

## **Recruitment and Selection Policies and Practices in Indian Commercial Banks**

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### **Abstract**

*At present, Indian commercial banks cannot claim to have a proper human resource planning system that captures the type of people it requires, the level at which they are required and clearly defined roles for everyone and now it has become essential to design the recruitment process carefully and to adopt the effective measures to acquire the best talent in the banking sector. The present research based on qualitative as well as quantitative approaches proposes to make a comparative analysis of policies and practices relating to employees' recruitment and selection in public and private sector commercial banks. It has been traced that well defined recruitment and selection system is followed and line manager and HR managers participate. A comprehensive selection process is used before rendering a decision, unbiased tests and interviewing techniques are used, attitude and desire to work in a team and individual as a criterion used in recruitment and selection process in Indian commercial banks. Moreover, public sector banks by following the private sector banks' philosophy of growth have exploited productivity enhancement for growth so far, but now they need to induct new talent in large number to maintain growth. Recruitment machinery is required to attract talent (as against evaluate applicants) and to retain them through well planned HRM practices.*

**Keywords:** HR, HRM, Commercial Banks, Recruitment and Selection, Processes, Practices Policies.

### **Introduction**

With the emergence of improved technologies and global competitive environment, upgrading the work methods, work norms, improving technical and managerial skills and employees' satisfaction, have become the need of the hour, both in manufacturing and services sectors. There is a mounting pressure on Indian commercial banks to provide cost effective and cost efficient quality services in the fast changing competitive environment. Almost three decades after the economic liberalisation process began, a vibrant banking sector powered by both improved-efficiency public sector banks and growth-hungry private ones emerged on the economic scene. Indian banks making available the number of instruments and services to both the retail and corporate clients globally and the levels of technology involved in managing these products have become pure science oriented over the last 30 years.

### **Concept**

The term 'recruitment' applies to the process of attracting potential employees to the organization or company. It is a systematic means of finding and inducting available manpower to apply to the company or enterprise for employment. Since it involves the process of searching for prospective employees, it is concerned with the range of sources of supply of labour or

personnel, and of recruitment practice and techniques. The process of identification of different sources of human resources is known as recruitment. It is a linking activity that brings together those offering job and the job seekers. Recruitment precedes the selection process, i.e., selecting the right person for various positions in the organisation. It is a positive process as it attracts suitable applicants to apply for the available jobs.

### **Research Objectives**

The present research is proposed to make a comparative analysis of policies and practices relating to employees' recruitment and selection. The broad objectives of the proposed study are:

1. To study recruitment and selection policies, practices and trends in public and private sector commercial banks in India.
2. To suggest ways to improve recruitment policies and practices in Indian commercial banks.

In order to achieve the specific objectives, qualitative as well as quantitative approaches have been followed for the purpose of this research work.

### **Sampling Design**

The sampling design of the study is based on multi-stage stratified purposive sampling technique. As such, out of the whole country the State of Punjab has been chosen as the first step. In Punjab, choosing the public sector and private sector

banks is the next stage of sampling; and selecting the four sample banks out of the total public and private sector commercial banks is the third step of sampling; and the selection of sample employee respondents has been done at the 4th stage of sampling.

The universe of the study is all public and private sector commercial banks operating in India, but due to non-feasibility

and time constraint, the scope of the study has been restricted only to four commercial banks operating in the state of Punjab. The criterion adopted for the selection of private sector banks was their year of incorporation and size of their market share. The banks selected as sample units for the present study are listed as under:

The respondent employees have been taken from all the

**Table 1: Banks Selected as Sample Units**

S. No.	Public Sector Banks	Private Sector Banks
1.	State Bank of Patiala	HDFC Bank
2.	Punjab National Bank	Axis Bank
<b>Total</b>	<b>02</b>	<b>02</b>

categories of Workmen; Clerical or Award staff. In order to examine and compare the employees' perceptions in relation to the recruitment and selection policies and practices, mainly primary data has been used. A structured questionnaire was framed and administered on the sample employees. Of the two public sector banks under study, 100 employees were randomly selected. Similarly, 100 employees were randomly selected from the two selected private sector banks.

