



# Issues and Challenges in Human Resource Management Practices at Primary Agricultural Credit Co-operatives: A Study

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## **ABSTRACT**

*This paper examines the Human Resource Management practices in Primary Agricultural Co-operative Credit Societies (PACCS) in Karnataka state. Recently, the study of HRM practices has shifted from studying individual practices and their influence on organizational performance to studying the entire HRM system. While struggling to provide better and efficient service at the counters, the staffs is also confronted with various regulatory norms to mitigate risks in operations. This clearly establishes that employees of Primary Agricultural Co-operative Credit Societies play a vital role in managing not only the 'transaction' of a customer but also future long-term relationship with them. This paper explains about Human Resource Management practices which play a vital role in increasing co-operatives performance.*

**Keywords:** Human Resource Management, Primary Agricultural Co-operative Credit Societies (PACCS)

## **Introduction**

Economic, social and cultural development of any country mostly depends upon its human resource potential. Many of the countries are endowed with same level of natural resources, technology and international aid etc. Their productivity and development mostly depends upon the availability of efficient human source and more importantly, the commitment of such resource. Another recent development that has taken place is shifting importance from manufacturing organizations to service-oriented organizations, which have resulted in growing importance of the human resource. The depreciation that results in all other factors of production in the long run doesn't result in case of human resource. Human resources with proper organization and motivation can grow and develop their potential in the long run. There is no depreciation value for human resource.

Karnataka is pioneer in the Co-operative movement in India. As on 30.03.2019, there are 43,672 co-operative societies with 2,29,39,000 memberships in Karnataka, under the administrative control of the Registrar of Co-operative Societies. These PACCS are mainly concerned with agricultural credit in various forms, distribution of fertilizers, pesticides and other essential commodities. In addition they play a vital role in running outlets under Public Distribution System. It is understood that Primary Agricultural Co-operative

Credit Societies' approaches Human Resource Management (HRM) from the wrong perspective and thus their financial performance suffers.

Human Resources Management has been a neglected field in Primary Agricultural Co-operative Credit Societies over a period of time and poor image of the employees, which affects their morale. In this paper, an attempt has been made to analyze the practices of human resource management and the challenges faced in recruitment and retention of efficient personnel for managing the complex affairs of Primary Agricultural Co-operative Credit Societies.

## Literature Review

There is a large and growing body of evidence that demonstrates a positive linkage between the development of human capital and organizational performance. The emphasis on human capital in organizations reflects the view that market value depends less on tangible resources, but rather on intangible ones, particularly human resources. Recruiting and retaining the best employees, however, is only part of the equation. The organization also has to leverage the skills and capabilities of its employees by encouraging individual and organizational learning and creating a supportive environment where knowledge can be created, shared and applied.

Terpstra and Rozell (1993) examine the extensiveness of recruiting, selection test validation and the use of formal selection procedures and find the positive connectivity between organizational profits and selectivity in staffing, thereby leading to a greater extent of organizational performance (Becker and Huselid, 1992). Performance evaluation on the linkage to compensation schemes has also contributed to an increase in the firm's profitability.

Arthur (1992, 1994) reports that the HR practices focusing on enhancing employee commitment (e.g. decentralized decision-making, comprehensive training, salaried compensation, and employee participation) are related to higher performance. Conversely, he finds that the HR practices focusing on control, efficiency and the reduction of employee skills and discretion are associated with increased turnover and poorer manufacturing performance. Similarly, in a study of the high performance work practices, Huselid (1995) point to the fact that investments in HR activities, such as incentive compensation, selective staffing techniques and employee participation, result in lower turnover, greater productivity and increased organizational performance through their impact on employee skill development and motivation.

The more the high performance HRM practices are used, the better the performance as indicated by productivity, turnover and financial soundness is yielded. Although different types of the fit approaches are compared, the bottom line of the results seems to be invariable with the strongest research support.

