

A Study of Recent HR Practices of Selected Public and Private Sector Banks in India

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Abstract

The banking sector has long served as a crucial driver of economic development in every nation, and its significance in a developing country like ours cannot be overstated. There is rapid diversification of banking operations across the world today. In order to sustain their position in today's fiercely competitive environment, it is important that banks focus on optimizing their human resources for better overall growth and efficiency. Nurture teamwork, enhance employee commitment, and ensure proper alignment in human capital management. Alignment with business objectives is indispensable for success. The long-term vision for India is to transform its banking system from a domestically oriented framework to one of global prominence may seem ambitious at present. However, international excellence requires a strategic mix of advanced technology with improved credit and risk assessment systems, sound treasury management, product innovation, robust internal controls, regulatory compliance, and above all, effective human resource management. In such a service-centric industry, human capital remains the most critical asset. Employment opportunities for educated people were limited in the post-independence era, and thus the banking sector as a highly sought-after career option right behind the civil services. That has significantly changed over time. Rigidities have emerged within the public sector banking framework, where hierarchical structures often prioritize seniority over performance. This system has obstructed the attracting and retaining of highly qualified young people. The ability of banks to meet emerging challenges will largely depend on how effectively they harness their most A priceless asset-their people-in this changing economic and business environment.

This study aims to examine recent human resource practices across selected Indian banks. It seeks to assess how HR strategies have evolved in response to intensified competition following the entry of new private and foreign banks during the liberalization era.

Introduction

The banking sector has historically functioned as a pivotal catalyst for economic development worldwide, with its role assuming unprecedented significance in developing economies such as India. On a global scale, the activities of banking are getting increasingly diversified, driven primarily by rapid technological changes that have come to symbolize the industry. The Indian banking industry is no exception to such transformational changes either. In such a scenario, banks need to reassess the use of human resources in a focused manner to preserve competitive advantage. resource deployment for organizational growth and operational excellence. Facilitating cohesive teamwork and enhancing employee commitment are indispensable in increasing the efficacy of human capital. Hence, it is crucial for banking institutions to align human resources management frameworks integrally with their wider corporate strategies.

Productivity and the quality of outcomes are closely interrelated with the capabilities and engagement of employees. Accordingly, continuous investment in the skill development of employees and their knowledge advancement is crucial. It means fostering mutual growth between the workforce and the institution. Human resource management therefore represents a strategic imperative for institutions that intend to leverage: Human potential to meet organizational objectives successfully.

In the banking industry, just like within all industrial sectors, the strength of HR practices is directly related to with employee motivation and institutional performance. The judicious use of HR initiatives creates a favorable organizational climate that equips develop the skills that enable personnel to reach a high level of competence and productivity. Not less important is the continuous review and realignment of such HR practices to keep them in step with emerging competitive challenges.

Contemporary scholarship underscores a paradigmatic shift in the role of HR as it pertains to organizational structures. There is an increasing discussion over the possibility of outsourcing HR functions, something that is underlain by Multifaceted factors include:

- The transition prompted by privatization policies, shifting banking institutions from government-protected entities to entities operating under market forces, contending with multinational corporations employing diverse HR strategies.
- Increased competency among line managers to manage HR responsibilities themselves.
- The increasing automation and digitization of routine administrative tasks through technological innovation.
- The rise of virtual organizations, which are redefining traditional work frameworks and necessitating new HR paradigms.

This discourse underscores the critical need for banks to adapt their human resource strategies proactively to remain resilient and competitive in an increasingly globalized and technologically driven market.

Contribution of Human Resource to Organizational Performance

Human Resource (HR) functions significantly contribute to organizational performance by establishing robust operational fundamentals; adapting proactively to evolving external environments; and cultivating an organizational context that enables resilience against divergent market forces. The emergence of advanced HR practices is imperative to fortify the Indian banking system, making it more robust, efficient, and cost-effective. Foundational reforms should be embedded across the strategies and operational frameworks of banks, including reinforcing them prudential norms and market discipline, benchmarking with international standards, and facilitation organizational change and consolidation, modernization of technological infrastructure, and focusing on human capital resource development as a driver of systemic change.