The primary data was drawn from the respondent employees working in different branches, service offices, training centres, specialized branches and offices, regional offices and head offices of both public and private sector commercial banks situated in the state of Punjab. As many as 232 employees working in the selected banks were approached for the purpose of required data. The response percentage in the case of employees is 86.21 per cent. Their response was found to be complete in all respects for the analysis. The responses to the questions on recruitment and selection practices have been measured on a five-point Likert scale. Various statistical tools have been used to analyse the collected data.

#### Recruitment Practices of Employees in banks

1. Award Staff is recruited through campus recruitments, recruitment facilitators, recruitment agencies, outsourcing

agents, through references and through advertisements on the websites and in newspapers.

2. Special Assistants are promoted from within as per vacancies. Most of the employees are requisitioned locally through Employment Agents; and are recruited and selected by Branch Managers with the support of HR Department specialists. For the selection, objective type written tests are conducted followed by on line or face to face interviews. Candidate's actual performance in interview and his communication skills are considered for selection.

3. Armed Guards are recruited locally through District Sainik Welfare Boards or security service providers.

#### Recruitment of Officers

All appointments and promotions in the officer grade are made by the Management through a Competent Authority in accordance with the policy or guidelines, laid down in this regard by the Board of Directors. All appointments are made first in the minimum of pay scale to which the appointment is made. An officer who has rendered continuous temporary service in the bank prior to his appointment against a permanent vacancy, the provisions regarding the period required to be spent on probation may be waived at the discretion of the Appointing Authority to the extent of the period of such temporary service. An officer

directly recruited in the bank is confirmed, if in the opinion of the Competent Authority, his/her conduct and performance has been satisfactory during the period of probation including the extended period.

A core area like Manpower Planning has not received serious attention in the banking sector so far. Manpower assessments are made on the basis of branch activity analysis and productivity norms. Manpower planning in each bank is kept subordinate to guidelines issued by the Government of India and RBI. The recruitment exercise carried out today in many public sector banks also does not reckon skill and competency requirements. Moreover, large scale Core Banking Services implementation at branch level has made no significant difference in the realignment of manpower in public sector banks as compared to the private sector commercial banks. Lack of proper human resource planning has also resulted in wide variance in staff ratios across public sector commercial banks as well as in many of the private sector commercial banks. At present, banks cannot claim to have a proper human resource planning system that

captures the type of people it requires, the level at which they are required and clearly defined roles for everyone.

As such, it has become essential to design the recruitment process carefully and to adopt the effective measures to acquire the best talent in the banking sector. Similarly, campus recruitment is not just about approaching any Institution or University, but also aims at creating a pool of suitable candidates and interviewing them equally in order to fill a large number of anticipated openings. A major concern before public sector banks is to replace a large number of employees, who are to retire during the coming years.

Table 2 carries the response data regarding human resource (recruitment and selection) policies and practices being followed by the public and private sector commercial banks in terms of form and contents, and systems and procedures through 'content analysis'. The table explains as to whether these policies and practices are framed and exercised fully or partially in these commercial banks.

**Table 2: Comparative Analysis of Human Resource (Recruitment and Selection)  
Policies and Practices in Public and Private Sector Commercial Banks**

S. No.	Policies and Practices	Public Sector Banks		Private Sector Banks	
		Form and Contents	Systems and Procedures	Form and Contents	Systems and Procedures
1.	HRM practices are standardized	Yes	Partial	Partial	Partial
2.	Staff strength is balanced	No	Yes	Yes	Yes
3.	Recruitment and selection policies: Well defined	Yes	Yes	No	No
4.	Analysis of positions and requirements is made before recruitment process starts	Yes	Yes	Yes	No
5.	Defined mode of recruitment	Yes	Yes	Yes	No
6.	Line managers and HR managers participate in recruitment & selection	Yes	Yes	Yes	Yes
7.	Valid and standardized recruitment tests	Yes	Yes	Yes	Partial
8.	Comprehensive selection process before rendering a decision	Yes	Yes	Yes	Partial

Earlier recruitment in public sector banks was made through Banking Selection and Recruitment Board (BSRB). The high standards of recruitment set by the Board helped the public sector banks to get quality staff. However, after liberalization, BSRB was scrapped and banks started recruiting the staff at their whims and fancies. Some grave irregularities came to light in the recruitment process of some public sector banks, and in some cases the seniority of the officers working in these banks was ignored at the time of their promotion.

