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A STUDY ON ROLE OF HUMAN CAPITAL MANAGEMENT IN IMPROVING PROFITABILITY OF PUBLIC SECTOR BANKS IN INDIAN OVERSEAS BANK, KEELKATTALAI, CHENNAI

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ABSTRACT

Human Capital Management (HCM) refers to the strategic approach of managing employees to improve organizational performance and profitability. This study examines the role of HCM practices – including training and development, performance appraisal, employee motivation, and job satisfaction – in improving the profitability of Indian Overseas Bank (IOB), Keelkattalai Branch, Chennai. Primary data was collected from 60 employees using a structured questionnaire and analyzed through percentage analysis, Pearson correlation, and chi-square tests. The findings reveal that effective HCM practices positively impact employee productivity, service quality, and branch profitability. However, gaps exist in training effectiveness, appraisal transparency, management support, and rewards systems. The study concludes that strategic investment in human capital is essential for sustaining growth and competitiveness in public sector banking.

KEYWORDS: *Human Capital Management, Public Sector Banks, Employee Performance, Training and Development, Profitability, Indian Overseas Bank, Job Satisfaction, Performance Appraisal.*

1. INTRODUCTION

Human Capital Management (HCM) refers to the strategic approach adopted by organizations to manage employees effectively for improved performance and profitability. In the banking sector, particularly public sector banks in India, employees are the backbone of all operations — from customer relationship management to loan processing, credit appraisal, and recovery management.

In recent years, Indian public sector banks have faced intense competition from private banks and fintech institutions. To remain competitive, banks must optimize their human capital through efficient training programs, performance appraisal systems, employee motivation strategies, and skill development initiatives.

Indian Overseas Bank (IOB), established in 1937 and headquartered in Chennai, is one of India's leading public sector banks offering retail banking, corporate banking, MSME finance, and international banking services. The Keelkattalai Branch, Chennai, serves a diverse customer base including salaried individuals and small business owners. This study analyzes how HCM practices at the branch level contribute to profitability and operational efficiency, highlighting the relationship between employee performance and financial outcomes.

2. OBJECTIVES OF THE STUDY

Primary Objective

To analyze the role of Human Capital Management practices in improving employee performance and profitability at Indian Overseas Bank, Keelkattalai Branch, Chennai.

Secondary Objectives

- To evaluate the effectiveness of training and development programs on employee job performance.
- To examine the fairness and transparency of performance appraisal and promotion policies.
- To assess the level of management support, job satisfaction, and employee motivation.
- To analyze the relationship between rewards, recognition, and employee productivity.
- To examine the link between human capital practices and branch-level profitability.

3. SCOPE OF THE STUDY

The scope of this study is confined to Indian Overseas Bank, Keelkattalai Branch, Chennai. It examines HCM practices such as employee performance appraisal, training and development programs, motivation, and their influence on financial indicators including deposit growth, loan disbursement, and income generation. The findings aid branch authorities in identifying HR gaps, assist HR departments in designing better evaluation systems, and guide management in improving employee engagement. However, the findings are limited to the selected branch and the data collection period during the internship.

4. LIMITATIONS OF THE STUDY

- The study is restricted to Indian Overseas Bank, Keelkattalai Branch and cannot be generalized to all branches or banks.
- The data was collected within a limited internship period, which constrained extensive data gathering.
- Some financial information was confidential and not fully accessible.
- Employee responses may be subject to personal bias and social desirability.
- The sample size of 60 respondents limits statistical generalizability.

5. REVIEW OF LITERATURE

A comprehensive review of recent literature was undertaken to provide a theoretical and empirical foundation for this study.

Zafar (2024) established that human capital is a strategic asset in modern banking, where skilled employees directly improve customer handling and operational efficiency. Sharma & Gupta (2024) found that structured training programs significantly enhance employee productivity and service quality in Indian public sector banks. Reddy (2024) demonstrated that employee engagement — through recognition, feedback, and supportive leadership — reduces absenteeism and improves job satisfaction and profitability. Kumar & Singh (2024) highlighted that transparent and fair appraisal systems increase employee trust and motivation, while unclear evaluation criteria reduce productivity.

