

HUMAN RESOURCE MANAGEMENT AND EMPLOYEE PERFORMANCE: A CASE STUDY ON BANGLADESH BANK

by

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A project submitted in partial fulfillment of the requirements for the degree of Professional Master in Banking and Finance

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Asian Institute of Technology
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Thailand
May 2012

ACKNOWLEDGEMENTS

At the very beginning I would like to express my deepest gratitude to almighty ALLAH for giving me the strength and the composure to finish this research project within the scheduled time.

I would like to convey my highest gratitude to Dr. Sununta Siengthai, my advisor and the chairperson of the Research Examination Committee for her personal guidance, valuable comments, as well as great encouragement provided to me during the research time.

My profound thanks to Dr. Sundar Venkatesh and Dr. Yuosre Badir as committee members for their kindness and precious comments in accomplishing the research.

My great thanks are also delivered to Bangladesh Bank for providing me fund as well as good chances to be at the School of Management in the Asian Institute of Technology, Thailand.

I am ever in debt to my supervisors and all colleagues working in the Bangladesh Bank for their strong support and kindly profound guidance in all my study.

I would like to extent my appreciation and hearted thanks to my beloved parents, my spouse, my daughter, my sisters and my helpful colleagues for their spiritual encouragement during my study.

Finally but one, I would like to extend my thanks to all faculty members, staffs at the School of Management, AIT Extension- the Asian Institute of Technology, Thailand for their valuable tutoring and support in my study.

And, my thanks are faithfully sent to my friends, especially my classmates, who have been sharing challenges and happiness in my study.

TABLE OF CONTENTS

	Title	Page
	Title page	i
	Acknowledgments	ii
	Abstract	iii
	Table of contents	iv
	List of figures	v
	List of tables	vi
	List of abbreviations	vii
Chapter 1	Introduction	
1.1	Background of the study	1
1.2	Problem statement	2
1.3	Objectives of the study	3
1.4	Methodology	3
1.5	Limitations	3
1.6	Organization of the research	3
1.7	Research design	5
Chapter 2	Literature review	
2.1	Definition of human resource management	6
2.2	Human resource management system	6
2.3	Key findings by others researchers related to the problem	8
2.4	Theoretical framework of the study	10
Chapter 3	Bangladesh Bank and its situation on human resource management	
3.1	General introduction on the BB	12
	3.1.1. The establishment of BB	12
	3.1.2. Functions of BB	12
	3.1.3. Vision and mission of BB	13
	3.1.4. Current organizational structure of BB	13
3.2	Human resources department of BB	15
	3.2.1. Planning and resourcing division	15
	3.2.2. Development and benefit division	18
	3.2.3. Performance and Reward division	19
3.3	Human resource management in BB	20
3.4	Existing human resource management system in BB	20
3.5	Performance management system in BB	21
3.6	Training and learning in BB	22
	3.6.1. Foreign training and study	22
	3.6.2. Domestic training and study	22
3.7	Employee benefit, health and safety	23
	3.7.1. Short-term employee benefits	23
	3.7.2. Long-term employee benefits	23
	3.7.3. Other benefits	24

3.8	Weaknesses of the human resource management system of BB	25
Chapter 4	Findings and discussions	
4.1	Profiles of survey respondents	27
Chapter 5	Conclusions and recommendations	
5.1	Conclusions	34
5.2	Recommendations	35
	References	36

LIST OF FIGURES

No	Title	Page
Figure 1-1	Framework of the research	5
Figure 2-1	Human resource management model	7
Figure 2-2	Theoretical framework	10
Figure 3-1	Organizational structure	14
Figure 3-2	Structure of HRD	19
Figure 3-3	Performance management system cycle	21
Figure 4-1	Male-female ratio in HRD	28
Figure 4-2	Age category of the respondents in HRD	28
Figure 4-3	Educational qualifications of the respondents	29
Figure 4-4	HRD working experience of the survey respondents	29
Figure 4-5	Theoretical framework	33

LIST OF TABLES

No	Title	Page
Table 4-1	The profiles of survey respondents	26
Table 4-2	Correlation between HRM Practices and employees performance	28
Table 4-3	Multiple Regression Analysis	28

LIST OF ABBREVIATIONS

BB	Bangladesh Bank
ERP	Enterprise Resource Planning
HR	Human Resource
HRD	Human Resources Department
HRM	Human Resource Management
HRMS	Human Resource Management System
LAN	Local Area Network
PMS	Performance Management System
WAN	Wide Area Network

CHAPTER 1 INTRODUCTION

1.1. Background of the study

People are the center of any organizational activity. Because they provide knowledge, service, capability and skills to their organization. That is why they are called human resources or manpower of the organization. The role of people in banks is more explicit. Because these kinds of organizations are service-oriented, the creator and provider of which are people. To build up effective manpower, banks need to create manpower planning and train them in a proper manner. Because if they are not properly equipped with knowledge and skills essential for rendering proper services to the society, disruption in normalcy will occur. For this purpose Human Resource Management system is needed. HRM helps to focus not only on the people involved but also on the working conditions and relationship with which they work.

Human resource is the main driving force affecting organizational competitiveness and its ability to fulfill its mission. In financial organization the role of people is all the more explicit. Because this kind of organization is service oriented and the most important resources of a service-oriented company.

Recently top executives have shown their keen interest for organizational human resources as they are the main ingredients for strategic planning for the organization. Because successful utilize of employees in the organization can offer a competitive advantages equally internally and overseas. Human resources management system that spotlight on lofty performance HR job practices have been revealed to progress the financial feat of organizations. Human resource development management deals with the blueprint of proper systems in an organization to make sure the useful and proficient exercise of the individual to get done the organizational goal.

The actions that center on HR can present a direct involvement to managerial act. This can be affirmative act or harmful act. It depends how HR policies and systems are designed and at the same time its effectiveness on implementation by the organization. The effectiveness and efforts of the employee depends on the design of HR activities. If designing of HR policies and systems goes right employee may perform their jobs smoothly. But if designing of HR policies and systems goes wrong employee may perform below their capacity.

In the face of globalization and increased competition in the financial sector, banks are exposed to a number of challenges for their sustained growth and survival. From the economic perspective globalization refers to the process of integration with the world economy through economic liberalization such as deregulation, privatization and greater openness to the world trade, finance and investment. In Bangladesh the liberalization process got momentum in the early nineties in almost all sectors of the economy. Since then, the financial sector underwent a lot of reforms to reorient its framework to the changing needs. However successful implementation of those reforms faced a great hurdle due to the scarcity of skilled human resources. The problem of scarcity has been further compounded by the advent of information technology and increasing demand for human resources by the newly inducted private sector banks.

It is evident that while organized efforts are strikingly scanty in various banks for development of human resources, the existing scarce manpower with the required know-how and moderate level of knowledge have turned themselves highly demanded to the new and old private sector banks even at the range of unusual and extraordinary compensation packages. The number of banks presently operating in the country stands at 47. This speaks about the intensity of competition for attracting the skilled manpower, which is limited in number. A high degree of professionalism is required in the bankers, which can largely be developed through participation in mid and long term, training programs offered in the country and abroad. However the issue of HRM appears to be a residual matter for a majority of the domestic banks. Their apathy in developing professional manpower is evidenced in terms of spending much less on training and education of the prospective bankers as well as not sparing them for participation in mid and long term programs, which could have been otherwise in the long term interest of the banks.

Human resource management is one of the important aspects of management of any types of organization, and can be considered as the most important element of management for the organization playing in the service industry. HRM an attempt intended at qualitative progress of individual in their definite job as resources of an organization, particularly for banking company. This is because, banks are the service oriented organization and this service is provided by the human resources and that they need to developed and managed in terms of their personal as well as organizational goals.

Bangladesh Bank (BB) is the central bank of Bangladesh. It is the apex regulatory body for the financial sector of Bangladesh. So the role of BB is extremely important for its economy. It conducts monetary policy, maintains foreign exchange reserve and monitors supervises and regulates other banks and non-bank financial institutions. Hence, there is an urgent need for supply of adequate professional manpower to cope with the emerging challenges. But the human resource management practices of the bank face problems on several issues, which are training practices, compensation practices, employee performance practices, promotion practices etc.

Therefore, there is a crucial need to investigate issues related to the HRM practices for Bangladesh Bank as well as giving critical recommendations for its improvement.

1.2. Statement of the Problem

Human resource management is one of the important aspects of management of any types of organization, and can be considered as the most important element of management for the organization playing in the service industry. But Bangladesh Bank has been suffering from the deficiency of managerial competence due to lack of expert manpower and professional human resource management practice. There is no investigation on status of the human resource management practices for the Bangladesh Bank. So, it is a great opportunity to conduct a research on its human resource management practices to identify and evaluate its actors and factors from different dimensions.

1.3. Objectives of the study

The study has been undertaken with the following specific objectives:

1. To describe the existing HRM of BB.
2. To assess the strengths and weaknesses of the current BB's HRM.
3. To examine the relationship between BB's HRM practice and HR Dept.'s employees' performance.