After dismantling the common recruitment board for the industry, banks were allowed to recruit employees at their own levels even for the senior positions, based on their own requirements. The recruitments were done according to the business strategies and ratified by the board which had Government nominees. And, as such, no senseless recruitment was reported as done by the commercial banks, but, this led to cut-throat competition for talent search and poaching of each other's employees. After a while, the Government started feeling concerned about the large recruitment programmes which were carried out by some of the public sector banks. The question that why the banks needed so much staff despite computerization and implementation of technology, was still an unsolved mystery.

However, a few private banks remained cautious about their expansion programmes, and the recruitment outlook of the public sector banks started becoming healthy due to significant retirements and rural expansion plans. Some of the private banks that have grown their business aggressively, riding on the world's second fastest growing economy, started shrinking their

balance-sheets, while public sector banks began to expand by opening new branches across the country. Moreover, new recruitments started keeping pace with the banks' expansion plans. The banks were adopting fast-track promotions to fill-in all management gaps. Another reason behind the sudden spurt in recruitment was the fact that unlike private banks, public sector banks cannot outsource many activities, including sourcing loans. Now, apart from recruiting through a normal process of written examinations and interviews, banks are also going for campus recruitments and outright poaching and sometimes from fellow public sector banks. Despite low salary, many private sector employees are now approaching public sector banks looking for job security.

The public sector banks now have started recruitments through IBPS which is an autonomous body to recruit the required manpower in the public sector banks. The private sector banks make selections of employees and officers directly or through the recruiting agencies and consultants as per their requirements.

#### Methods of Selection

Table 3 highlights sector-wise analysis of employees' perceptions regarding the methods of selection in both the public and private sector banks.

An analysis of the table presents that 86 (86.0 per cent) of the respondent employees in public sector commercial banks have been selected through written test followed by interview. And 12 (12.0 per cent) of them have been selected on merit of qualifying the test and written examination, while only 1

**Table 3: Sector-wise Analysis of Employees' Perceptions Regarding Methods of Selection**

Method of Recruitment	Public Sector Banks	Private Sector Banks	Total of Public and Private Sector Banks
Merit of qualifying test/ exam.	12 (12.0%)	15 (15.0%)	27 (13.0%)
Written test followed by interview	86 (86.0%)	55 (55.0%)	141 (70.5%)
Only written test	01 (01.0%)	03 (03.0%)	04 (02.0%)
Only interview	01 (01.0%)	20 (20.0%)	21 (10.5%)
Direct appointment by head of the bank	00 (00.0%)	07 (07.0%)	07 (03.5%)
<b>Total</b>	<b>100 (100.0%)</b>	<b>100 (100.0%)</b>	<b>200 (100.0%)</b>

*Chi-square value 32.339\* \*Significant at 1 per cent level*

(1.0 per cent) employees in public sector banks admitted that they have been selected through written test, while another 1 (1.0 per cent) have been selected through interview only. However, in the private sector commercial banks majority of the respondents i.e., 55 (55.0 per cent) have been recruited through written test followed by interview; and 20 (20.0 per cent) have been selected through only interview. Similarly, 15 (15.0 per cent), 7 (7.0 per cent) and 3 (3.0 per cent) respondent employees belonging to the private sector banks admitted that they have been selected on the

basis of merit of qualifying test and written examination, direct appointment by head of the bank and only by written test respectively. The p-value 0.000 exhibits that there exists a highly significant difference between the responses of the respondent employees in this regard.

Employees' Perceptions Regarding Recruitment and Selection Policy

Table 4 carries the response data regarding the recruitment and selection policy of the banks under study.

