the remaining seven factors getting an average rating.

The highest rating given to X7 (recognition) shows that the banking industry provides ample scope for giving recognition and appreciation to capable, sincere and hardworking employees. The second highest rating given to X12 (monetary benefits)

shows that the respondents consider their salaries and other monetary benefits to be quite attractive, taking into account their qualifications, market value and job responsibilities. The industry is also rated quite highly in terms of educational and training facilities. On all other dimensions, the banking industry is given an "average" or a "poor" rating, which suggests that there is scope for further improvement in the said aspects of the management of the industry.

Table 4 presents the inter-co-relation matrix for all the selected variables. Looking at the first row of Table 4 we find that only six of the 12 predictors are significantly related to employer-employee relations in the banking industry. The main purpose of this study, however, is to go beyond zero-order correlations and to identify that combination of factors which explains the maximum variation in the criterion. As we are dealing here with a large number of variables (13 in all) and the sample size is relatively small ( $N=27$ ), it was decided to compute  $\bar{R}^2$ , which would give a more realistic estimate of the true association in the present case.  $\bar{R}^2$  was computed by using the following "shrinkage" formula :

$$\bar{R}^2 = 1 - \left[ (1-R^2) \times \frac{N-1}{N-m} \right] \text{ where}$$

$m$  = number of all the variables.

$N$  = number of observations.

Next, we analysed the data through multiple regression analysis to find out which combination of predictors would explain the maximum variation in the criterion, as measured through  $\bar{R}^2$ . On the basis of this analysis, we were able to identify the following four factors which explained the maximum variation in the criterion, as measured through  $\bar{R}^2$  :  
(See table below)

### Conclusion

In our search for the determinants of human relations we started out with a large number of factors that were expected to influence the relationship climate between supervisors and management in the banking industry. The 16 independent variables initially chosen were subsequently reduced to 12 as some pairs that were found to be highly inter-correlated were merged. These 12 predictors plus the criterion (supervisory-management relations) were subjected to multiple regression analysis to find out the combination of factors which explained maximum variation in the criterion. As a result of this analysis, we have been able to identify a set of four predictors which together explain 56.60 per cent of the variation in supervisory-management relations. The functional relationship between these predictors and the criterion can be stated as follows :

$$X1 = a + b15 \times 5 + b17 \times 7 + b18 \times 8 + b1, 12 \times 12$$

X 1 : S-M relations	R <sup>1.5,7,8,12</sup> = .7523
X 5 : Employee welfare	R <sup>1.5,7,8,12</sup> = .5660
X 7 : Recognition	$\bar{R}^{1.5,7,8,12}$ = .6979
X 8 : Advancement	$\bar{R}^{2.1.5,7,8,12}$ = .4871
X 12 : Monetary benefits	F <sub>4,22</sub> = 7.1724 (P < .001)

Table 4: Inter-correlation matrix for selected variables

Variable across Down	SMR (1)	STY (2)	COM (3)	RAT (4)	WEL (5)	PAR (6)	REC (7)	ADV (8)	GRI (9)	EDU (10)	CON (10)	MON (12)	CTL (13)
S-M relations	1.0000	+.4128*	+.3423	+.2802	+.5349**	+.4289*	+.3894*	+.5831**	+.3557	+.3266	+.4607*	-.0955	+.1742
Style of mgt	+.4128*	1.0000	+.4022*	+.6200**	+.4415*	+.2814	+.3962*	+.6590***	+.5864**	+.2226	+.5027**	+.1584	-.3466
Communication	+.3424*	+.4022*	1.0000	+.6559***	+.6832***	+.4611*	+.3262	+.3343	+.6010***	+.6068*	+.4019*	+.2097	-.2160
Rationality	+.2802	+.6200***	+.6559***	1.0000	+.6700***	+.4443*	+.2120	+.5101***	+.7254***	+.5001**	+.3733	+.5154**	-.2092
Welfare	+.5349**	+.4415	+.6832***	+.6700***	1.0000	+.4117*	+.2586	+.4729*	+.5547**	+.4328*	+.4608*	+.3951*	+.0843
Participation	+.4289*	+.2814	+.4611*	+.4443*	+.4117*	1.0000	+.0849	+.5528**	+.4582*	+.3816*	+.4063*	+.0692	-.1331
Recognition	+.3894*	+.3962*	+.3262	+.2120	+.2586	+.0849	1.0000	+.3314	+.3170	+.0657	+.3401	+.1476	+.1522
Advancement	+.5831**	+.6590***	+.3343	+.5101**	+.4729*	+.5528**	+.3314	1.0000	+.4851*	+.1103	+.3562	+.1547	-.1547
Grievance-hdlig	+.3557	+.5864**	+.6010***	+.7254***	+.5547**	+.4582*	+.3179	+.4851*	1.0000	+.2453	+.3804	+.2482	-.0545
Education	+.3266	+.2226	+.6068***	+.5001**	+.4328*	+.3816*	+.0657	+.1103	+.2453	1.0000	+.3661	-.1187	+.0151
Conditions	+.4607*	+.5027**	+.4019*	+.3733	+.4608*	+.4063*	+.3401	+.3562	+.3804	+.3661	1.0000	-.0035	+.0174
Money	-.0955	+.1584	+.2097	+.5154**	+.3951*	+.0692	+.1476	+.1547	+.2482	-.1187	+.0035	1.0000	-.1824
Control	+.1742	-.3466	-.2160	-.2092	+.0843	-.1331	+.1522	-.1547	-.0545	+.0151	+.0174	-.1824	1.0000