1.4. Limitations

Problems that faced during the course of the study may be listed as follows:

- 1) Due to time and budgetary constraints it will not be possible to interview all the more of the employees.
- 2) Due to prohibitions of accessibility into the confidential information's regarding human resource management of BB it will not be possible to get information about BB's HRM fully.

1.5. Methodology

Sampling Method: This study falls on the category of the explorative research. Data of both primary and secondary type were collected for the study. Primary data were collected from the different level employees of HR Dept. of BB. At first a list of the employees was collected and 25 employees were selected through Random Sampling from those enlisted employees. And then from those employees primary data were collected through interview.

Primary Data: Primary data were collected through a structured questions and direct interview of the selected employees of BB from Human Resource Department.

Secondary data: Secondary data were collected from different relevant books, publications written on HRM and website of Bangladesh Bank.

Data Gathering Instrument: Structured questionnaires as well as unstructured questions were used to gather data.

Data Analyses: Data analysis were conducted with the help of different computer application programs such as MS Excel, SPSS and manually.

1.6. The Organization of the Research

Chapter 1 presents the introduction of the research, which includes rationale, research problem, objectives, limitations and methodology of the research.

Chapter 2 discusses literature reviews on human resource management.

Chapter 3 focuses on the BB and its current situation on human resource

management.

Chapter 4 points out the findings and discussion on issues related to the human resource management practices and human resources department's employee performance of Bangladesh Bank.

Chapter 5 presents the conclusion of the study and recommendations for improvement of the human resource management practices in the human resources department of Bangladesh Bank.

1.7. Research Design:

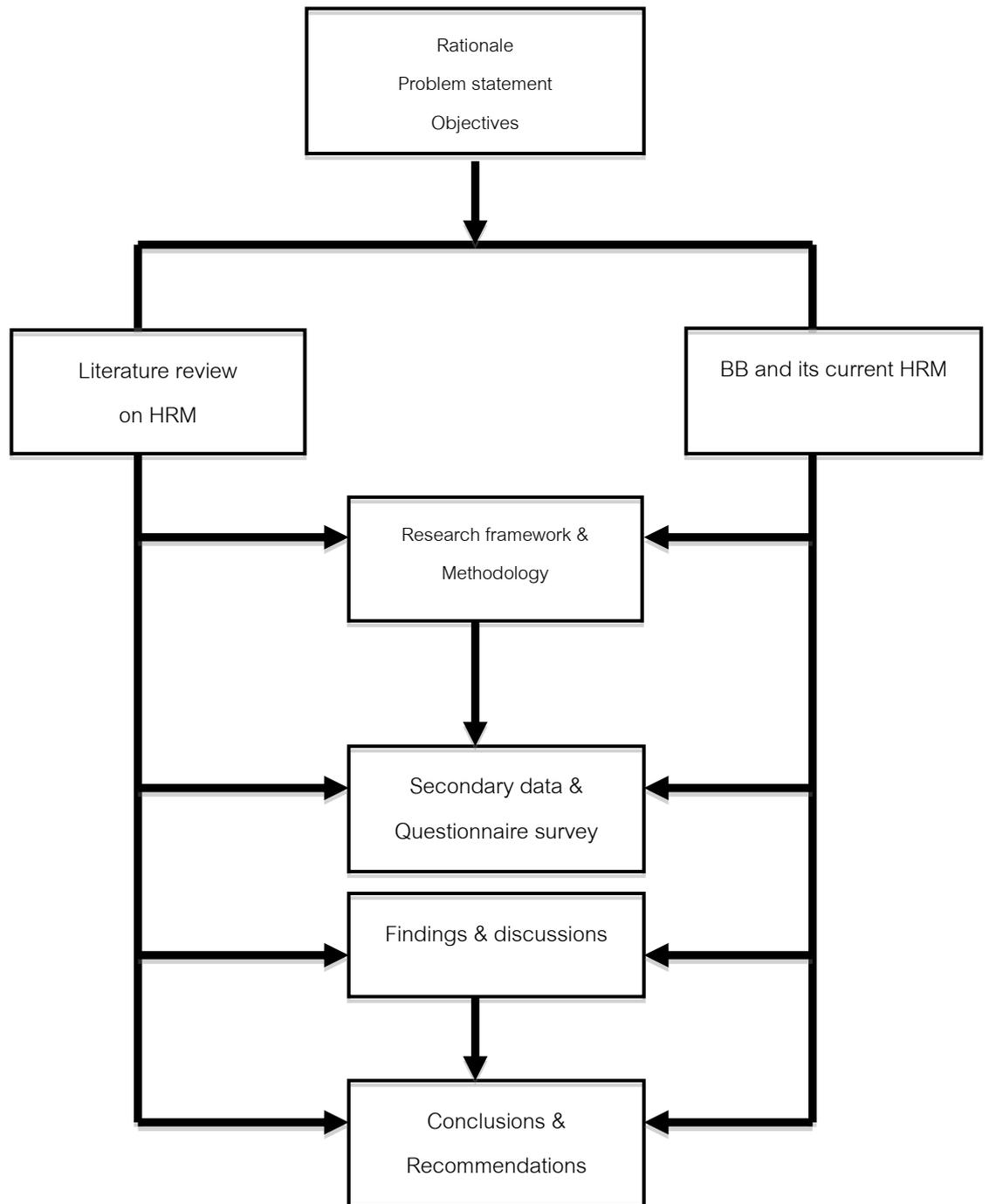


Figure 1.1: Framework of the research

CHAPTER 2 LITERATURE REVIEW HUMAN RESOURCE MANAGEMENT

2.1. Definition of Human Resource Management

Management is a series of activities or process of efficiency getting activities completed with and through other people and the concept of human resource management (HRM) is related to the “people” dimension of management.

There are some concepts related to the human resource management. According to Gilley, Egglund and Gilley, “human resource management can be defined as the recruitment, selection, retention, development and utilization of and accommodation to human resources by organizations.”

Edwin Flippo defines human resource management as “planning, organizing, directing, controlling of procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organizational and social objectives are achieved.”

Human resource management is one of the important aspects of management of any types of organization and can be considered as the most important element of management for a organization. HRM an effort aimed at qualitative improvement of human beings in there specific role as assets of an organization.

The function of human resource management has come to a long way from playing the role of an administrator to playing the role of business partner, contributing directly to the organization’s attainment of overall objectives. For any organization, to compete with HR management at the forefront, it is imperative to create a unique system most conducive to the organization’s structure. HRM helps to focus not only on the people involved but also on the working conditions and relationship with which they work.

Human Resource Management therefore involves the acquisition of employee of the right caliber, improving of employees skill, guiding them to maximize their performance and ensuring employees commitment keep continue for the organization.

2.2 Human Resource Management System

It refers to the systems and processes at the intersection between human resource management and information technology. It helps to keep all the information on employee and on positions in a single system.

The human resource management system can be queried about characteristics of current internal supply of labor. Leading edge HRMSs can support integrated HR record keeping and decision-making process multiple locations. Some organizations choose to outsource this support by contracting application service providers rather than developing expert systems in-house.

An organization may face challenges include changing demand of workers, international and domestic competitors, professional ethics and government to name a few. Data on various jobs in the organization and its future needs, background information of each employee, database of talent pool, etc are fed into Human Resource Information System (HRIS). This information plays a crucial role in job design, in setting job standards and requirements and in estimation of future needs, which enable the HR department to be proactive in recruitment and selection.



Figure 2.1: Human Resource Management Model

Newly placed employees are developed through training. This leads to a productive workforce. Evaluation of employee is accomplished through performance appraisals enable the workers to receive feedback on their performance, which in turn leads to further development. Retention and maintenance of an effective workforce is managed through compensation and it includes incentives for increasing motivation. Besides paying salary and incentives, organizations need to protect the rights of the employees and this is accomplished partly through health and safety benefits.

Employee relations try to promote effective communication to ensure employee satisfaction. Healthy communication amongst employees and management increases productivity. Counseling and monitoring are part of HR department's efforts for the employee. This process starts with self-assessments that help to identify strengths and weaknesses, which in turn leads to employee satisfaction and organizational development.

2.3. Key findings by others researchers related to the problem

The success of any organization mainly depends on its employees' performance. The firms, whose employees are performing in its full efficiency level, are working as comparative advantages. Employees of an organization play the key role for performing better and better. Actually employees are responsible for organizational performance. Now a days organizations believe that there are many factors which have a great impact on the performance of organization but the contribution of human resource is the vital one (Mello, 2005). Hence, in the present competitive world, organizations are giving more emphasize on the improvement of employee performance.

Human resources management practice is the key tool to improve the employee performance. According to Caliskan (2010) competitive advantage of an organization can be achieved by the HR practices. It is assumed that HRM practice has a significant and positive relation with the performance of employees. Organizations are improving HRM systems to ensure optimum level of employees' performance in order to achieve its profits. Datta et al. (2003) mentioned that there is a highly positive correlation between the HR practices and firm efficiency. Banks could earn distinctive profits by using its Human resource management (HRM) practices efficiently and effectively. (Delery and Doty, 1996).