Evolution of HR Practices in Banking Within the banking industry,

The discipline of Human Resource Management is marked by a continuous process of discovery and change. HRM remains dynamic and adaptive, shaped both by internal cultural factors and by the wider business ecosystem. Success in banking operations today is now more reliant upon the quality of human resources. Building on the competencies of the employees to deliver quality financial services. At the forefront of industry priorities stand skill development and the enhancement of management focused on nurturing skills, especially in credit appraisal and risk management. The integration of modern information technology has enabled the development of newer HR practices. As such, the future paradigm for HR requires professionals who manage and predict not only the organization's change but also demonstrate an in-depth understanding of the complexities intrinsic to the evolving business. environment.

Core Functions and Strategic Importance of HR in Banking

HR's main mandate in the banking sector is to driving performance optimization among employees. The variables of skills, attitudes, and domain knowledge influence organizational competitiveness and underpin the capability to deliver value to clients. The Indian banking industry has played a foundational role in national economic development, though the sector now, both opportunities and challenges abound for it, especially in the public sector institutions grappling with a dynamic economic landscape. It is all about strategic integration of HRM with overarching business strategies. Beyond traditional tasks—recruitment, placement, performance management, compensation, and employee relations—a paradigm shift in personnel management is warranted. Historically, hierarchical and seniority-based structures have impeded talent acquisition, particularly among emerging professionals. Nonetheless, progressive recruitment strategies, ongoing training, and flexible redeployment mark significant HR advancements in Indian banks.

Contemporary HR Practices in the Banking Industry

A range of HR practices are actively employed to enhance organizational outcomes in Indian banking institutions:

- **Staff Meetings:** These gatherings foster group synergy, team building, organizational openness, a corporate family ethos, and recognition of individual talent. Monthly meetings establish and review goals and action plans, facilitating collective involvement and harmony across branches and administrative units.
- **Brainstorming Sessions:** Designed to elicit innovative ideas and alternative solutions, these sessions leverage cross-functional employee participation. Quarterly topics address pressing corporate challenges, and actionable recommendations are distributed for implementation.
- **Study Circles:** Aimed at promoting self-improvement, study circles encourage employees to continuously update knowledge and skills. Activities such as guest lectures, multimedia presentations, and group discussions, led by subject-matter experts, support development. Meetings are held bi-monthly at administrative offices and quarterly at branch level.
- **Quality Circles:** As a proven tool under Total Quality Management (TQM), quality circles foster teamwork, a culture of quality, employee commitment, and broad participation in process improvement.

Landscape of Indian Banking and Employers

India's financial sector, valued at approximately US\$28 billion, has sustained annual growth rates approaching 15%, with the banking industry displaying consistent stability. The sector's asset base reaches US\$270 billion, coupled with deposits totaling US\$220 billion, and supported by a nationwide infrastructure spanning over 66,000 branches and 17,000 ATMs. The present ecosystem comprises 88 scheduled commercial banks, including 28 public sector banks, 29 private banks, and 31 foreign banks. According to ICRA Limited, public sector entities control more than 75% of total industry assets, while private and foreign banks hold 18.2% and 6.5%, respectively. The 2006-07 period was characterized by excess liquidity, incremental interest rates, robust credit expansion, favorable returns, corporate mergers, and stasis in regulatory reforms. Indian banks are primarily categorized as Public Sector, Private Sector, Cooperative, or Foreign institutions, with the Reserve Bank of India functioning as the central regulatory authority.

Selected Public and Private Sector Banks

Nationalized Banks

State Bank of India, Union Bank of India, Central Bank of India

Private Banks

Axis bank, HDFC Bank, ICICI Bank

It is projected that India could emerge as the world's third largest banking hub by 2040. By the end of March 2010, the aggregate assets of all scheduled commercial banks were estimated at ₹40.9 trillion, representing approximately 65 percent of the nation's GDP at prevailing market prices—a slight decline from 67 percent in 2002-03. Forecasts indicate that total bank assets will continue to expand at a compounded annual growth rate of 13.4 percent in the forthcoming years.

One of the major problems faced by the Indian banking industry is a continuous shortage of skilled manpower. To fill this gap, many organizations are forming alliances with top-ranking academic institutions. For example, Standard Chartered Bank has teamed up with SP Jain Institute of Management while the Bombay Stock Exchange collaborates with the Birla Institute of Management Technology (BIMTECH). These adaptations reflect the pressing need to move forward with and refine the skill sets in demand today banking operations. Specialized expertise in domain areas like retail banking, investment banking, and risk management, foreign exchange & development, finance management etc are increasingly in demand. Thereby, banks and financial institutions need to strategically realign both their Human Resource and Information Technological Processes to ensure operational excellence.