## Need for Human Resource Management in PACCS

World over, the technology driven channels such as, ATM, net banking and mobile banking have reduced walk-in-customers at the bank branches. However, in India, it is observed that the customers still

find it difficult to use these technology based channels and they are more comfortable in traditional banking over the counter personally to ensure error - free and risk -free banking service. While struggling to provide better and efficient service at the counters, the staff is also confronted with various regulatory norms to mitigate risks in operations. This clearly establishes that employees of Primary Agricultural Co-operative Credit Societies play a vital role in managing not only the 'transaction' of a customer but also future long-term relationship with them. There are several reasons for the new approaches to the management of staff, infrastructural problems, over staffing and competitive pressure in Co-operatives. The nature of change had moved the emphasis towards being a market driven rather than an administratively driven organization and the importance of staff quality was being emphasized.

### **Human Resource Policies**

Although the Primary Agricultural Co-operative Credit Societies have policies, the manner in which they are documented and presented to employees varies considerably. Other than the practices explicitly required by law, there are no specific rules on how to document and implement the principles and practices by Primary Agricultural Co-operative Credit Societies. Therefore, the form, substance and tone of Primary Agricultural Co-operative Credit Societies' policies and procedures are totally within their activities. This discretion presents both a challenge and opportunity for a Co-operative institution. The challenge is deciding among almost infinite choices on how to define structure, implement and communicate the bank's rules of operation. A sound and appropriate set of policies will lay the groundwork to support the Co-operative bank's business objectives, provide employees with the necessary guidance and achieve the desired organizational culture.

There is no uniformity in the provisions of State Co-operative Act in fixing salary to employees. Few States have promulgated parallel State Co-operative Acts; the acts in other States have restrictive provisions which affect autonomous functioning of Co-operatives. Further, there is no specific HRD policy as such and recruitment of staff is not based on merit and competence.

The Co-operative Act, rules and bye-laws were created to protect the Co-operative credit societies from certain nefarious activities prevalent in the market and also save it from the people who have vested interests. These hamper the autonomous growth of these institutions. One important factor to be noted is that though the Primary Agricultural Co-operative Credit Societies come under the financial discipline of the NABARD and the Apex Bank, they enjoy autonomy in personnel matters.

The Primary Agricultural Co-operative Credit Societies should be committed to Equal Employment Opportunity (EEO) policies that provide a healthy work environment, free of discrimination and harassment of any kind.

## Elements of Human Resource Management

The basic elements of the human resource system include the following four broad decision areas viz., the acquisition, development, rewarding and maintenance of human resources. These are service organizations where human capital makes the difference between success and failure.

Professional attitude of employees at all levels is the need of the hour. Professional management is essential for any concern. But, on many occasions, the state governments in Karnataka, irrespective of the party in power, dissolves the elected boards of Primary Agricultural Co-operative Credit Societies and deposes government officials to manage their affairs. As the government officials do not possess adequate interest in banking, the efficiency of the Primary Agricultural Co-operative Credit Societies suffers. The political interferences in the activities of Primary Agricultural Co-operative Credit Societies are another drawback for the absence of good governance.

### Recruitment and Selection

In the absence of scientific recruitment and selection procedures, the management of any organization may fail to select the right man with the right skills for development, doing the right job, in the right environment. Moreover, the employees must have faith in the system of recruitment and selection. Recruitment provides the opportunity to cater to changing needs of people by either repositioning current employees or injecting fresh blood into the organizational veins.

There are three modes of recruitment in the Primary Agricultural Co-operative Credit Societies, namely.

- By direct recruitment
- By taking persons on deputation from sister Co-operative institutions
- By promotion

The main source of recruitment is through the State Employment Exchange which receives a restricted distribution. Thus, in the absence of a wide publicity of vacant posts, the service in Primary Agricultural Co-operative Credit Societies is easily available to the persons known to the top and middle executives.