Human resource management practices influence performance. As for example recruitment and selection practices, placement practices, compensation practices, employee performance evaluation practices, promotion practices, training practices and pension or social security etc. are considered as key factor for managing attitude of the employee and have a great influence on their performance. Practically human resource management is used for managing its employee and maintaining employment relations in organizations.

According to Cohen et al. (1997), there are some constrains of HR in developing nations: poorly paid remuneration, lack of positive performance standards, no mentionable incentives for outstanding performance, unskilled workers are ignored because of employment criteria, in case of promotion seniority gets priority than merit according to the promotion guidelines of the organization, favoritism in promotion, no extra payment for hard work, incapable and unskilled top management and small number of motivational activities. Budhwar and Debrah (2001) mentioned that traditional human resource management systems are still followed by developing countries, as a result they face lots of difficulties for development in their organizations. This outdated systems are the obstacles for developing countries. At present, there are lots of books, journals and articles written on HRM systems describes the importance of managerial and administrative capacity and significance of human resources (Ahmed and Schroeder, 2003; Delaney and Huselid, 1996; Ichniowski et al., 1997).

Lots of researchers have identified several HR organizing practices that considerably talk into performance. One of them is Pfeffer (1994) and he identified that better performance can be achieved through sixteen HRM-related activities. Seven human resource practices that are directly correlated to performance have been identified by Delery and Doty (1996). Several researchers have opined that better performance can be achieved through mixed HRM practices than those of individual practices (Arthur, 1994; Baron and Kerps, 1999; Huselid, 1995; MacDuffie, 1995). So it can be said, an useful service of those specific practices consequences in high performance from corner to corner all nature of organizations. According to Paauwe (1998) and Guest (1997), complete and combined visible reality can be achieved by performance. Tessema and Soeters (2006) found that, employee performance is directly correlated to promotion, transfer, posting, recruitment, training, remuneration, disciplinary action and performance evaluation system.

Singh (2004) opined that, employees of an organization willing to continue in their organization due to competitive remuneration package. Among different relationship Tessema and Soeters (2006) found that employee performance has a positive correlation with the compensation practices. In a research Shahzad et al. (2008) concluded that compensation practices has a positive correlation with the performance of university teachers. In fact, whether this relationship prevails or not needs to be tested in employees of HR Dept. in BB.

H₁: Compensation practices are positively related with performance of employees of HR Dept. in BB.

Mello (2005) has argued that evaluation of employees performance is supposed to be a “systematic description” of an employees positive and negative working attitude. Datta et al. (2003) found that employees always strive for doing their best when there exist less restriction in their job description and commensurate with their remuneration package and this can be measured by performance management system. Coens et al. (2000) found that employees working attitude, quality, quantity etc. can be measured by performance management system and employees shortcomings, limitations or any constrains could find out within the particular measuring period by performance evaluation system. By this system every employees in every level or category could be judged properly. Several researchers opined that performance evaluation has a strongly positive relationship with the employee performance (Baloch et al., 2010; Becker and Huselid, 1998) and when an employee is evaluated as excellent means he is performing strongly and when an employee is ranked as poor rated means he is performing weakly. So there exist a strong positive relationship (Tessema and Soeters, 2006).

Considering the above situation and literature review employees performance of HR Dept. in BB can be tested whether this situation prevails in HR Dept. or not. So we can consider and construct a hypothesis bearing this in our mind for BB employees.

H₂: There is a positive correlation between Performance evaluation practice and performance of employees of HR Dept. in BB.

Though promotion is a normal phenomenon in any profession but it is always charming,

prestigious issue and drives employee for better performance. Promotion is a process, which depends on the effective and efficient manner of doing a job that is performance “competency”. Competency is the criterion of measuring the performance of the employees and when the performance is ranked as excellent promoted to higher grade. Promotion in other words is commensurate with the remuneration package. When an employee gets promotion it is certain that his salary will raise. Tessema and Soeters (2006) found that a direct relationship exists between the promotion practices of an organization and employee performance of that organization. In case of the university teachers, Shahzad et al. (2008) mentioned that promotion practices have direct impact on their performance. Considering the above situation and literature review employees performance of HR Dept. in BB can be tested whether this situation prevails in HR Dept. or not. So we can consider and construct a hypothesis bearing this in our mind for BB employees.

H₃: There is a positive correlation between Promotion practices and performance of employees of HR Dept. in BB.

2.4. Theoretical framework of the study

Here we consider a theoretical framework for our study. Considering the above situation we assumed that employee performance is the dependent variable while HRM practices (compensation practices, performance evaluation practices and promotion practices) are independent variables. Figure 2.2 shows the framework model as below:

Model:

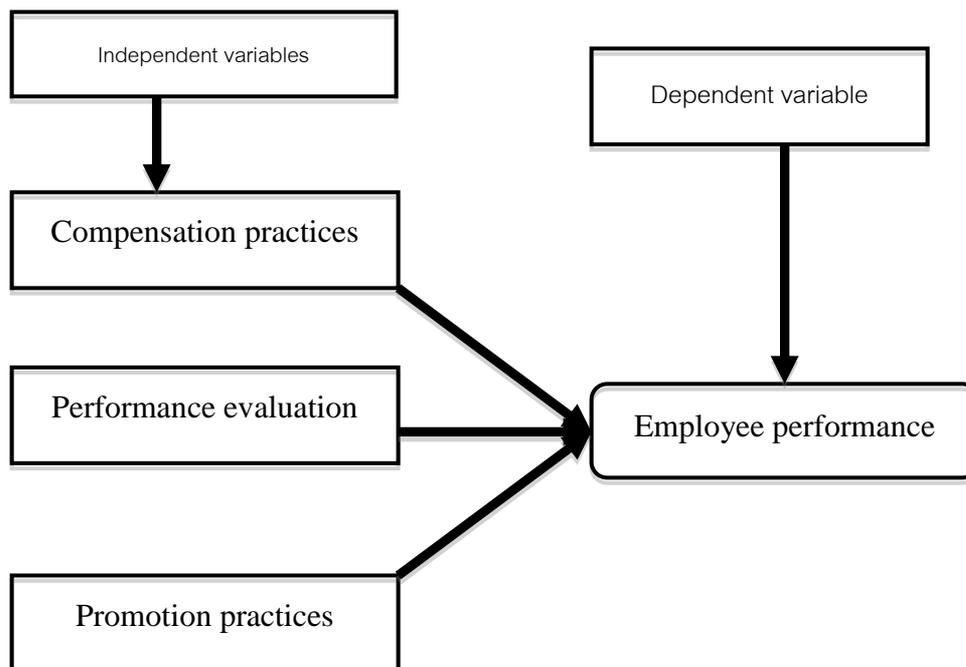


Figure 2.2. Theoretical framework.

The influence of human resource management policies and practices on firm accomplishment is an key topic in the arena of human resource management, industrial relations and the industrial and organizational psychology (Boudreau, 1991; Jones & Wright, 1992; Kleiner, 1990). Realizing the importance of HRM practices on employee performance, in the present competitive world, firms and organizations are giving emphasizing on employees compensation, their performance evaluation, training and development program, and their job satisfaction so that employees are motivated to perform their optimal level of performance. As we have seen that compensation packages, performance evaluations, training and development program are working as the facilitating factors of employees` satisfaction, which results in the employees` optimal efficient performance.

The individual performance has an important implication on firms overall profit and performance and in the way of achieving its mission and vision. Hence for many years, academician and also practitioners are conducting researches in this field. Nowadays, it is believed that individual performance can work as a competitive advantage.

CHAPTER 3

BANGLADESH BANK AND ITS SITUATION ON HUMAN RESOURCE MANAGEMENT

Human resources management is one of the important aspects of management of any types of organization, and can be considered as the most important element of management for the organization playing in the service industry. Bangladesh Bank as a key player in the service industry must assume emphasized interest in the management of human resource management as all the efforts of a bank revolves around the human resources.

Therefore, in this chapter, it will be introduced on the Bangladesh Bank and briefly addressed its current situation on human resource management.

3.1. General introduction on the BB

3.1.1. The establishment of BB

Bangladesh Bank (BB) is the central bank of Bangladesh. It is the apex regulatory body for the financial sector of Bangladesh. It was established in Dhaka as a body corporate vides the Bangladesh Bank Order, 1972, P.O. No. 127 of 1972 (Amended in 2003) with effect from December 16, 1971.

3.1.2. Functions of BB

Each country has only one central bank in its financial system. Financial system includes bank and non-bank financial institutions. So functions of central bank are extremely important for ones economy.

Bangladesh Bank (BB) acts as the central bank of Bangladesh. The major functions of BB includes:

- Conduct monetary and credit policies;
- Each and every banks and non-bank financial institutions are monitored and supervised by BB;
- BB plays a vital role for the smooth operations of domestic financial markets through prudential regulation;
- Maintenance and management of the country's foreign exchange reserves;
- Sole authority of issuance of currency notes in the country;
- Smooth management of payment system;
- Prevent money Laundering in the country;

Source: Bangladesh Bank Order, 1972 (Amended in 2003)

- Lender of the last resort of banks as well as of government;
- Act as a clearing house;
- Collect and furnish credit information;
- Managing a Deposit Insurance Scheme.