\*\*\* P &lt; .001

\*\* P &lt; .01

\* P &lt; .05

$$= 1.3211 + (+.0904 \times 5) + (+.0815 \times 7) + (+.1417 \times 8) + (-.2128 \times 12).$$

To determine the relative importance of the four factors individually, the contribution of each in explaining the total variation was computed, using the following formula :

$$\begin{aligned} R^2_{1,5,7,8,12} &= (B_{15,7,8,12} \times r_{15}) + \\ &(B_{17,5,8,12} \times r_{17}) + \\ &(B_{18,5,7,12} \times r_{18}) + \\ &(B_{1,12,5,7,8} \times r_{1,12}) \\ &= (.2441) + (.0807) + \\ &(.2067) + (.0345) \\ &= .5660 \end{aligned}$$

Rearranging the four predictors in order of importance, we obtain the following picture :

Predictor	% Contribution
X5 (Welfare)	24.41
X8 (Advancement)	20.67
X7 (Recognition)	8.07
X12 (Money)	3.45
Total :	56.60

Let us examine these findings in the light of the data given in Table 3. Money (X12), which received the second highest rating in the banking industry, was found to be the least important of the four factors included in the "best" equation. More importantly, money was found to have a negative relationship with supervisory-management relations. It is clearly suggested by this evidence that granting of additional monetary benefits is unlikely to improve the climate of human relations in the banking industry. In fact, there is evidence to suggest that higher monetary

benefits are associated with poorer human relations. The latter may be due to the fact that whenever relationships deteriorated in the past the management must have granted additional monetary benefits as if to buy peace!

Recognition (X7) was given the highest rating in the banking industry (see Table 3) and we find that this factor is also one of the determinants included in the "best" equation, though in terms of its contribution recognition is only third in importance. Although education and training (X10) was also given a high rating, it has not featured in the "best" equation.

Employee welfare (X5) was given an average rating (see Table 3). However, of the four factors included in the "best" equation, this factor was found to be the most important. Lastly, scope for advancement (X8), which followed close behind the employee welfare in terms of rating, has featured in the best equation as the second most important factor in explaining variation in supervisory-management relations. The remaining eight factors do not seem to make significant contribution in explaining the variation in the criterion.

Considering the importance of employee welfare as the best predictor and given the fact that the banking industry is given only an average rating on this count, it is clearly suggested that further improvements in this area are likely to improve the relationship climate. The same applies to further improvements in terms of scope for advancement. Although the banking industry seems to be doing well in giving recognition to employees doing good work, any let-down in these efforts is likely to have an adverse effect on the relationship climate.

The foregoing observations, though based on a fairly sound methodology, should be viewed more as hypotheses than as generalisations. The basic limitation of the present study is its small sample size (N=27). Should repeated experiments in

future with the proposed instrument yield similar results, we may accept the foregoing observations as true of the banking industry. Meanwhile, the methodology proposed here may be of interest to researchers in human relations in industry. □

... (mirrored text from reverse side) ...

... (mirrored text from reverse side) ...

... (mirrored text from reverse side) ...

... (mirrored text from reverse side) ...

Variable	Correlation
X1 (Age)	0.12
X2 (Experience)	0.25
X3 (Respectability)	0.30
X4 (Money)	0.15
<hr/>	
Total	0.20

... (mirrored text from reverse side) ...