In terms of compensation trends, the banking sector witnessed a notable 17 percent increase in average salaries during the 2008 financial year. Regarding compensation trends, the banking sector saw a remarkable growth of 17 percent in average salaries during the 2008 financial year. Entry-level annual salaries range from ₹262,000 to ₹446,000 nationwide, while for multinational banks, such as ABN AMRO and Citibank offer enhanced remuneration packages, often incorporating employee stock options, bonuses, and performance-based increments.

HR Exercises and Policies in Selected Private Sector Banks

Axis Bank

Axis Bank was established in 1994 as UTI Bank. Axis Bank was the first amongst new-generation private banks to commence operations. It was promoted by a consortium comprising Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation Ltd. and its associated entities. Presently, the bank operates through a wide network of over 608 branch offices and extension counters and has a combined staff strength of 13,389. It is committed to an ethical organizational ethos that prioritizes customer satisfaction and service quality and stakeholder value maximization. Axis Bank's human resource policies are strong yet flexible, drawn up to create and maintain a motivated and knowledgeable talent pool. Lateral recruitment is encouraged, and

rural talent is sourced through collaborations with Tier-II business schools. The bank invests actively in continuous professional development, offering a spectrum of training modalities. This includes classroom instruction, outbound workshops, as well as in-house and external domain programs. A well-designed performance-related variable pay scheme and employee stock options are applicable to all grades and roles, further strengthening its talent retention policy.

HDFC Bank

HDFC Bank Set up in 1995 by Housing Development Finance Corporation, HDFC Bank is one of the India's premier financial services player, with a diverse product and service offering. With a pan-India network of 2,000 branches and 5,998 ATMs across 996 cities, HDFC Bank reported 52,687 employees as of March 31, 2009. The bank focuses on constant training of employees through both on-job learning and structured programs delivered by internal and external faculty. Believing that broad-based employee share ownership enhances institutional performance and motivation, the bank's stock option scheme reaches approximately 59 percent of its workforce. HDFC Bank maintains an unwavering focus on product quality and service excellence, embodying values of integrity, commitment, teamwork, and superior customer service standards.

ICICI Bank

Founded in 1994 as a wholly owned subsidiary of the Industrial Credit and Investment Corporation of India, ICICI Bank boasts a network of approximately 950 branches and 3,300 ATMs domestically, along with operations in 17 countries. Known as one of the nation's premier private sector recruiters, ICICI Bank inducts nearly 15,000 new employees annually, with its total headcount reaching 33,321. The institution subscribes to the tenet that its workforce is the primary driver of organizational growth, underpinning its strategic direction with a culture focused on dynamism, meritocracy, executive excellence, and professional integrity. ICICI Bank has pioneered industry-academia engagements, such as its collaboration with NIIT to establish the Institute of Finance, Banking & Insurance, designed to furnish the financial sector with entry-level skilled professionals. The bank delivers multifaceted leadership development initiatives, designed to identify and nurture executive talent, thereby cultivating global leaders. Beyond advancing economic agendas, ICICI Bank also contributes actively to the broader pursuit of human development.

HR Practices and Policies in Selected Public Sector Banks

State Bank of India

The State Bank of India (SBI) stands as the nation's largest commercial banking institution and is consistently ranked among the top five banks globally. Since 1973, SBI has demonstrated strong commitment to social responsibility through its ongoing Community Services Banking initiatives, reflecting its active engagement in non-profit endeavors. The bank supports a diverse clientele of approximately 90 million individuals via a comprehensive network of 9,000 branches, offering an extensive suite of financial products and services, including Personal Banking, Gold Banking, NRI Banking, International Banking, Corporate Banking, Small Business Finance, Rural Banking, and Home Loans.

SBI's international footprint is substantial, with 52 foreign offices across 34 countries, enabling the institution to meet the global requirements of its foreign customers while continuing robust domestic retail operations. In pursuit of organizational excellence, SBI places significant emphasis on fostering effective group dynamics and cultivating a positive work culture through targeted team-building activities. The bank maintains dedicated

facilities for the continuous professional development, training, and upskilling of its workforce, thereby ensuring sustained employee competency and institutional growth.