3.1.3. Vision and mission of BB

Vision

“To develop continually as a forward looking central bank with competent and committed professionals of high ethical standards, conducting monetary management and financial sector supervision to maintain price stability and financial system robustness, supporting rapid broad based inclusive economic growth, employment generation and poverty eradication in Bangladesh.” (BB website, available on online at <http://www.bangladesh-bank.org>).

Mission

- Conduct monetary and credit policies;
- Smooth management of payment system;
- Maintenance and management of the country's foreign exchange reserves;
- Monitor and supervise banks and non-bank financial institutions and manage domestic financial markets through prudential regulation.

3.1.4. Current organizational structure of BB

The current organizational structure of Bangladesh Bank is illustrated in the figure 3.1.

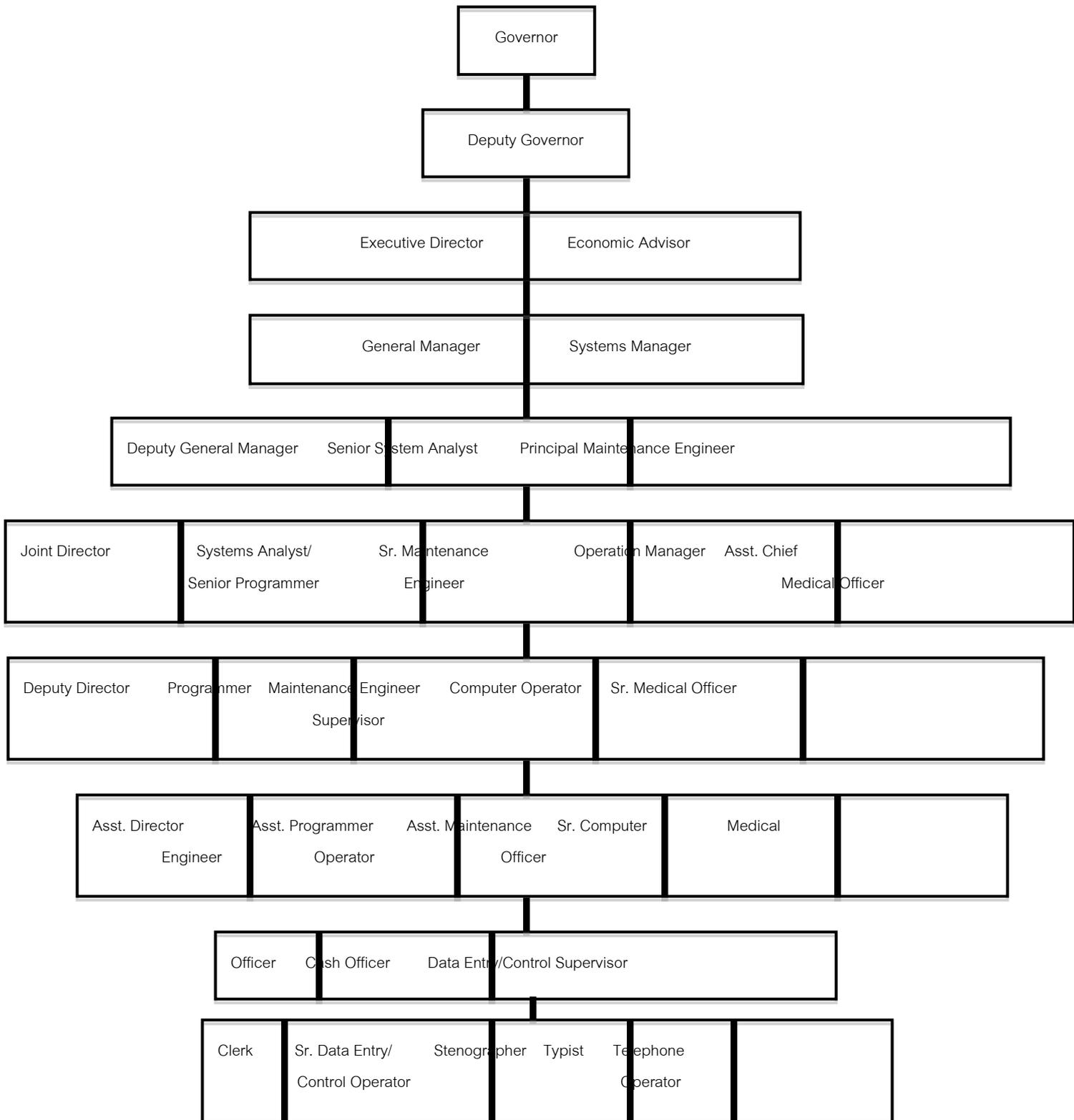


Figure 3.1: Existing BB organizational structure.

3.2. Human Resources Department of BB

At present Bangladesh Bank has 40 departments and Human Resources Department (HRD) is one of them. HR dept. is alarmed with the stream of people into, through and out of organization. It involves forecasting the require for workforce and the supply of workforce, afterward scheduling the programs essential to assure that the organization has the accurate combine of workforce and skills when and where they are required.

The functions of HR Dept. of BB are done under the following divisions:

- Planning and Resourcing Division
- Development and Benefit Division
- Performance and Reward Division

3.2.1. Planning and Resourcing Division

This division has two wing namely Planning, Promotion & Transfer (PPT) wing and Recruitment & Outsourcing (RO) wing.

Planning, Promotion & Transfer (PPT) Wing:

PPT wing deals with organization's goals, defined in business plans and mission statements, are translated into staffing-level objectives and incorporated in personnel programs and policies. Since information is needed from all parts of the organization, line managers are generally involved in HR planning process. Here planning is done for jobs or job families or jobs with multiple incumbents, below middle management in the form of an aggregate level plan. PPT wing try to institute an annual placement plan at an individual level for top management positions for the purpose of succession management.

Recruitment and Outsourcing (RO) Wing:

RO wing works for locating and attracting individuals to fill job vacancies. This wing goes through a number of processes of finding and attracting talented applicants for service and the course of action starts when fresh workforce are hunted and finishes when their applications are submitted. The consequence is a collection of applicants from which fresh human resources will be selected. The recruitment and selection procedure of Bangladesh Bank is so professional, transparent and dynamic that it can proud of it highly.

Bangladesh Bank appoints the employees from 2 sources.

Internal source:

Bangladesh Bank appoints its most of the employees from internal source through giving promotions.

Outsourcing:

Besides internal sources, Bangladesh Bank collects its employees through outsourcing but Bangladesh bank doesn't apply outsourcing for every task. At present, BB appoints assistant director, general manager and deputy director of different divisions through outsourcing.

To recruit employees by outsourcing, Bangladesh Bank seeks help from different recruiting agency. At present, BB recruits employees with the help of a recruitment agency named ORNET.

Agreement based appointment:

At present, Bangladesh Bank follows new policy to recruit employees based on agreement. These employees who are recruited based on agreement are not permanently recruited.

Recruitment process:

1. Publish advertisement
2. Verify the applications
3. Written test
4. Viva-voce
5. Permission of the directors' committee
6. Appoint the employees

Publish advertisement:

Recruitment and outsourcing wing gets the list of required employees from planning, promotion and transfer wing and take necessary steps to publish advertisement in newspaper and its official website.

Bangladesh Bank has developed on-line recruitment systems through which all recruitments under BB and BRC (Bankers Recruitment Committee) are carried out from the year 2010. Application collection, sorting, validation checking, admit cards distribution, seat arrangement etc. are carried out through this system which reduces time and cost for recruitment for both organization and the candidates and hence increases the performance of the organization.

Requirements:

To apply for the post of an officer, an applicant must have the qualifications stated below-

1. Honors passed but 4 year Honors is equivalent to masters.
2. First class in any of the two examinations out of three. Third class in any examination will not be granted.
3. In terms of GPA, minimum requirement is GPA 3.00 out of 4.00

Verify the applications:

After receiving the applications from the applicants, the applications are verified by proper authority.

Written test:

To take the written test, Bangladesh Bank requests different institutions to submit tender. After completing necessary formalities, written test is taken.

Viva-voce:

Applicants who have passed the written test are asked to take part in viva-voce.

Permission of the directors' committee:

Before making the list of finally appointed employees, getting permission from the directors' committee is a must.

Appoint the employees:

After getting the permission from the directors' committee, the selected applicants are finally appointed.

Planning, promotion and transfer wing completes the following tasks-

Planning:

At first, planning, promotion and transfer wing makes a list of required employees for different divisions.

Promotion:

Employees of Bangladesh Bank are promoted in two ways, that is-

- i) Based on seniority
- ii) Based on merit

Merit : Seniority = 1: 1, every year, employees are promoted on the basis of this ratio. Merit of the employees is evaluated through 'Performance Management System'. Employees are also promoted by evaluating educational qualification and working efficiency.

If an employee completes 'Banking Diploma', then he/she will get promoted. 3 point will be earned for completing the 1st part and another 3 point for the 2nd part. On the basis of these points, an employee will get promoted.

In terms of talent, if anyone scores 89 point out of 100, he/she will get promoted.

