

# Employee retention in Public Sector Banks-Issues & Challenges

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**Abstract:** Recruitment and selection process play an important role in attracting and appointing qualified personnel. The essential element of recruitment and selection process, is to get the right people in the right place, at the right time, to do the right job in any organization. An effective approach to recruitment and selection process can help any organization to maximize the competitive advantages by choosing the best pool of candidates quickly and cost efficiently. Since Recruitment and selection of human resources are expensive, it must be ensured that a person who fits the job Recruitment is selected. It is true that selection strategies are key ingredients, which result in better growth and success of any organization. Banking industry is one of the most significant sector in India, which requires a large number of qualified, high potential and committed staff to attain its goals effectively. If there is high turnover of employees, it becomes a burden to repeat the process of appointment frequently. The author, hailing from the Banking Sector, found this relatively, unexplored area very interesting for research. The author carried out an in- depth analysis to analyze and throw a light on recruitment and selection process of Banking sector, which is currently resulting in increasing employee turnover. The main objective of this study is to assess and evaluate the recruitment and selection strategy of Banking sector and make constructive recommendations for the improvement of this policy and to explore causes of growing employee turnover. The back bone of this study is the secondary data comprised of comprehensive literature review. This research study found that the bank have an extensive selection process consisting of CV screening, employment tests, interviews and background checks. The study also incorporates suggestions that can help banking sector to review its current recruitment policies and endeavors to reduce employee turnover that will lead to higher employee retention and improved organizational performance

**Key Words:** Banking industry, selection strategy, Recruitment and selection, employee retention.

## 1. INTRODUCTION :

Banking in India forms the base for the economic development of the country. Major changes in the banking system and management have been seen over the years with the advancement in technology, considering the needs of people. Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. Second phase of nationalization Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership. The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

1949	Enactment of Banking Regulation Act.
1955	Nationalization of State Bank of India
1959	Nationalization of SBI subsidiaries.
1961	Insurance cover extended to deposits.
1969	Nationalization of 14 major banks.
1971	Creation of credit guarantee corporation.
1975	Creation of regional rural banks.
1980	Nationalization of seven banks with deposits over 200 crores.



The Banking setup in India, has many phases to consider, such as the pre-independence phase & the post-independence era. The post-independence phase also has significant milestones after the year 1991, because the biggest development was the introduction of Private sector banks in India. RBI gave license to 10 Private sector banks to establish themselves in the country. These banks included:

- Global Trust Bank
- ICICI Bank
- HDFC Bank
- Axis Bank
- Bank of Punjab
- IndusInd Bank
- Centurion Bank
- IDBI Bank
- Times Bank
- Development Credit Bank

**The other measures taken during this phase include:**

- i. Setting up of branches of the various Foreign Banks in India
- ii. No more nationalization of Banks could be done
- iii. The committee announced that RBI and Government would treat both public and private sector banks equally
- iv. Any Foreign Bank could start joint ventures with Indian Banks
- v. Payments banks were introduced with the development in the field of banking and technology
- vi. Small Finance Banks were allowed to set their branches across India
- vii. A major part of Indian banking moved online with internet banking and apps available for fund transfer

Thus, the history of banking in India shows that with time and the needs of people, major developments have been brought about in the banking sector with an aim to prosper it.

**General process of recruitment in Banking Sector**

If the history of banking is traced back, a job in the banking sector was considered a blessing, especially by women employees, in India. With job security being a major concern for thousands of people across the country, Bank jobs were, by far, the best jobs up to a certain time. But over a period of time, the sheen with respect to bank jobs started diminishing, due to various causes. Terms like the great resignation, and slow quitting are becoming more real than ever. In order to understand the phenomena, there is a need to, first, ascertain the process of getting a job in a bank. To get a job in a government bank, one needs to appear and clear one of the following written examinations, depending on the type of job, one is qualified for.