Union Bank of India

Union Bank of India (UBI) stands as a prominent Indian public sector bank headquartered in Mumbai. Founded in 1919 and nationalized in 1969, UBI significantly expanded its operations following its mergers with Corporation Bank and Andhra Bank, effective from 1 April 2020. This consolidation has positioned UBI among the largest public sector banks in the country, overseeing a network of approximately 9,300 domestic branches and four international branches located in Hong Kong, Dubai, Antwerp, and Sydney. Additionally, UBI operates representative offices in Shanghai, Beijing, and Abu Dhabi, and delivers services in the United Kingdom via its wholly-owned subsidiary, Union Bank of India (UK). The bank's infrastructure also encompasses over 10,000 ATMs and 23,000 Business Correspondent Points, while its workforce exceeds 76,700 employees.

Human Resource Policies and Initiatives

Union Bank of India is committed to fostering a dynamic, inclusive, and growth-oriented work environment. The institution's comprehensive Human Resources (HR) Manual encapsulates the entirety of its HR policies, procedures, and regulatory guidelines, serving as an authoritative resource for all staff. This manual addresses, among other elements, regulations pertaining to promotion, conduct, and service conditions, with the 2023 edition recognized for consolidating critical HR information in an accessible format for officers.

- **Transfer Policy:** UBI has promulgated detailed transfer policies, with the latest staff circular (2023) outlining the processes, criteria for exemptions, and protocols governing transfer exercises following exemption periods.
- **Pension and Employee Benefits:** The bank administers a robust pension scheme in accordance with the Union Bank of India Employees' Pension Regulations, 1995. Supplementary benefits include loan initiatives supporting retired personnel (notably for medical insurance premium payments) and requirements for annual life certificates from pensioners.
- **Officer Service Regulations:** The Union Bank of India (Officers') Service Regulations, 1979, systematically delineates officer classification, corresponding pay scales, and associated allowances.
- **Learning and Development:** UBI places significant emphasis on continuous learning, offering targeted training modules to enhance employee competencies and performance.
- **HR Conclave:** Initiatives such as the "IGNITE'25" HR conclave engage industry leaders in exchanging best practices and charting advancements in HR strategies and operations.
- **HR Transformation:** UBI is actively engaged in a wide-ranging HR transformation agenda, striving to sustain a performance-driven organizational culture. Recent initiatives include the establishment of committees focused on issues pertinent to male employees, illustrating the bank's nuanced approach to workforce diversity and inclusion.

Officers at Union Bank of India, particularly at the Middle Management Grade Scale-II (MMGS-II), receive competitive compensation packages. For example, Wealth Managers at the MMGS-II scale earn a starting basic monthly pay of ₹64,820, with annual increments and a maximum basic pay reaching ₹93,960. Additional benefits encompass Dearness Allowance (DA), special allowances, accommodation benefits or lease rent, travel and conveyance reimbursements, medical coverage for employees and dependents, Leave Fare Concession (LFC), and various other perquisites. The estimated annual Cost to Company (CTC) for an MMGS-

II Wealth Manager posted in Mumbai is approximately ₹21 lakh, variable according to factors such as location and entitlements.

Central Bank of India

The Central Bank of India was founded on 21 December 1911 by Sir Sorabji Pochkhanawala, with Sir Pherozeshah Mehta appointed as its inaugural chairman. It holds the distinction of being the first commercial bank in India to be wholly owned and managed by Indians. On 19 July 1969, the bank was nationalized by the Government of India along with thirteen other major banks. In 1980, Central Bank of India was among the pioneers in introducing credit card services in collaboration with Visa. Marking its 108th anniversary, the bank embraced technological innovation by launching “MEDHA,” its inaugural robotic banking initiative. The bank was among twelve public sector banks to undergo recapitalization in 2009. As of 31 March 2021, Central Bank of India operates an extensive network comprising 4,608 branches, 3,644 ATMs, ten satellite offices, and one extension counter, with a pan-India presence spanning all 28 states, seven of eight union territories, and 574 district headquarters.

Human Resource Policies and Initiatives

Central Bank of India maintains a comprehensive suite of Human Resource policies designed to cultivate an equitable, ethical, and supportive work environment. These policies encompass areas such as equal opportunity, ethical conduct, employee transfers, and specific procedural guidelines for contract employees.