Transfer:

Planning, promotion and transfer wing decides how the employees will be transferred into different section/department, after every 3year (in some case 5year). Besides the employees are transferred into different branches according to 'station seniority list'.

3.2.2. Development and Benefit Division

This division has two wing namely Benefits & Administration (BA) wing and Training & Development (TD) wing.

Benefits and Administration (BA) Wing:

BA wing looks after the welfare related activities of the employees of BB. When a employee goes to PRL (Post Retirement Leave) and retire from the bank's service, this wing processes the case. BA wing performs activities like leave, accommodation, medical, recreation, etc.

This wing gives employees understated benefits-

1. Vacation: The employees can enjoy leave as for example casual, ordinary, special etc.
2. Salary: This wing determines the employee's salary according to the government announced pay scale.
3. Bonus: This wing determines various occasional bonuses for the employees. Generally employees are given bonus equal to their whole basic bonus.
4. Benefits of loan: BB gives their employees various benefits of loan. Such as:
House loan: House loans of different amounts are sanctioned for the employees according to their designation.

For loans installment every month the equal amount of their house rent is deducted from their salary.

5. Medical facility: Bangladesh Bank provides its employees and their family members various treatment facilities by its internally recruited doctors at free of cost. Every year an employee can avail medicine of taka one thousand from its dispensary. Besides this if an employee suffer from life threatening diseases he can get full or partial financial support from BB. As a part of digital Bangladesh Bank its health care system now has been developed electronically. So disease and treatment history of the patients, digital prescription, stock of medicine etc. activities are done electronically.

6. Car loans: Car loans and maintenance cost are sanctioned for the employees according to their designation.

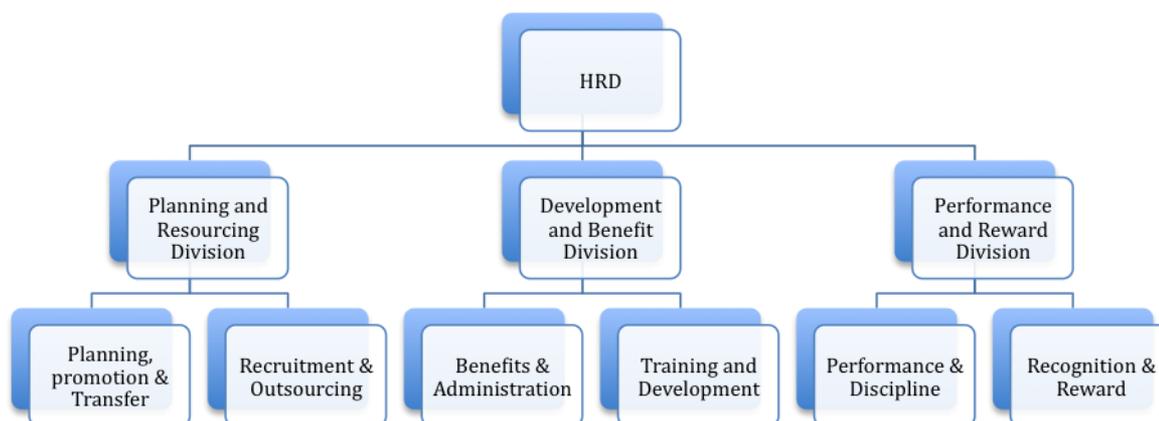


Figure 3.2: Structure of Human Resources Department

Training and Development (TD) Wing:

This wing works for employees training and development. Employees acquire or improve their knowledge and capabilities to aid in the achievement of organizational goals by the training. So this wing conducts on-the-job and off-the-job training for the employees.

3.2.3. Performance and Reward Division

This division has two wing namely Recognition & Reward (RR) wing and Performance & Discipline (PD) wing.

Recognition and Reward (RR) Wing:

RR wing is concern for designing and implementing a culture and environment of acknowledgement and encouragement amongst workforce. Employees are said to be performing well when they are being productive which is measured by effectiveness and efficiency. This wing deals with how well employees have performed and using the gathered information to ensure that employee performance meets present standards and improves future in the future. Employees who show their extra ordinary performance in respective job by introducing innovating business practice, this wing take attempt for rewarding those employees. For measuring employees' performance this wing introduce Performance Management System from the appraisal year 2007-08.

Performance and Discipline (PD) Wing:

This wing is responsible to maintain a free and fair environment in the office premises. Organizational progress is impossible without the cooperation of employees and harmonious relationships between employee and employer. Therefore, PD wing's interest is to create and maintain good relations between employees and employers.

What have been above written is mainly the function of Human Resources Department of Bangladesh Bank and ultimate goal of this department is to manage the human resource management. Thus, the current situation of human resource management of BB will be described below.

3.3. Human Resource Management in BB

In order to achieve a strong and effective administrative capacity, the Bangladesh Bank has given more emphasis on its human resource management. Its HRM involves the acquisition of employee of the right caliber, rising their skill, encouraging them to high levels of performance and ensuring that employees keep on to uphold their dedication to the organization. The Bangladesh Bank Staff Regulations, 2003 is the legal instrument that deals with issues related to people.

Human resource management is one of the important aspects of management of BB and considered as the most important element of management for the organization. The function of human resource management of BB has come to a long way from playing the role of an administrator to playing the role of business partner, contributing directly to the organization's attainment of overall objectives. For any organization, to compete with HR management at the forefront, it is imperative to create a unique system most conducive to the organization's structure.

3.4. Existing Human Resource Management System in BB

Human resource management system of BB combines in one system all the information on employees and on positions. Its HRMS supports integrated HR record keeping and decision-making process multiple locations. BB has developed in-house expert systems for HR record keeping.

With a view to introducing automation of the overall functions of Bangladesh Bank, a number of initiatives have been taken, such as establishment of LAN/WAN among different offices and departments, implementation of ERP etc. BB is implementing three modules of ERP, namely Finance Module (FICO), Human Resources (HR) Module and Material Management Module (MM).

BB has also implemented its in-house developed intranet Portal. Therefore, any official sitting elsewhere in Bangladesh Bank has right to use to the identical type of resources, distribution knowledge and information.

Recently Bangladesh Bank has developed on-line recruitment systems through which all recruitments under BB are carried out from the year 2010. Application collection, validation checking, admit cards distribution, seat arrangement etc. are carried out.

Through this system which reduces time and cost for recruitment for both organization and the candidates and hence increases the performance of the organization.

Source: Bangladesh Bank Annual Report, 2011.

With a view to developing the efficiency of the human resources of the BB, a modern Performance Management System (PMS), Recognition and Award policy, Training Need Assessment (TNA) and a new Training Policy and Procedure have already been formulated and are now being followed.

3.5. Performance Management System (PMS) in BB

Bangladesh Bank aims at becoming a modern and dynamic Central Bank. Effective Performance Management System (PMS) is one of the means to this end. BB successfully introduced Performance Management System (PMS) starting evaluation year 2007-2008. To replace the current subjective ACR system, an improved objective system PMS is introduced. Performance management (PM) is a process-based approach, which will develop the BB's employees to perform their duties effectively and efficiently. PM is a process of aligning the goals of the individual to that of the goals of BB. It provides congenial environment for the supervisor and employee to agree on the goals. It assists the employee in creating a competent level of performance through continuous monitoring, reviewing, providing feedback, coaching and counseling. The process also helps to identify the employees' opportunities for career progression and development

It includes the provision of appropriate process to promote transparency, fair and accurate assessment of the employee. PM is a three-step process.



Figure 3.3. Performance management system cycle

It starts with performance planning and ends with performance reviewing. In between these two steps is continuous monitoring through feedback, coaching and reinforcement by the supervisors. PM will provide and identify developmental plan or provide new skills and training programs that improve skills of the employees required for effective performance in their jobs/roles. Performance appraisal results will be used as a basis for appropriate HR action such as for recognition and rewarding accomplishment, promotion, transfer, coaching, counseling and discipline etc.

Source: Bangladesh Bank PMS Manual.

3.6. Training and Learning in BB

Bangladesh Bank is always keen for improving the theoretical and practical knowledge of its employee. As a result it has conducted a total of 105 training courses/workshops/seminars during FY10. These training and learning process makes the employee skill, professional and efficient in their respective jobs. Bangladesh Bank has its own training institute for trained its employee named Bangladesh Bank Training Institute (BBTA).

3.6.1. Foreign Training and Study

Bangladesh Bank motivates its employee for performing better by nominating them in different training courses/workshops/seminars abroad. During FY10, 468 employees of the Bank took part in various courses overseas. In addition, 30 officials were permitted to complete their higher studies in a foreign country.

3.6.2. Domestic Training and Study

There are some renowned training institutes in the country and sometimes officials of the Banks are taken part in various courses. During FY10, 887 employees of the Bank took part in various courses arranged by distinctive institutions (except BBTA). In addition, 5 officials were permitted to complete their higher studies in the country.

The BB uses a training management model that shows in Figure 3.4.

Set out below are the key areas the bank considers when introducing any training.



Figure 3.4:Flow chart of training model of BB

Source: Bangladesh Bank Annual Report, 2011.