IBPS Clerk	IBPS PO	IBPS SO	IBPSRRB
SBI Clerk	SBI PO	SBI SO	RBI Officer Grade B

**These exams have three phases: preliminary exam, mains exam and interview.** It is essential to clear each phase of the examination to get a job in a bank. The list of selected candidates depends upon the marks they secure in these three phases. Although these competitive exams are considered quite tough to crack, a career in the banking sector might just be the perfect option for some. Banking jobs too have certain eligibility criteria that have to be met and certain set of skills to be matched. However, most of the private banks recruit candidates through written exam and personal interview like the public sector banks. The difference between the two is the difficulty level of the exam. The examination for private bank recruitment is done by individual banks. Most of the private banks recruit candidates through written exam and personal interview like the public sector banks.

**Skills required for clearing banking examinations-** While preparing for the banking exam, a candidate must ensure that they have worked on their reasoning abilities, quantitative aptitude, English, computer knowledge and general awareness of the economy and banking sector. Additionally, the candidate must possess skills like:

- Customer service skill
- Problem-solving skill
- Teamwork potential
- Analytical thinking abilities

Trustworthiness  
 Determination  
 Confidence  
 Effective Communication  
 Banking-related technical skills such as proficiency in digital shhere.

### A glance of best PSU Banks in India in 2023

Name of the Bank	No. of branches	No. of ATMs	Headquarter
State bank of India	24000	58559	Mumbai
Punjab National Bank ( Merger of Oriental Bank of Commerce & United Bank of India)	11437	8986	New Delhi
Bank of Baroda (With Merger of Dena Bank & Vijaya Bank)	8581	12829	Vadodara
Canara Bank (With Merger of Syndicate Bank)	10391	12829	Bengaluru
Union Bank of India ( Merger of Andhra Bank & Corporation Bank)	9500	13300	Mumbai
Bank of India	5825	5000	Mumbai
Indian Bank (With Merger of Allahabad Bank)	6000+	6104	Chennai
Central Bank of India	2876	4666	Mumbai
Indian Overseas Bank	2995	3400	Chennai
UCO Bank	2377	4000	Kolkata
Bank of Maharashtra	1860	1897	Pune
Punjab & Sindh Bank	1045	1554	New Delhi

### Rural Branches

The government's plan is to provide banking facilities to the people in every corner of the country. Under this plan, Public Sector Banks were to open about **300 branches** by December 2022 in rural areas of different states, under the Financial Inclusion Campaign, where banking service has not yet reached. These branches were proposed to be opened in such villages, where the population is more than 3,000.

The Reserve Bank of India, which is the central bank of the country is responsible for regulating Regional Rural Banks in India. There are a total of 56 Regional Rural Banks in India. According to the statement issued by the Finance Ministry on 30<sup>th</sup> June 2019, following figures were revealed:

Type of Banks	Year	Total branches	Rural Area branches
Public Sector Banks (PSBs)	June 2019	87526	28815 , [33%]
Private Sector Banks (PSBs)	June 2019	32083	6846 , [21%]