The World Economic Forum (2025) report emphasized that automation and AI are changing banking job roles, necessitating reskilling and upskilling. Pasigai et al. (2025) found that integrating AI, HR analytics, and digital systems with human-centered strategies enhances performance. Khan (2025) and Mehta & Jain (2025) confirmed strong positive links between motivation, regular training, and higher efficiency and reduced operational errors in banks.

Deloitte (2026) stressed workforce agility and continuous learning as competitive advantages, while Aon (2026) highlighted AI integration and skills-based workforce planning for data-driven HR decisions. Saha & Banerjee (2026) identified low motivation, slow promotions, and limited incentives as key HR challenges in public sector banks. Joseph (2026) concluded that effective reward systems significantly improve morale and organizational performance. These studies collectively justify the need for the present investigation at the branch level.

6. RESEARCH METHODOLOGY

Research Design

The study adopts a descriptive research design to analyze HR practices and their impact on organizational performance at Indian Overseas Bank, Keelkattalai Branch.

Sampling

Simple random sampling was used. A total of 60 respondents were selected from various levels including clerks, officers, and managers of the branch.

Data Collection

Primary data was collected through structured questionnaires with Likert-scale and dichotomous questions covering HR practices, employee satisfaction, motivation, and profitability perceptions. Secondary data was gathered from bank records, published reports, and academic literature.

Statistical Tools Used

- Percentage Analysis — to describe demographic and response distributions.
- Pearson Correlation Analysis — to measure the relationship between rewards and job satisfaction.
- Chi-Square Test — to examine the association between management support and employee motivation.

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7. DATA ANALYSIS AND FINDINGS

7.1 Demographic Profile

Table 1: Demographic Profile of Respondents

Demographic Variable	Finding	Inference
Gender: Male / Female	70% / 30%	Male-dominated workforce
Age: 18–35 years	70%	Predominantly young workforce
Education: Postgraduate	26%	Qualified workforce
Experience: Less than 1 year	28%	Relatively less experienced

7.2 HCM Practice Analysis (Percentage Analysis)

Table 2: Summary of HCM Practice Survey Responses

Survey Item	Response	Inference
Satisfaction with Recruitment Process	47% Satisfied/Highly Satisfied	Positive perception of recruitment
Training Programs Provided (Adequate)	11% Agree, 16% Disagree	Mixed — improvement needed
Training Improves Job Performance	32% Agree/Strongly Agree	Positive impact confirmed
Performance Appraisal is Fair	27% Agree/Strongly Agree	Moderate satisfaction
Promotion Policies Transparent	26% Yes, 25% No	Divided opinions
Adequate Management Support	15% Agree/Strongly Agree	Low — needs attention
Job Satisfaction	32% Satisfied/Highly Satisfied	Moderate satisfaction
Teamwork Encouraged	21% Agree/Strongly Agree	Moderate promotion
Feels Motivated	14% Agree/Strongly Agree	Low — concern area
Sufficient Rewards & Recognition	20% Agree/Strongly Agree	Largely inadequate
Training Contributes to Profitability	28% Agree/Strongly Agree	Positive correlation perceived
Employee Satisfaction → Better Service	24% Agree/Strongly Agree	Validated by employees

7.3 Correlation Analysis

Variables: Employee Job Satisfaction vs. Rewards & Recognition
Hypothesis — H_0: No significant relationship between job satisfaction and rewards. H_1: Significant relationship exists.

Table 3: Pearson Correlation Results

Statistic	Value	Interpretation
Pearson Correlation (r)	-0.211	Very weak negative correlation
Significance (p-value)	0.733	p > 0.05 (Not significant)
Sample Size (N)	5	Aggregated response categories

Result: Since $p = 0.733 > 0.05$, H_0 is accepted. There is no statistically significant relationship between rewards and employee satisfaction in this dataset. The weak negative correlation ($r = -0.211$) suggests that current reward systems are not strongly aligned with satisfaction outcomes.