**Table 4: Sector-wise Analysis of Employees' Perceptions Regarding Recruitment and Selection Policies in Commercial banks**

Policy Level	Public Sector Banks	Private Sector Banks	Total of Public and Private Sector Banks
Good	00 (00.0%)	03 (3.0%)	03 (01.5%)
Bad	00 (00.0%)	01 (1.0%)	01 (00.5%)
Very bad	65 (65.0%)	60 (60.0%)	125 (62.5%)
Worst	35 (35.0%)	36 (36.0%)	71 (35.5%)
<b>Total</b>	<b>100 (100.0%)</b>	<b>100 (100.0%)</b>	<b>200 (100.0%)</b>

*Chi-square value 4.214*

The above table exhibits that 65 (65 per cent) employees from the public sector banks hold a very bad opinion about bank's recruitment policy, while the remaining 35 (35.0 per cent) of the respondents have the worst to say about it. There is none in the good and bad categories to give the response in this regard. On the other hand, 60 (60.0 per cent) of the employees from the private sector commercial banks hold a very bad opinion and 36 (36.0 per cent) of them have the worst opinion about the recruitment and selection policy of these banks, while only 3 (3.0 per cent) and 1 (1.0 per cent) of the bank employees respectively hold a good and bad opinion in this regard. The Pearson's Chi-square value shows that there is an insignificant gap between the responses of employees from the both the public and private sector banks regarding their recruitment and selection policy.

#### Findings and suggestions

The public sector banks have gained market share over the last decade by following their counterpart private sector banks in terms of product innovation, marketing and implementation of technology but still fail to attract the right talent for specialized services such as treasury and risk management and other

specialized areas. They had not been focusing on recruitment and selection policies and practices, career planning, training and development, performance-linked compensations, succession planning and grooming of leaders, a contingent of contented workforce over the past as expected. Similar problems in the private sector banks rarely prevailed because of their clear, long term vision and well defined sound planning in this regard and their recruitments and selections at all levels have always been need based.

The staff strength of the public sector banks had gone down during the period under study due to retirements and voluntary retirement schemes, but that of the private sector banks has gone up significantly. Another major concern before the public sector banks is the large number of employees who are to retire in the near future. The practice of recruiting the employees directly, even at the senior levels, by the banks at their own levels resulted in cut-throat competition for talent and poaching of each other's employees within the banking sector. Some of the private banks that have aggressively enhanced their business, riding on the world's second fastest growing economy, are now shrinking

their businesses while the public sector banks are expanding by opening new branches across the country. Similar problems in the private sector banks never prevail because of their clear long term vision and well defined sound planning in this regard and their recruitments and selections at all levels are always need based.

A well-defined recruitment and selection system is followed, line manager and HR managers participate, comprehensive selection process is used before rendering a decision, unbiased tests and interviewing techniques are used, attitude and desire to work in a team and individual as a criterion used in recruitment and selection process in their banks with t-test indicating insignificant differences in the opinions on these statements and further the statement that the comprehensive selection process is used before rendering a decision, with an insignificant difference in opinions, the respondent officers of both the public and the private sector banks revealed that they 'agree' on these statements.

As far as the use of recruitment and selection system is concerned, a well-defined recruitment and selection system is followed in the banks and their banks preferably use attitude and desire to work in a team and individual as a criterion in employees' selection while the public sector banks are facing a crunch of manpower and they need to use the retired people as they could be useful in brand building efforts, or perhaps, in bank's financial inclusion initiatives.

1. With the aim to meet the global standards and to remain competitive, both the public and private sector banks should recruit specialists in various fields such as Treasury Management, Credit, Risk Management, IT related services, HRM, etc. in keeping with the segmentation and product innovation. 2. Public sector banks by following the private sector banks' philosophy of growth have exploited productivity enhancement for growth so far, but now they need to induct new talent in large numbers to maintain growth. Recruitment machinery is required to attract talent (as against evaluate applicants) and to retain them through well planned HRM practices. Banks also need to explicitly tackle the generation gap.

3. Further, this needs to be integrated with the Business Plan and strategy of the bank. Another key problem area for the public sector banks is that the kind of talent they require. Banks need to acquire people with the right kind of talent out of same limited talent pool that will be targeted by the public and private banks, Financial Institutions, Insurance, Telecom and other industries which are on fast growth track and in need of talented manpower.

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