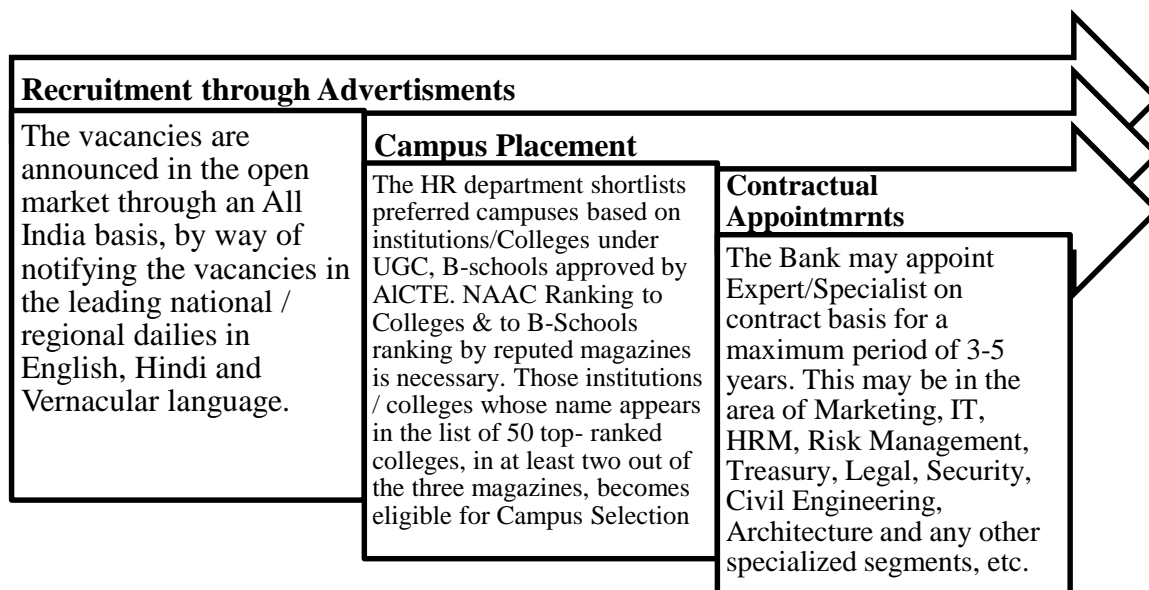
In addition to this, it was further revealed that during 2016-17, 2,168 branches and in 2017-18, 834 branches and 2018-19, 438 branches and 2019-20 (till June 30), 86 branches have been opened by PSBs,

### Employment facts and figures of Public Sector Banks [March 2023]

Women employees constitute over 25 % of total workforce on average in nationalised banks in the country.

- Women employees constitute over 25 percent of the total workforce on average in the nationalised banks in the country. As per the data made available by the Ministry of Finance in the Lok Sabha in March 2023, the largest Public Sector Bank, namely the State Bank of India, has 26.7 percent women employees in their total staff strength. Indian Overseas Bank has a maximum 36 percent women staff while the Punjab National Bank has the least 24 percent women employees in their total staff strength.
- Data released by the RBI showed that total number of employees dropped from 7.76 lakhs in 210-11, to 7.71 lakhs in 2020-21.
- While number of officers has increased by 26%, there has been a sharp decline in the number of clerks.
- Number of public sector bank branches has increased by 2022-23, the number of employees across the country has decreased.

## Types of Recruitment in Nationalized Banks



## Objectives of Recruitment Policy

The Recruitment Policy seeks to achieve the following broad objectives:

- To source the best talent through a process of selection that is fair, transparent, objective and unbiased in all aspects and provides equal opportunities, to all eligible candidates in order to drive organizational performance and successfully achieve goals and objectives of the Bank.
- To ensure placement of right person on the right job to enhance organizational effectiveness.
- To ensure need based recruitment, aimed at achieving higher productivity and profitability levels.
- To make a Recruitment Plan, which is prepared on Manpower Plan, approved by the Board of Directors of the bank in keeping with the Government, Reserve Bank of India, Indian Banks' Association guidelines issued from time to time.
- To make sure that the policy conforms to the instructions issued by Reserve Bank of India / Indian Banks' Association, on creation of posts / filling up of vacancies / staff growth etc.
- To ensure gender diversity in the Bank through effective recruitment and selection practices.

## Recruitment Purpose and Conditions of Employment

The purpose of the Policy is also to ensure the following:

- Reservations in posts for SCs, STs, OBCs, Ex-servicemen, Disabled, etc. with concessions in eligibility norms as laid down by the Government of India from time to time should be strictly followed.
- Equal opportunity to all sections of people for participating in the selection process, through issue of public notice and adequate publicity.
- Devising procedures and schemes of recruitment which are non- discriminatory so that no section of the society is placed at a disadvantage.
- An employee can be placed anywhere in India, irrespective of his/her home town.
- Every employee must serve in a rural branch.
- Each employee is likely to be transferred to a new location in a new city/state after a period of three years.
- Officers are expected to be present in the branch/office, for at least two extra hours after the day gets over, for which no additional incentives or remuneration shall accrue.
- If a couple is employed in the same Bank, the two shall not be given the same branch or city to work.