3.7. Employee Benefit, Health And Safety

Pay is just one component of the remuneration package for the staffs. There are certain other staff benefits that BB offers to its employee. Providing a comprehensive benefits package can improve staff morale, well-being, loyalty and help with recruitment – all of which helps its business to prosper. These are as follows:

3.7.1. Short-term employee benefits

Short-term employee benefit obligations are calculated on an undiscounted basis. BB gives their employees various occasional bonuses. Generally employees are given bonus equal to their whole basic bonus.

- Post-employment benefits

These benefits are staffs benefits (except termination benefits) which are payable when the service period of the employee completed. These are as follows:

- General Provident Fund (GPF)

The staffs of the Bank donate at different rates of their basic salary interested in the fund. This fund is transferred in various interest bearing schemes as investment and Bank promises to give a return of 12.50% on the reserve of the account. If the return from various interest bearing schemes is lesser than the promised return of 12.50%, the Bank would pay the deficit amount in the long run.

- Pension Scheme

According to pension scheme, Bangladesh Bank employees get pension amount maximum 80% of their last basic salary. In this case, per Tk. 1 is multiplied by Tk. 200 and 50% of this amount is paid as a lump sum amount and rest of the 50% is paid at the rate of Tk. 100 per Tk. 1 or an employee can receive ones pension monthly till the lifetime.

Moreover, employees who have not avail their leaves up to one year or more at the time of retirement age of 57 are permitted to leave with salary for one year.

3.7.2. Long-term employee benefits

There are some long-term benefits other than the above for the employees. Employees can get this type of benefits only for rendering their services for whole service life.

All employees are allowed to take Tk. 700 per month as health care allowance whenever they joined in the Bank service. Moreover, a maximum of Tk. 1000 per annum is availed in the type of medicine even after the service period.

Source: Bangladesh Bank Financial Statements, 2010.

3.7.3. Other Benefits

Vacation: The employees can enjoy leave as for example casual, ordinary, special, Maternity etc.

Benefits of loan: BB gives their employees various benefits of loan. Such as:

House loan: House loans of different amounts are sanctioned for the employees according to their designation. For loans installment every month the equal amount of their house rent is deducted from their salary.

Medical facility: Bangladesh Bank provides its employees and their family members various treatment facilities by its internally recruited doctors at free of cost. Every year an employee can avail medicine of taka one thousand from its dispensary. Besides this if an employee suffer from life threatening diseases he can get full or partial financial support from BB. As a part of digital Bangladesh Bank its health care system now has been developed electronically. So disease and treatment history of the patients, digital prescription, stock of medicine etc. activities are done electronically.

Car loan: Car loans and maintenance cost are sanctioned for the employees according to their designation.

Discounts

The bank is providing many types of banking facilities to its employees on a discount basis. The bank is providing:

- a) ATM card for which the employees are not required to pay any annual charge applicable to other users.
- b) Safety locker
- c) Instant credit facilities for which they are not required to produce any security or collateral.

Source: Bangladesh Bank Financial Statements, 2010.

3.8. Weaknesses of The Human Resource Management System of BB

It is worth doubt that the management system for human resource adopted by BB is of a good quality, which helped the bank to reach where it stands now and may continue its contribution to the bank in future. But in the banking industry developments in different areas taking place continually and it is no exception for human resource management.

With the changing world, the perceptions of the employees are also changing. Now they look at a job from different dimensions. Across the time their demands get a diversified shape. Now their thoughts have changed about some particular things they are getting from the bank. But the bank has failed to identify those aspects of thinking expectations. In this regard it can be said that the bank have failed to bring adequate adjustments in their human resource management system, which may cause a fall in their service quality.

In the following paragraphs an effort has been made to identify the areas, which can be regarded as the weaknesses of the BBs human resource management system, which are directly related with the employee satisfaction.

Length of work time

Form the employees' point of view the length of work time is greater then the standard work time. Though, officially it is said that the work time starts at 10'O clock in the morning and it extends up to 6'O clock of the evening but the practical situation is something different. They employees have accused the bank in violating the official standard time. Many of the employee claimed that they have to work long beyond their working hours. In most of the days they report their presence at 8: 30 in the morning and have to work till 8'O clock of the evening which is quiet beyond the working hours. The employees have reported that this illegal practice hampering their normal life, they are late to reach home, they often fail to attend social functions, getting less time to share with the family members and overall they are getting segregated from the life of a human and becoming mechanical person. Due to this they often feel tired, stressed and do not get the any interest in their work. If this continues then it may adversely affect the banks performance, the management has to remember that their success hinges on the satisfaction of the employees and only through financial compensation it is not possible to make an employee satisfied.

Over whelmingness of work

It is said by the employees that they are working beyond their capacity. They always get pressure form the management to finish works long before their completion date. Though form the management's point they are doing it for the sake of maintaining schedule but continuous pressure on such matters may break down their resistance and the employees may get nervous break down which will adversely affect the banks working environment as well as affecting other employee and an absolute result in the banks profitability.

Less number of employees

The existing employees of the BB are not satisfied with the present number of employees the BB have. A number of these employees work at the field level operations. They have to go out of the office and stay for the daylong and only a few no. of employees are left at the offices to conduct the regular work when the employees went out of the office for field level work. Then it becomes difficult for them to serve the office for different kind of services.

Leave

The employees have accused the bank of not granting the due leaves to the employees. They said that though they have gained leave on different types but the top management shows their reluctance to grants those leaves. The main reasons they have identified behind it is the less number of employees. If the management grant them leave then it would be difficult for the bank to maintain its day-to-day operation smoothly. But not granting due leaves to the employees cannot be the solution rather is reducing the employee satisfaction level.

Pay cut

Though threat of pay cut works good to reduce the habit of absenteeism of the employees, but it is not wise to use this punishing weapon unreasonably. Frequent and unjustified implementation of this instrument hampers the employee satisfaction. The employees of the BB have blamed the bank to be infected of this sort of practice. They reported that the management does not consider employees convenience. The management cuts from their remuneration even if they are absent for reasons, which should be considered on the humanitarian ground.

Recruitment system

The bank is also biased about their recruitment system. In their recruitment process they practice some aspects though these are inconsistent with their policy of recruitment. While they consider a job application, they consider it with some biasness, such as favoritism to the candidates from a certain university though it is not true that a candidate from other universities is of a worse quality.

Pay scale

The existing employees of the BB are not satisfied with the present pay scale they have. The pay scale provided to the employee is very poor than in the private sector commercial banks. As a result disappointments prevails among the employees and sometimes it impact on their performance and never the less personal and social life. It is said by the employees that poor salary structure is the main obstacle for not having enough brilliant and meritorious candidates joining the central bank service.

CHAPTER 4 FINDINGS AND DISCUSSIONS

Basing on data and information collected in survey questionnaires, in-deep interviews and available documents, this chapter will present some findings and discussions related to the human resource management and practice in the HR Dept. of Bangladesh Bank.

4.1. Profiles of Survey Respondents

The survey was conducted in HR Dept. in a one-month period. Total number of employees (Officer & above) in HRD were 70. Totally 30 questionnaires were delivered, only 25 were returned, that accounted for 83% return rate. The bellow table 4-1 summarizes background characteristics of the 25 respondents.

Table 4-1: The profiles of survey respondents

Items	Group	No of respondents	Percentage
Gender	Male	16	64%
	Female	9	36%
Age	25-30 years	4	16%
	31-35 years	11	44%
	36-40 years	8	32%
	41-45 years	2	8%
Qualification	Master	18	72%
	Bachelor	7	28%
Tenure	<3 years	4	16%
	<6 years	13	52%
	<9 years	4	16%
	<12 years	3	12%
	Above 12 years	1	4%

All the respondents are class one officer and work in HR Dept. of BB. Male respondents were 64% while only 36% were females. 72% respondents had Masters degree, 28% were Bachelor degree. Pie charts of male-female ratio and educational qualifications column graphs of age and total job experience in HR Dept. of respondents are given in the following Figures.

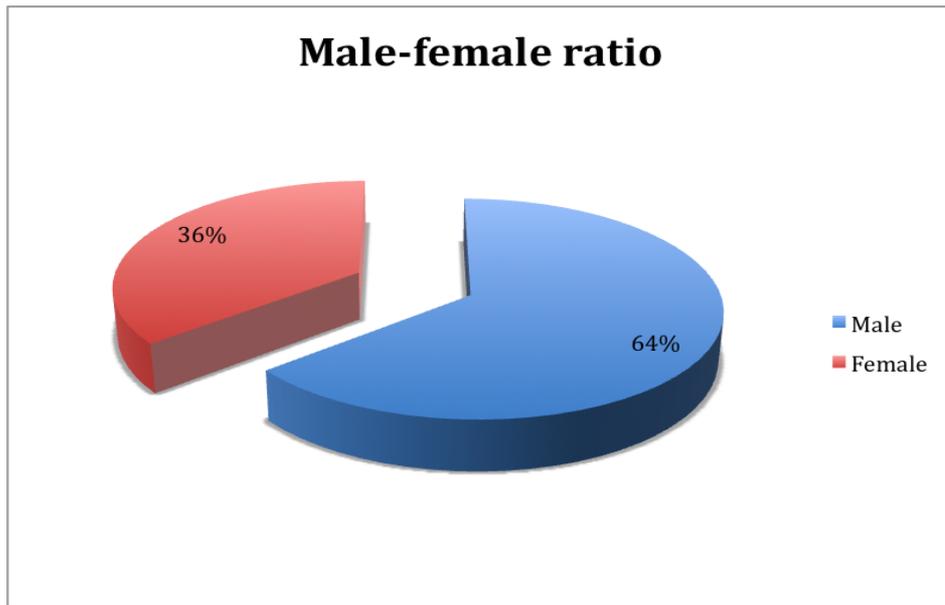


Figure 4.1: Male-female ratio of the survey respondents in HR Dept.