- **Code of Ethics and Conduct:** The institution enforces a stringent Code of Ethics, obligating all employees to uphold the highest standards of integrity, honesty, and diligence. Courtesy and professionalism are mandatory in all professional interactions. Central Bank of India adopts a zero-tolerance approach toward violations of this code, with disciplinary measures—potentially ranging to termination—imposed for conduct breaches. The bank explicitly prohibits all forms of harassment, including sexual and discriminatory behavior; violations in this domain are subject to immediate disciplinary action. Creating a hostile or offensive work environment, particularly through misuse of bank systems, is emphatically proscribed.
- **Equal Opportunity Policy:** Central Bank of India’s Equal Opportunity Policy is founded on principles of non-discrimination, ensuring fair and inclusive treatment of all employees regardless of age, race, gender, religion, or other status. The policy aligns with the Rights of Persons with Disabilities Act, 2016, reserving a portion of vacancies for persons with benchmark disabilities (including visual, hearing, locomotor, intellectual disabilities, and multiple disabilities). The policy establishes conditions for direct recruitment, promotion, specialized training, barrier-free access, and preferences in accommodation and transfer postings for persons with disabilities.
- **Transfer Policy:** The bank’s transfer policy is engineered for transparency, equity, and operational alignment. The comprehensive framework, regularly updated in accordance with governmental guidelines, stipulates a clear, preference-based system for transfer requests. Priority is granted to employees with disabilities and to female officers seeking proximity to their spouse or family, while minimizing discretionary decision-making. Automated processes, grievance redressal mechanisms, and special provisions for caregivers have been integrated to enhance consistency and responsiveness in the policy’s execution, thereby enabling balanced workforce distribution and addressing administrative exigencies.
- **Policies for Contract Employees:** Distinct regulatory frameworks govern employees appointed on contract. While such employees are eligible for specified allowances, they do not receive increments or dearness allowance during the contract tenure. Provisions for compensation and benefits are explicitly outlined at the onset of employment contracts, ensuring procedural clarity.

- **Record Management:** Central Bank of India adheres to a meticulous records management policy, employing microfilming, scanning, and systematic record maintenance. Established protocols govern the disposal of original paper documents once securely archived, ensuring data integrity and compliance with regulatory requirements.

Challenges faced by Banks

Worldwide banking activities are more diverse due to swift technological advancement that have come to define the sector. The Indian Banking Sector is also subject to these kind of transformative changes. In this situation Banks must reevaluate the allocation of human resources strategically to maintain their competitive edge and super organizational growth and operational success. Promoting collaborative teamwork and boosting employee dedication are crucial for improving the effectiveness of human resources. Therefore, it is essential for banking organizations to integrate human resources management frameworks thoroughly with their broader corporate strategies. The effectiveness and quality of results are closely linked to employees, skills and involvement.

Recommendations

Ongoing investment in the skill enhancement of employees and their knowledge growth is essential. It signifies encouraging shared development between the employees and the organization. Human resources management thus serve as a strategic necessity for organizations aiming to utilize human potential to achieve their goals effectively. In the banking sector, similar to other industries, the effectiveness of HR practice is closely connected to employee motivation and organizational performance. The strategic implementation of HR initiatives fosters a positive organizational environment that helps cultivate the abilities needed for employees to achieve high competence and productivity levels. Equally important is the ongoing evaluation and adjustment of these HR practices to ensure that they remain aligned with new competitive challenges.

Current research highlights a fundamental change in the function of HR regarding structural framework. The conversation surrounding the potential of outsourcing HR functions is growing, which is supported by various factors such as sharpening the skills of line managers to handle HR tasks independently. The development of sophisticated HR strategies are essential to strengthen the Indian Banking System.

Conclusion

In conclusion, the paradigm shifts induced by globalization, liberalization, and advances in information and communication technology have significant human resource management implications for Indian banks, including the Reserve Bank of India. Continuous upgrading of HR strategies to enhance knowledge, sharpen skills, and foster a work culture conducive to efficiency is essential for the sector to remain competitive and responsive to future challenges.

This synthesis incorporates the latest insights and comprehensive perspectives on the transformative challenges and strategic human resource imperatives for the Indian banking sector.

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