## Rationale

Recruitment is an important part of an organization's human resource planning and their competitive strength. Competent human resources at the right positions in the organization are a vital resource and can be a core competency or a strategic advantage for it. The objective of the recruitment process is to obtain the number and the quality of

employees, which can be selected in order to help the organization to achieve its goals and objectives. Recruitment acts as a link between the employers and the job seekers and ensures the placement of right candidate at the right place and at the right time. There are several studies on the topic recruitment, covering many aspects and has been studied with respect to various industries but not much work has been observed in relation to Banking Industry. The author found it of great interest to study this aspect in terms of the Banking Sector. In the wake of much talked about need to maintain Work Life Balance and increased employee turnover is being witnessed in this sector, it attracted the author to explore the reasons behind this scenario.

## 2. REVIEW OF LITERATURE :

Not much literature was found on the recruitment and selection with respect to banking sector. But other studies on this subject have been mentioned below.

**Rod, D (1995)** is of the opinion that many factors combine to make selection and recruitment practice and researched a lively area at the forefront of the drive towards management excellence. As a body of knowledge, it has been strengthened by having to prove its usefulness during the 1960s and 1970s and now there is more realization that both excellence in recruitment and selection, along with training, appraisal systems, and organizational design/reengineering, together can contribute to strong organizations in the future.

**Lavigna, R. J, (2004)** stated that governments around the globe are facing unprecedented staffing challenges. At the time when governments need to be most adept at luring talent to public service, their ability to do so has rarely been so constrained and complicated by economic, social and organizational pressures. Their research provided an overview of the types of recruitment and selection initiatives already in place in many nations, which can help the world's governments attract and retain talent. Relying heavily upon examples from the United States and Western Europe, and also integrating experiences from a variety of both developed and less developed countries.

**Ongori (2010)**, stated that the process of recruitment starts with the human resource department receiving requisitions for recruitment from various departments of the organization. There are two sources of recruitment such as internal and external sources. The internal sources of recruitment include job posting and bidding, friends and relatives of existing employees, promotion and transfer. The external sources of recruitment include job advertisement, employment agencies, employee referrals and campus recruitment. Every organization has the option to choose the best candidates either from internal sources or from external sources.

**Ofori and Aryeetey (2011)** found that Recruitment and selection are a regular function in the organization. These functions need to be performed by the HR department of the organization effectively for hiring the best candidates so that these candidates can be able to accomplish the activities of the organization with skill at hand. Otherwise, the organization cannot reach the desired destination.

**Zaharie, M (2013)** discussed that job recruitment and selection practices represent a prerequisite for companies aiming for competitive and skilled employees. His results showed that when recruiting, small organizations focus on recommendation based methods. Medium organizations use more selection steps when hiring and render greater importance to the job selection criteria, especially to candidates' attitude, motivation and dedication to work, generic skills, lifelong learning, resistance to stress, and computer skills.

**Rathore, N.S (2014)** stated that human resource management is the management of employee's skill, knowledge abilities, talent, aptitude, creativity, ability etc. different terms are used for denoting Human Resource Management. These are labor management, labor administration, labor management relationship, employee employer relationship, industrial relationship, human capital management, human asset management etc. In simple sense, human resource management means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirements Human Resource Management is also a strategic and comprehensive approach to managing people and the workplace culture and environment

**Bagul, D B (2014)** found in his study, that little attempt is made to see the satisfactory level of the recruitment activity. It is analysed internally, that means from the view of the departmental heads, which are, involved in the process itself and externally that means from the candidates perspective.





**Alka, R (2014)** stated that recruitment and selection are the important functions of HRM. Proper recruitment and selection provide a strong basic structure/ foundation to an organization. Its basic objective is to attract and appoint a person with proper and adequate skills and qualification at the appropriate/ best fitted job. Modern era is techno savvy. Online recruitment and selection process help the organization to attract and manage the competent workforce.