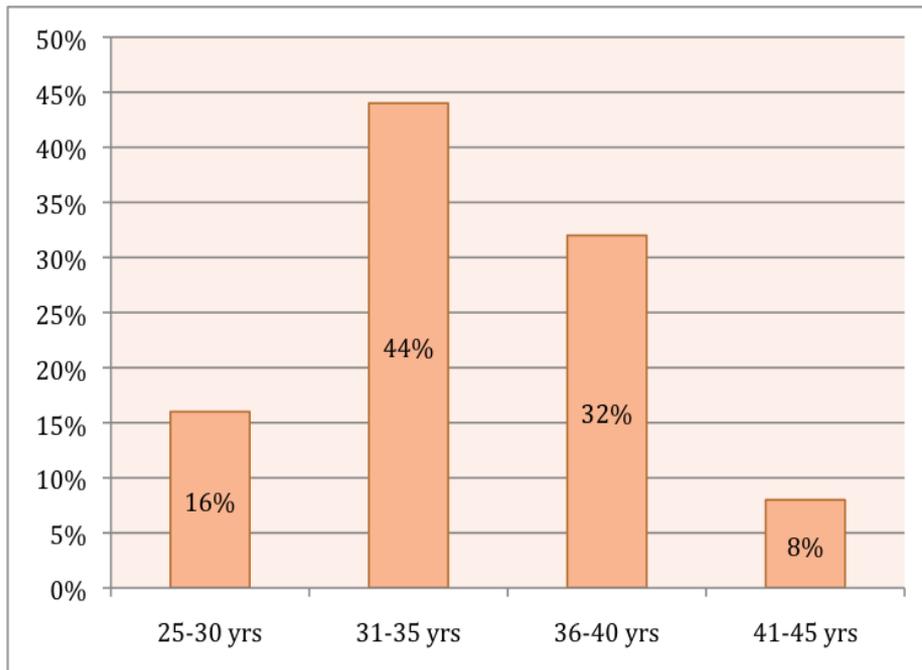


Figure 4.2: Age category of the respondents in HR Dept.

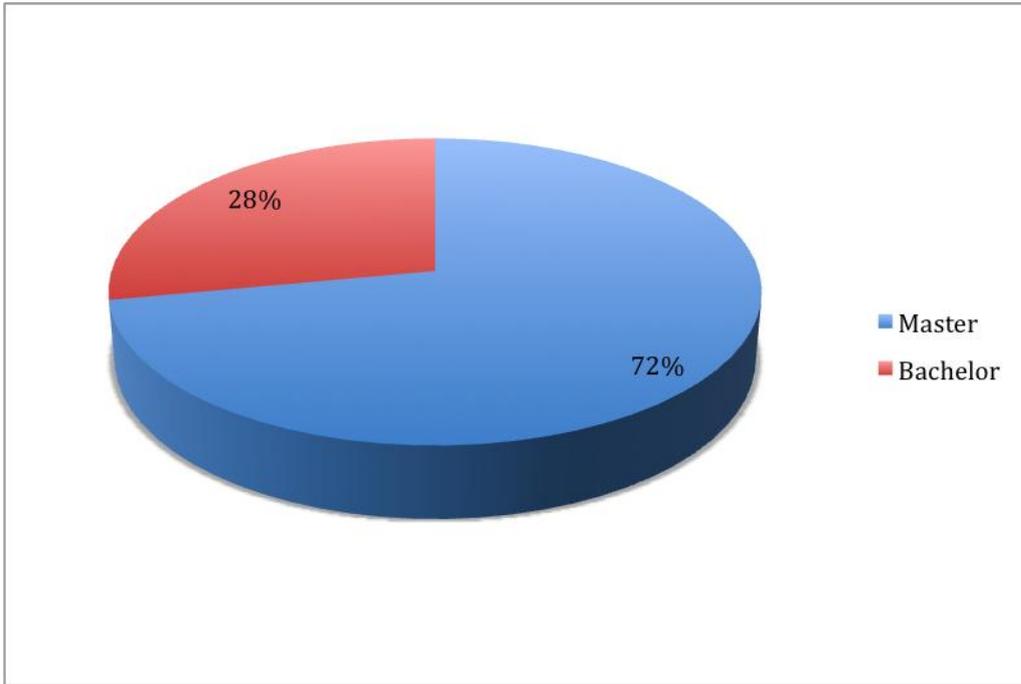


Figure 4.3: Educational qualifications of the respondents in HR Dept.

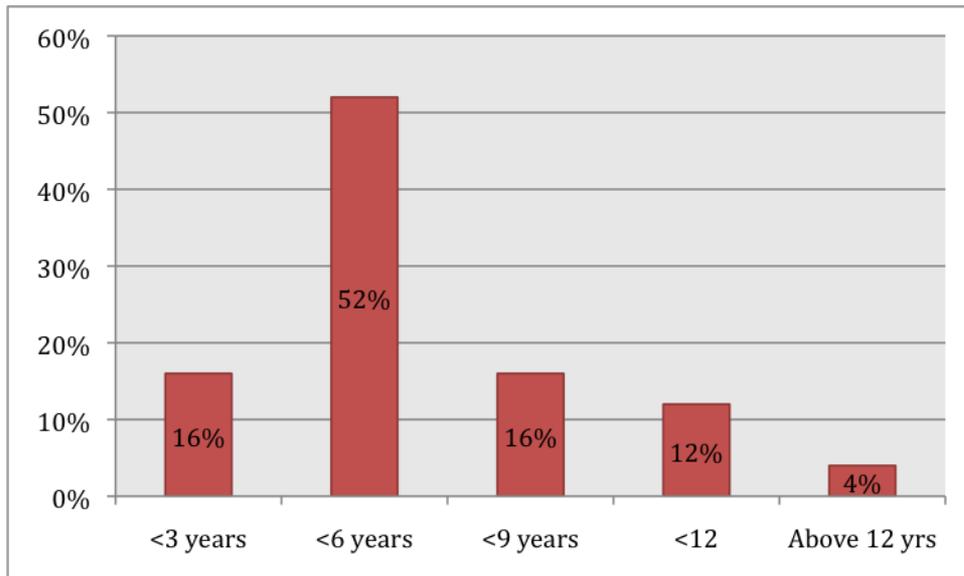


Figure 4.4: Working experience of the survey respondents in HR Dept.

Respondents are undertaking duties, tasks related to human resource management functions. These peoples know HR polices and regulations and HR practice and they have to apply these to their daily office activities. Having observed on their profile, it can be said that the respondents have better experience and competencies related to HRM than other employee serving in other departments of BB.

Here we used two methods namely the correlation and multiple regression analysis to examine the relationship among the variables. With a view to test the hypothesis as mentioned before and identify what relationship exists between employee performance and HRM practices (Independent and dependent variables), we use these two methods. To find out the relationship between employee performance and HRM practices a number of previous studies adopt the same methods of correlation and multiple regression analysis (Baloch et al., 2010; Qureshi et al., 2006; Shahzad et al., 2008; Tessema and Soeters, 2006).

Multiple regression model

$$EP_i = \alpha_0 + \alpha_1 CP_i + \alpha_2 PEP_i + \alpha_3 PP_i + \alpha_4 TEN_i + \varepsilon$$

Where EP_i = Employee performance, CP_i = Compensation practices, PEP_i = Performance evaluation practices, PP_i = Promotion practices, TEN_i = Tenure, ε = Error term.

In the regression model, EP_i is dependents variable and Compensation practices (CP_i), performance evaluation practices (PEP_i) and promotion practices (PP_i) are independent variable. TEN_i (tenure) is a control variable.

As questionnaire was design on likert scale, Table 4-2 shows the correlation between all the variables which are used in the models bellow:

Table 4-2: Correlation between HRM Practices and Employees performance

Variables	Employee performance	Compensation practices	Performance evaluation	Promotion practices	Tenure
Employee performance	1.00				
Compensation practices	0.52	1.00			
Performance evaluation	0.56	0.39	1.00		
Promotion practices	0.66	0.15	0.36	1.00	
Tenure	-0.82	-0.38	-0.33	-0.61	1.00

From this table we can see that employee performance and HRM practices have strong relationship. The correlation between employee performance and HRM practices show positive relationship. These outcome of relationship are almost similar with our theoretical framework and the studies did before (Baloch et al., 2010; Tessema and Soeters, 2006).