Internal promotion can be a good practice if merit is not sacrificed. Similarly, recruiting like-minded people can become a bad practice if it leads to organizational behaviour where diversity is resented. Primary Agricultural Co-operative Credit Societies typically apply precise and rigorous guidelines to admit members but do not show the same commitment when it comes to recruiting people, despite the fact that hiring decision involves enormous costs when one takes into account the recruitment costs, training costs, salary and benefit over the tenure of employee and replacement cost.

## Training and Development

With the significant increase in the complexity and magnitude of service, especially in view of the task undertaken by the Primary Agricultural Co-operative Credit Societies for the socio-economic development in urban, semi-urban and rural areas, the need of the training has been greatly felt. The outcome of the training to any type of organization includes increased productivity of employees, improved morale, reduced supervision, and increased organizational stability and flexibility. Primary Agricultural Co-operative Credit Societies provide training for many reasons.

1. To teach the employees perform in their initial job assignment.
2. To prepare employees for future promotions or for upcoming changes in design, processes and technology in their present jobs.

The operational structure and administrative set-up established for training of personnel in Primary Agricultural Cooperative Credit Societies in Karnataka is inter co-ordinate and divided as, senior, middle level and junior staff. The State Co-operative Unions, and the District Level Unions, the apex organizations are responsible for making adequate arrangements for co-operative training.

The major problems found in Primary Agricultural Co-operative Credit Societies are: lack of knowledge of funds management resulting in acceptance of high cost deposits and their disposition in low return uses. Another problem is lack of expertise in lending, observing capital adequacy, investment in government securities, managing Non Performing Assets (NPAs), and other newer international rules imposed by the RBI and NABARD. In India, most persons in the Co-operative banking sector feel that somehow if one can get a job he/she can automatically manage the affairs of the bank.

Training normally concentrates on the improvement of operative skills, interpersonal skills, decision-making skills or a combination of these. Most of the training programmes organized by the co-operative training institutions impart only theoretical knowledge of the subject. Primary Agricultural Co-operative Credit Societies are localized institutions with poor funds. Language is a barrier as majority of the Co-operative bank employees are not able follow and understand the concept in English. This is a hurdle to train them by national level institutions, which offer their training programme in English or Hindi.

## Performance Appraisal

Performance appraisal is a systematic approach to tracking individual performance against the targeted objectives of the organization and identifying strength and opportunities for improvement. In Primary Agricultural Co-operative Credit Societies, the appraisal is not implemented seriously for permanent employees. All the employees are in favour of introduction of performance appraisal though there is no systematic appraisal followed, right now.

Unlike commercial banks, Primary Agricultural Co-operative Credit Societies, are classified under grades A, B, C and D as per the financial performance, are eligible to get wage structure as per the

classification to their employees. Primary Agricultural Co-operative Credit Societies have not used any sophisticated methods to evaluate their employees' performance. This is the major reason for poor performance of employees in Primary Agricultural Co-operative Credit Societies.

### **Promotion**

The upward mobility in an organization brings about positive change in the status, responsibility and monetary benefits of an employee. As per co-operative credit society rules in force, provisions have been made for promotion of the employees, by their seniority only. No organization has been able to attract and retain key people in the long-run by throwing money at them.

Once the employees are promoted to higher levels, improvement of their competencies is an urgent need. Employees' competencies are the knowledge, skills, abilities, personality and characteristics that serve as the foundation for employees' behaviour. Competencies are a foundational drive of employees as well as organization success because they only represent potential employees' performance.

### **Compensation**

One of the most important issues before the Primary Agricultural Co-operative Credit Societies in Karnataka is variable compensation. The salary structure of Primary Agricultural Co-operative Credit Societies is different for the same cadre and salary structure of Primary Agricultural Co-operative Credit Societies, is not uniform all over the state. Thus, seniority has accounted for the compensation administration. The salary structure in the co-operative credit societies is not as attractive as in public and private-sector banks. An adequate and sound salary structure together with other working conditions is the sine qua non for the organizational efficiency and effectiveness.