### 3. RESEARCH METHODOLOGY :

Secondary data was collected.

Phone interviews were conducted for officer level employees from nationalized banks.

- Three Nationalized banks were selected for this purpose
- 150 employees were interviewed, out of which 90 were female officers and 60 were male officers.

Observations were made.

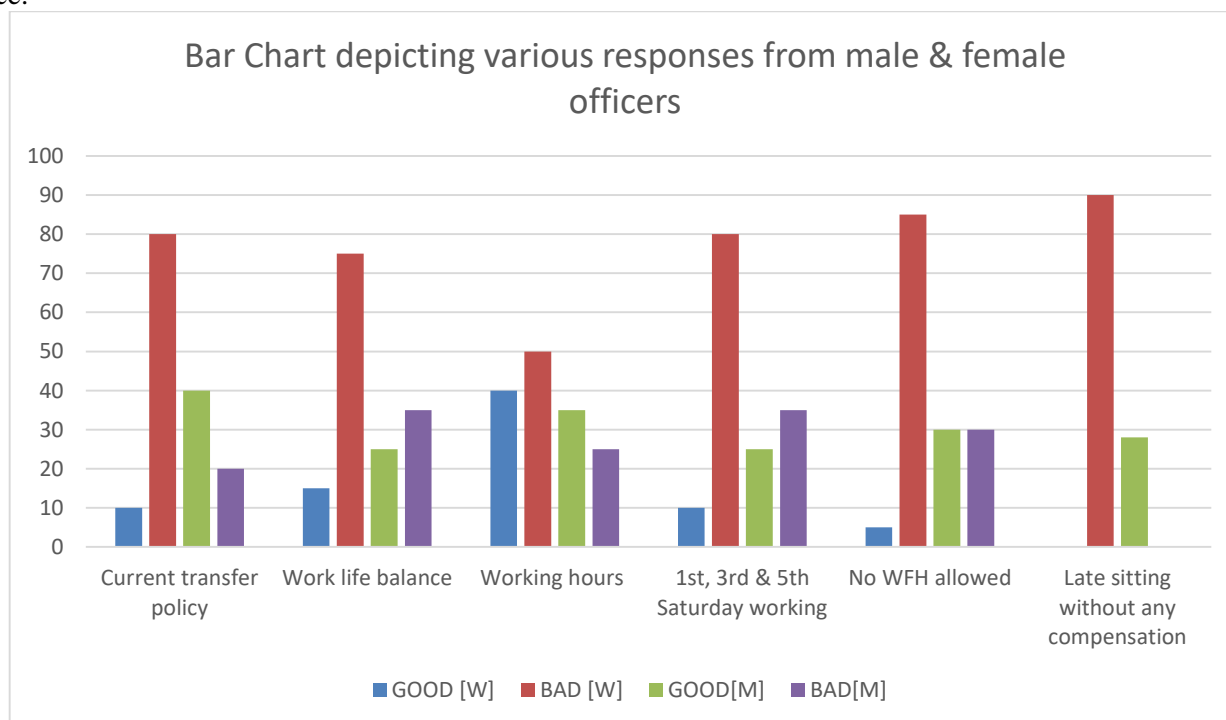
Data collated to arrive at conclusions.