## Annexure 1 : List of banks represented by the respondents

- 1 Andhra Bank
- 2 Bank of Baroda
- 3 Bank of Maharashtra
- 4 Bank of Rajasthan Ltd
- 5 Bank of Tokyo Ltd
- 6 Canara Bank
- 7 Central Bank of India
- 8 Grindlays Bank Ltd
- 9 Indian Bank
- 10 Indian Overseas Bank
- 11 Industrial Development Bank of India
- 12 New Bank of India
- 13 Punjab and Sind Bank
- 14 Reserve Bank of India
- 15 State Bank of Bikaner and Jaipur
- 16 State Bank of India
- 17 State Bank of Travancore
- 18 Syndicate Bank
- 19 United Bank of India
- 20 United Industrial Bank Ltd
- 21 Vijaya Bank

## Annexure II : Salient characteristics of the sample

1 No. of respondents : 27

2 No. of banks represented : 21 ( see Annexure I )

3 Age distribution :

26 - 35 years	11	} $(\bar{X} = 38 \text{ years})$
36 - 45 years	7	
46 - 52 years	8	
Not available	1	
Total	<u>27</u>	

4 Level of Education :

Matriculation/S. S. C.	2	} In addition to this basic education, about half of the respondents had additional qualifications, such as L.L.B., CAIIB, ICWA, etc.
Intermediate	1	
Bachelor's Degree	12	
Master's Degree	9	
Not available	3	
Total	<u>27</u>	

5. *Designation :*

Regional/Divisional manager	3
Manager (including personnel manager, branch manager, staff superintendent, chief officer)	8
Assistant/Deputy manager (including deputy chief officer)	3
Officer (including Personnel Officer, Industrial Relations Officer, Accountant, Accounts Officer)	11
Assistant Accounts/Currency Officer	2
<b>Total</b>	<b>27</b>

6. *Work Experience (with present employer)*

1 - 10 years	13	} ( $\bar{X}$ = 12 years)
11 - 20 years	8	
21 - 33 years	5	
Not available	1	
<b>Total</b>	<b>27</b>	

7. *Total work experience (including with other employers)*

3 - 10 years	9	} ( $\bar{X}$ = 15 years)
11 - 20 years	9	
21 - 33 years	8	
Not available	1	
<b>Total</b>	<b>27</b>	

8. *Work experience in a supervisory position*

1 - 5 years	11	} ( $\bar{X}$ = 9 years)
6 - 10 years	5	
11 - 15 years	4	
16 - 20 years	5	
21 - 25 years	1	
Not available	1	
<b>Total</b>	<b>27</b>	

9. *Gross monthly emoluments*

Rs. 1200 — Rs. 2000	10	} ( $\bar{X}$ = Rs. 2435)
Rs. 2100 — Rs. 3000	12	
Rs. 3100 — Rs. 4800	5	
<b>Total</b>	<b>27</b>	

## Annexure III : Original list of variables

- 1 *Supervisory-Management Relations*  
Measured through a six-point rating scale on which "1" stood for "poor" and "6" for "excellent"
- 2 *Advancement*  
Opportunities for advancement and growth; surety of promotion to higher levels; existence of career development plans for employees.
- 3 *Communication*  
Accessibility of the management staff; scope for two-way dialogue to sort out problems; open and intimate relations that permit free and frank exchange of views.
- 4 *Control*  
Whether employees are made accountable for the work assigned to them; whether enforcement of discipline is strict enough.
- 5 *Delegation*  
The goodness of "fit" between authority and responsibility; decentralisation of authority; delegation of authority.
- 6 *Disparities*  
Equality of treatment to all groups; absence of disparities in terms of salaries and other benefits
- 7 *Education*  
Efforts to educate employees about the problems and prospects facing the organisation facilities for job training; provision of general and technical education.
- 8 *Participation*  
Representation of employees in various joint forums; scope for employees participation in management.
- 9 *Facilities*  
Provision of basic facilities and amenities; provision of good service conditions, benefits and perquisites.
- 10 *Faith*  
Management's faith and trust in the employees; consistency between precept and practice on the part of the management; understanding between management and employees.
- 11 *Grievances*  
Existence of a good grievance-handling system; availability of adequate forums for raising grievances and complaints.
- 12 *Money*  
Attractiveness of salaries and other monetary benefits given to employees considering their job responsibilities, qualifications and market value.
- 13 *Objectivity*  
Objectivity of decisions relating to promotions and rewards; strict adherence to service rules and personnel policies in deciding about personnel matters.
- 14 *Style*  
Readiness/willingness of management to solve the problems of employees; presence of close and intimate relations between management and employees; openness and sympathy shown by management towards the employees.
- 15 *Recognition*  
Recognition and appreciation of capable, sincere and hardworking employees.