Table 4-3 shows multiple regression analysis results of the model in the below:

Table 4-3: Multiple Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.902(a)	.813	.775	.28561

a Predictors: (Constant), Tenure, Performance evaluation, Compensation practices, Promotion practices

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.089	4	1.772	21.724	.000(a)
	Residual	1.631	20	.082		
	Total	8.720	24			

a Predictors: (Constant), Tenure, Performance evaluation, Compensation practices, Promotion practices

b Dependent Variable: Employee performance

Coefficient(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.770	1.109		1.595	.126
	Compensation practices	.213	.124	.191	1.716	.102
	Performance evaluation	.309	.150	.229	2.058	.053
	Promotion practices	.327	.184	.226	1.776	.091
	Tenure	-.112	.028	-.532	-4.046	.001

a Dependent Variable: Employee performance

Multiple regression analysis results are shown in the Table 4-3. According to the table, the model has four significant variables. Performance evaluation is significant at 5% level of significance. Compensation practices is significant at 10%, promotion practices

variable is significant at 10% and control variable tenure is significant at 1% level of significance. We can see that the R^2 of the model is 81.30%. This implies that 81.30% changes in the employee performance can be explained by the HRM practices. Again 77.50% is the adjusted R^2 of the model and coefficient of correlation r is 90.20% in this study. Here we get R^2 and adjusted R^2 value which are better than those of the study before on HRM and University teachers' performance (Reisinger (1997)). The F test of model is significant. The value of F statistics is 21.72% that significant at 1% level of significance and model is good fit.

Among the variables, Promotion practices is the most important and this is why performance of employees in HR Dept. in BB can be defined highly by promotion practices is 0.327 and significant at 10% level of significance. From this result we can say that promotion practices have the strong relationship with the performance of employees. This type of study was done on banking sector of Pakistan before and got similar result (Baloch et al., 2010). Actually employees of HR Dept. of BB are pleased with their promotion policy. Because they have written and operational promotion policy. As a result employees got either seniority basis or merit basis promotion.

Performance evaluation practices is the second important variable which is used to define employees performance of BB. In HR Dept. of BB, performance evaluation practices have contribution in explaining the employee performance is 0.309 and significant at 5% level of significance. From this result we can say that performance evaluation practices have the strong relationship with the performance of employees. This type of study was done on banking sector of Pakistan before and got similar result (Baloch et al., 2010). So HR Dept. of BB can also get optimistic result if BB follow the performance evaluation practices properly. BB would get diverse advantages from this practices like; one of the main advantages of performance evaluation is raising salary, give promotion and others incentives scheme to the employee. Depending on the performance evaluation practices BB can identify the strengths and weakness of its employees and could take necessary actions like; training. Besides staffing, selection and development of employees etc. depends on performance evaluation practices (Tessema and Soeters, 2006).

The compensation practices have only contribution in explaining the employee performance is 0.213 and significant at 10% level of significance. This result is alike the result of Shahzad et al., (2008) and Teseema and Soeters (2006). This is because of low per capita income of the people of Bangladesh. As a result employees prefers any amount of salary they get from the organization. Compensation practices are important because lots of evidences shows that it has a strong relationship with the performance of employees. Even a small increase in salary can promote employees highly to do his job effectively and efficiently. It really motivates employees promptly (Huselid, 1995). The studies done before identified that poor countries are well-known for their monetary troubles in running and financing the projects regarding HR practices and programs (Kiggundu, 1989).

Model:

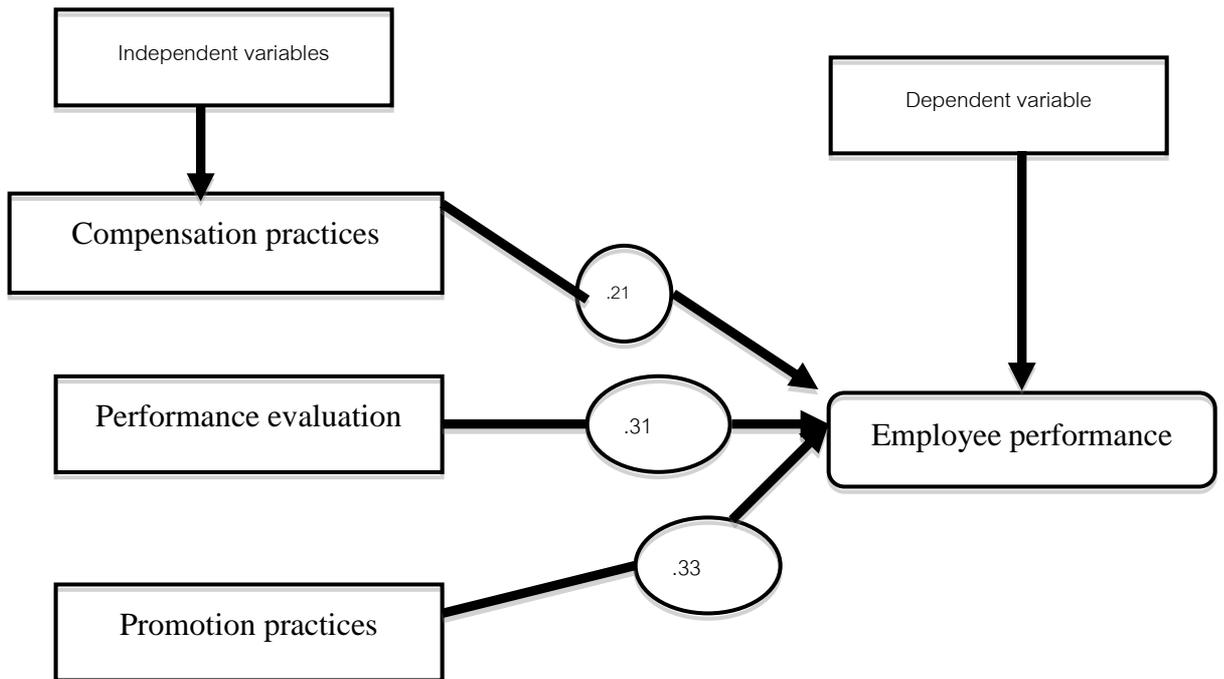


Figure 4.5: Theoretical framework.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

This chapter presents conclusions on human resource management practices for Bangladesh Bank as well as recommendations for its improvement are also given.

5.1. Conclusions

All what have been written in this research have been focused on describing issues related to the human resource management that is executed by the Human Resources Department of Bangladesh Bank. It is found from the study that the human resource management practices of HR Dept. is effective and efficient in managing its personnel's with its HRM system. In its HRM system, BB has given emphasis on the recruitment of quality employees. Emphasis is given on the training of different aspects of technical and management in order to maintain the quality of the services provided and to achieve development in this regard.

The rationale of this study is to examine the relationship between the employee performance and HR practices (compensation practices, performance evaluation practices and promotion practices) in the HR Dept. of BB. All hypotheses are accepted. The HR practices and employee performance has positive and significant relationship in this study. These results are in accordance with the previous study. The regression results show that HR practices: compensation, performance evaluation and promotion practices are significant.

Banks are the key players for the economic development. Employees of banks are most important resources. So HR Dept. of BB should reexamine their compensation practices that prevailing at present. A lucrative remuneration package motivates employees quicker than others. It accelerated employees performance in the long run. As there are inflationary pressure exists in the economy of Bangladesh, it should adjust salaries and others financial incentives of the employees time to time. Besides HR Dept. of BB should consider HR practices like performance evaluation and promotion practices. For smooth operation of various activities these two practices need to implement and maintain accurately. This study can facilitate BB as well as banking sector to appropriately describe that HR practices can generate higher performance of the employees of the banks which in due course results in rising the output and inspiration in employees.

Besides these, there is some draw backs also in some aspect of employee satisfaction. It has failed identify some employee needs. The job environment is slowly deteriorating of its employee's normal life pattern by destroying their social life. Some recommendation has given in this connection in the next page.

5.2. Recommendations

In the light of overall discussions and findings, comments and suggestions from the respondents in the survey questionnaires, the following recommendations are put forward for effective human resource management by the Human Resources Department of Bangladesh Bank:

- 1) Training should be followed up efficiently and effectively and necessary measures must be taken on the basis of follow up training.
- 2) Job rotation can make the employees skilled in all the activities of a bank. HR Dept. can conduct “job rotation” program.
- 3) Increase the number of experienced trainers from within and outside the country.
- 4) Length of working hours must not exceed the standard official working hours.
- 5) The employees must not put the employees under unnecessary pressure to hurry in their work while it is not required. Work pressure must be kept within a standard limit.
- 6) They must grant the due leaves to the employees regularly as per the schedule in order to avoid making them disgruntled.
- 7) They must restrain the pay cut policy for the cases when the case may be considered under humanitarian ground.
- 8) They should not practice any discriminating policy in recruitment such as favoritism to the candidates of a certain university.
- 10) The BB should offer attractive fringe benefits and competitive pay package to retain prospective staff.
- 11) In this study, only three most important HR practices have been chosen. The future studies can be done by utilizing other HR practices like training, recruitment etc practices.

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