Therefore, pay and other reward strategies should revolve not only around business goals but also around the employee needs and aspirations, such as the opportunity to work on challenging assignments, flexible work options, work transfer to take care of personal emergencies and opportunities for training and higher studies.

There are certain basic issues, which need to be kept in mind while determining the wage structure of Co-operative staff. First, the question of parity of wages among at all levels of employment. The upward wage revision needs to be linked with the income and efficiency of the society. Secondly, in view of the changes happening in the financial sector, the relevance of Primary Agricultural Co-operative Credit Societies to have differential rewards encompass everything that the organization has to offer, directly or indirectly in return for employee contribution.

Most important ingredient of HRM is reward and compensation, which at present does not have any linkage to skills and performance. There is an urgent need to have the system of reward and compensation in place that will attract, recognize and retain the talent in Primary Agricultural Co-operative Credit Societies on the lines comparable with other banks, particularly banks in private sector.

## Employer - Employee Relationship

A harmonious employer-employee relationship is essential for the effective functioning of the Primary Agricultural Cooperative Credit Societies. Since Co-operative organizations consist of groups of human beings, each of whom is activated by varying motives, No co-operative administration can fulfill its obligations if it is not supported wholeheartedly by the employee at all levels.

The challenge for the Primary Agricultural Co-operative Credit Societies is to encourage people to unleash their power of thinking and apply it to their daily work. The government should always encourage the employees to bring out their fullest talent for the success of the institution. Mere encouragement to generate new ideas is not enough. When people make genuine attempts to implement their ideas and fail, they need to be encouraged to try further. Otherwise, they will never bother to think and try again; they will merely follow their managers. Success can only be achieved if staff feel they are being treated correctly by the concern and fully understand the objectives and rationale for their achievement. It is therefore essential, that management develops an employee relations climate which facilitates these attitudes without reducing management's ability to manage the business.

The conflict between employer and employee or among the employees is inevitable in any organization. Without a broad range of ideas presented by persons with diverse backgrounds, experiences and points of view, innovation is virtually impossible. Conflict can also present an opportunity for personal growth. There is a need to develop 'healthy' conflict between the management and employees as not all organizational conflicts are undesirable.

There is a classic management delusion that employees readily approach the higher management when they are dissatisfied with the decision of their immediate supervisor. The reality is that employees are generally apprehensive of upsetting their day-to-day relationship with their manager, whose decision is most likely to be upheld anyway for the sake of managerial unity.

### Suggestions

1. Improvements or modifications are required to be centralized, in the field of recruitment, fixation of salaries, compensatory arrangements on medical grounds and promotion.
2. Modifications shall be initiated in the field of training, grievance handling, service awards and other motivational factors.
3. Transparency has to be maintained in placement for dependents on compassionate grounds, deputation/transfer to District Central Co-operative Banks, disciplinary and appeal rule proceedings.
4. The trade unions have to perform their work without bias and easily viable to all the employees.
5. The State Government can formulate a Committee for examining the HR policies/practices with representation from workmen for improving the related activities. This committee can conduct hearings from the employees and conduct visits to the work spot, for better understanding and solving problems

## Conclusion

Compared with all other management functions, human resource management in Primary Agricultural Co-operative Credit Societies is more sensitive, personalized and cannot be managed through a set of predefined techniques. HR management is no longer just a support function but a strategic tool for competitive advantage. In fact, it is difficult to practice customer-centric strategic management without first achieving employee satisfaction. Thus, employee satisfaction is a prerequisite to customer satisfaction. Effective organization depends on having the right system of HR policies and practices in place to recruit, select, develop, appraise, compensate and place, promote or send away employees. Based on a careful analysis of the needs of the business, Primary Agricultural Co-operative Credit Societies must prioritize their choices around workforce engagement. Successful HRM requires to practice a sound management philosophy that respects human dignity and diversity, committed to the growth of employees, believe in the value of employee's contribution and involve them in decision – making

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