### Results

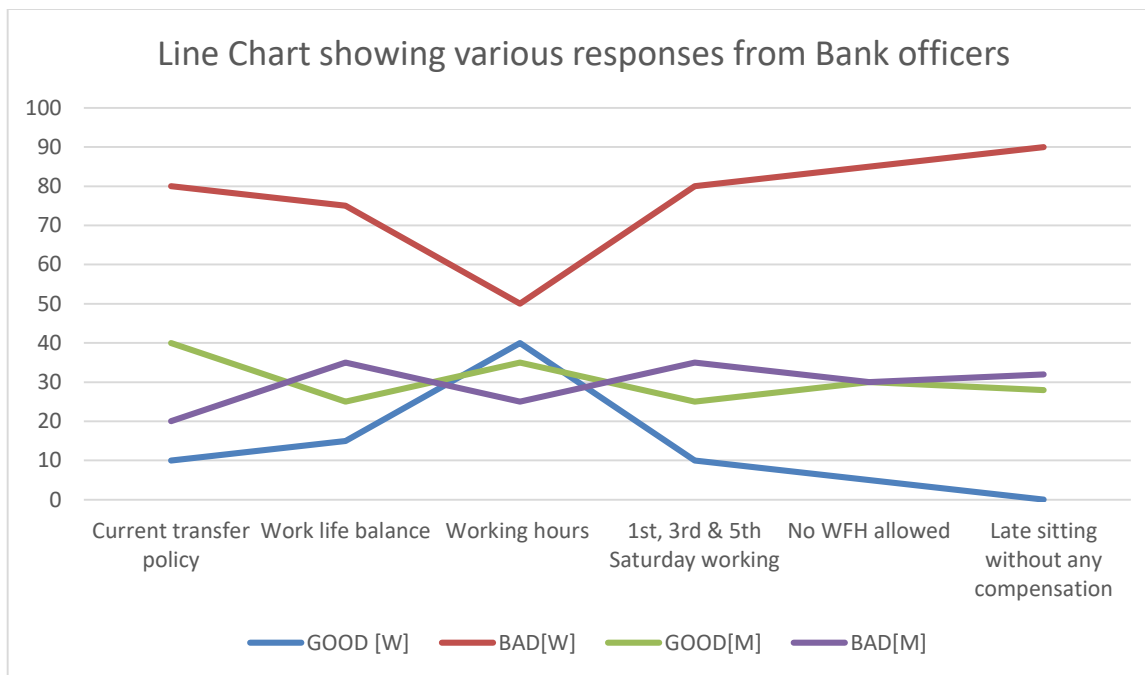
Response to interview questions	Female officers		Male officers	
	Good	Bad	Good	Bad
Current transfer policy	10	80	40	20
Work life balance	15	75	25	35
Working hours	40	50	35	25
1 <sup>st</sup> , 3 <sup>rd</sup> & 5 <sup>th</sup> Saturday working	10	80	25	35
No WFH allowed	05	85	30	30
Late sitting without any compensation	0	90	28	32

### Outcomes & Discussion

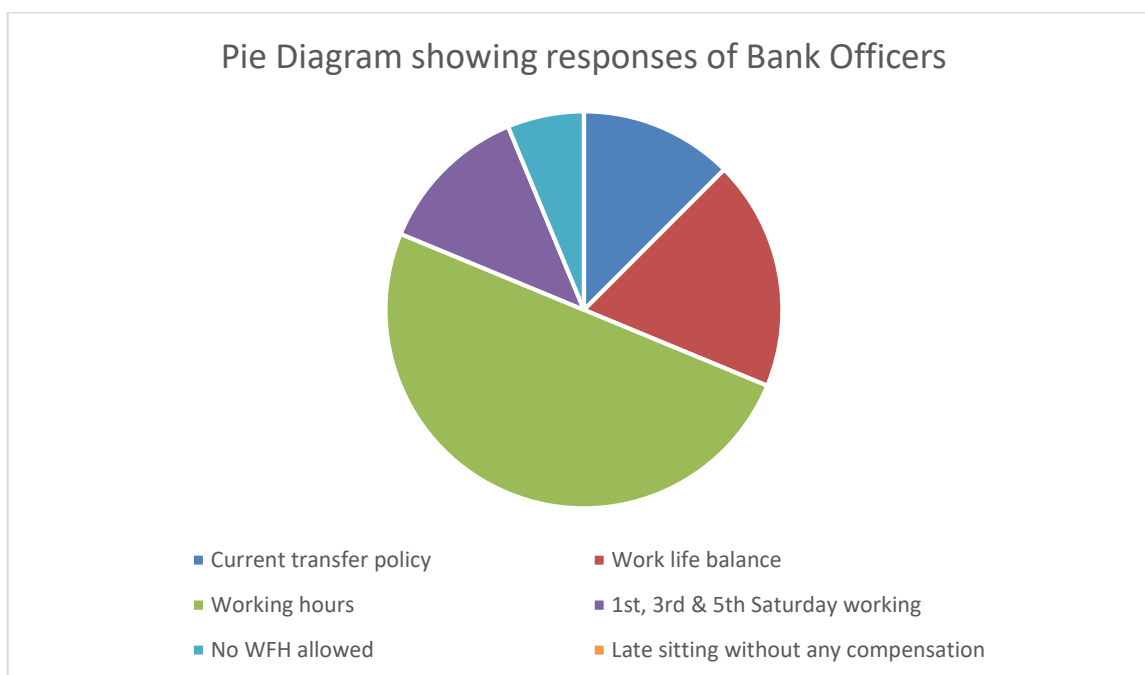
The result has been shown by way of bar charts, pie charts and line chart, showing the responses received from the respondents, who were banking officers employed in three nationalized banks. More female officers were interviewed on six important dimensions, namely the transfer policy, work life balance, working hours, WFH and late sitting, as a practice.