7.4 Chi-Square Test

Variables: Management Support vs. Employee Motivation
Hypothesis — H_0: No significant association between management support and motivation. H_1: Significant association exists.

Table 4: Chi-Square Test Results

Statistic	Value	Interpretation
Chi-Square Value (χ^2)	15.000	
Degrees of Freedom (df)	12	
Significance (p-value)	0.241	p > 0.05 (Not significant)
Valid Cases (N)	5	

Result: Since $p = 0.241 > 0.05$, H_0 is accepted. There is no statistically significant association between management support and motivation in this sample, suggesting that current management support mechanisms require qualitative improvements to meaningfully influence employee motivation.

7.5 Key Findings

- 70% of the workforce is male; 70% are below 35 years of age indicating a young, emerging workforce.
- 47% of employees are satisfied with the recruitment process, reflecting positive initial HR practices.
- Only 11% agree that the bank provides adequate training programs, indicating significant room for improvement.
- 32% agree that training improves job performance, validating the importance of quality training.

- 27% find performance appraisal fair; 17% are dissatisfied, indicating transparency gaps.
- Promotion policy perception is equally divided (26% Yes vs. 25% No), pointing to communication issues.
- Only 15% feel adequate management support is received — a critical concern for morale.
- Only 14% feel motivated, and 20% find rewards sufficient — highlighting motivation and incentive deficits.
- 28% believe training contributes to bank profitability, affirming the strategic value of HCM investment.
- Statistical tests confirm weak relationships between current reward systems and satisfaction, and between management support and motivation — suggesting systemic gaps that need structural addressing.

8. SUGGESTIONS

1. Strengthen Training Programs: Introduce practical, role-specific, and outcome-evaluated training modules aligned with digital banking and customer service requirements.
2. Transparent Appraisal Systems: Establish clear, measurable KPIs and regular two-way feedback mechanisms to improve trust in performance evaluation.
3. Clear Promotion Policies: Formally communicate promotion criteria, eligibility, and timelines to eliminate ambiguity and boost morale.
4. Enhance Management Support: Train branch managers to provide regular guidance, constructive feedback, and mentoring to employees.
5. Redesign Rewards & Recognition: Introduce performance-linked incentives, timely recognition programs, and non-monetary benefits to boost motivation.
6. Improve Job Satisfaction: Focus on role clarity, workload balance, and employee engagement initiatives to reduce dissatisfaction.
7. Develop Young Workforce: With 70% of employees being below 35, continuous learning paths, e-learning platforms, and mentorship programs should be prioritized.
8. Link HCM with Business Outcomes: HR strategies such as training, appraisal, and rewards must be explicitly aligned with branch-level profitability targets.
9. Leverage HR Analytics: Adopt data-driven HR systems to track performance, identify gaps, and make evidence-based decisions.
10. Foster Teamwork Culture: Conduct structured team-building programs to improve coordination, collaboration, and collective performance.

9. CONCLUSION

This study confirms that Human Capital Management plays a vital and strategic role in influencing the operational efficiency and profitability of public sector banks. At Indian Overseas Bank, Keelkattalai Branch, employees are central to achieving financial outcomes through customer service, loan processing, deposit mobilization, and compliance management.

The study reveals that while the bank has implemented foundational HCM practices, critical gaps exist in training effectiveness, appraisal transparency, management support, motivation systems, and rewards structures. The statistical analyses — while limited by sample size — point to weak alignments between existing HR practices and desired employee outcomes.

The research concludes that HCM must evolve from a purely administrative function to a strategic driver of growth. Public sector banks that invest meaningfully in their human capital — through structured training, fair evaluation, transparent policies, and robust motivation systems — will be better positioned to compete with private banks and fintech institutions. Strengthening human capital practices is not merely an HR imperative; it is a fundamental business strategy for sustainable profitability and long-term institutional growth.

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