Although there was not much difference between the responses of male and female officers, but definitely the bank current policies affected the female employees more than the male employees.



The female officers found it difficult to maintain work life balance as compared to male officers. Female officers preferred five day working week.



Female officers were more inclined towards the facility of work from home and were looking for other jobs, where their key factor was the provision of WFH for at least twice in a week.

#### 4. CONCLUSIONS :

- In case of working couples, where one had a job in a place other than the bank, the feeling to change jobs was not very strong, if the wife had a job elsewhere and husband was a banker.
- In case of working couples, both employed in same or different Banks, the wife's priority was to seek transfer in the same town/city/state, if her husband was transferred by his Bank.
- In case of working couples, where the wife was a banker and husband was employed in some other Government job, the female officers were not taking promotions for the sake of their family and were looking for jobs having a five day week with no transfers or in some cases were even quitting their jobs.
- In case of working couples, where the wife was a banker and husband was employed in some MNC or private job, the female officers were refusing promotions but were not leaving their jobs.

- In case of couples, where the wife was a home maker, the urge to shift from banking job or seek other jobs was not strong at all.
- Female officers found it very difficult to maintain Work Life Balance as compared to their counterparts.
- Female officers were more interested in the provision of WFM, if they were placed in large corporate branch, or were employed as specialist officers or loan disbursement managers.
- As compared to male officers, female officers preferred a five day week, which is in the pipe line, but has not been implemented as yet.
- Female officers were keener on leaving office in time whereas, the male officers did not resent the practice of late sitting in the office.
- It was observed that employees working in town/city/state, other than their home town, were looking for opportunities to visit their families throughout the year, leading to many employees being away on leave during festivals.
- The banks were also incurring substantial expenses when officers were transferred to different town/city/state, by paying for the transfer and transit leave.
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#### **5. RECOMMENDATIONS & SUGGESTIONS:**

- Recruitment and Selection may be made state wise, so that no employee has to leave his/her home town and stay away from the family.
- Five day week may be immediately implemented.
- Banks must adhere strictly to the timing schedule for the employees. Late sitting must not become a mandatory daily feature. It should be resorted to only at exceptional circumstances.
- The employees must be given flexibility to maintain work life balance.
- Some sort of a day care facility should be introduced for employees having small children.
- Child care leave, which is given in the Government offices and the University of Delhi must also be introduced for female employees of the Banking Sector.
- Couple working in the same bank may be given simultaneous transfer to the same town/city/state.
- In view of the need for internal control, the transfers may be resorted to within the city and not to different town/city/state.

#### **6. LIMITATIONS OF THE RESEARCH:**

- Officers keep very busy in the Banks, therefore, many did not respond for interview.
- Respondents could have been more for better results.
- Respondents could have been chosen from other town/city/state, but they were restricted to Delhi Branches only.
- The questions posed had their own limitation.
- Time constraint is the limitation of every study.

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