

# **EMPLOYEE RECRUITMENT AND RETENTION PRACTICES IN INDIAN BANKING SECTOR**

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## **Introduction**

The retention of employees has been shown to be significant to the development and the accomplishment of the organization's goals and objectives. The challenge the employer faces is not just limited to high attrition rate but the more important problem is retaining the performing employees in their jobs and with the organization for a relatively longer period of time. The employer has to deploy all his skills and intelligence in retaining the employees and keeping the attrition rate at a low level. The growth and development of new industries while providing opportunities to the management and the employees pose many problems and challenges. Organizations in the new industry always face the scarcity of right kind of manpower. This situation often brings in many challenges to the employer while providing wide opportunities and benefits to the employees (job seekers). Employment relations, irrespective of the industry, time, place, and people engaged, and culture, are mutual, reciprocal, and interdependent. An important aspect of all employment relations is continuity. But neither the employer nor the employees are assured of that continuity in mutual relations for reasons that may be involving both or either of them. At a time of economic and employment stability the relationships between the two are stable. It also promotes a sense of commitment and loyalty toward the organization

and the job. But in a volatile environment or in an atmosphere of fast industrialization the conditions change.

Retaining good or performing employees has been a challenge all along in the banking sector. Employers have given lot of significance to this issue in employment relations. New and newer strategies have been designed and developed by them. They have also engaged the experts to study the problem of employee attrition in their organizations and recommend effective retention strategies. Consequently, “employee retention” has become a specialist function in people management and the “retention strategist” a specialist. Especially in the US industries, which are always concerned with hiring the right people and retaining them for longer time to reduce the cost of replacements have often spent lot of time in studying the challenge engaging the specialists.

## **REVIEW OF LITERATURE**

**TAUSEEF AHMAD (2013)** in his research paper on “Role of HR Practices in Turnover Intentions with the Mediating Effect of Employee Engagement” seeks to identify the mediating role of employee engagement between HR practices and turnover intentions in the telecom sector of Pakistan. Two leading Telecom Companies in Pakistan were included in the sample and the study was conducted on them. A questionnaire was being used for the measurement of all the variables involved in the study. A 6-item scale for competence development, 6-item scale for recognition, 3-item scale for empowerment, 5-item scale for pay structure and 5- item scale for work-life policies were adopted. The results turned out to be extremely noteworthy as they highlighted a definite relationship between HR practices, employee engagement and turnover intentions. In addition to that, the research provides an effective model for the stake holders of concern telecom companies to keep hold of their capable work force in a highly dynamic and fluid business environment.

**SINDHASHA A.M. MOHAMED (2012)** study on “Employment Relations in Public and Private Sector Banks in Select Districts of Tamil Nadu”, was confined to collective employment relations. In fact it deals with the relations between employees and management at the higher level on the one hand and individual employment relations. On the other this implies the relations between superiors and sub-ordinates at the branch level. The factors influencing collective employment relations and individual employment relations were identified. The relationship between the socio-economic characteristics of the respondents and employment relations in commercial banks has been studied with a view to identifying the factors influencing employment relations.

**T.P.M. NIPIUS (2011)** in the thesis “The influence of high commitment HR system on turnover intention at the individual level: a critical view” stressed upon the influence of using a high commitment HR system on turnover intention at the individual level. More specifically, this study uses the perceptions of employees and adds a negative outcome, being increased turnover intention through an increased workload. This research used questionnaires to gather data in multiple organisations, working in various sectors. In the aggregate 534 employees participated. They were located in 74 units across 40 organisations. The data was processed using multiple regression analysis. He concluded that despite not finding any significant results for the negative perspective, researchers and (HR) managers should not ignore a possible negative effect of using

a high commitment HR system. HRM might be a wolf in sheep's clothing and should therefore always be critically observed.

**RATHNAWERERA (2010)** In his thesis "Do HRM practices impact Employee satisfaction, Commitment or retention? (Empirical studies of Sri Lankan public sector Banks) explained that The study attempted to examine the impact of Human Resource Management practices on Human Resource Management outcomes in Sri Lankan public sector banks. Data were collected on employees' perceptions about Human Resource Management practices and their outcomes through structured questionnaire. Sample consisted of 209 employees who are working in different departments of branches in two PSB in Sri Lanka. Multiple Regression, Cronbach alpha, Pearson correlation coefficient and descriptive statistics were used for various analyzes of this study. The findings of the research revealed that Human Resource Management practices are significant predictors of employee satisfaction, commitment and retention.

**Jain (2009)** had studied the concept of employee retention in her study of "A Study Of Employee Retention Techniques At Care Hospital" at Nagpur. In her study she has analyzed the various techniques used at Care hospitals for the employee HR issues like employee turnover and attrition.

**Banerjee (2008)** "Predictors of employee turnover" The demographical variables, age and marital status are strong predictors of employee turnover. The results show that younger employees are more likely to turnover than older employees in early stages. These findings are in line with a study on voluntary turnover rates conducted by Hill and Associates which found that young undergraduates, graduates and post graduates in the outsourcing business had changed their jobs at least once in the past three years.

## **OBJECTIVES OF THE STUDY**

- To study the methods of procurement of employees in the banking sector
- To study the financial and non-financial incentives/rewards in relation to the employees retention.

## **PROBLEM STATEMENT**

The pace of change and the uncertainty about how markets will evolve has made it increasingly important for companies to be aware of the employee retention practices they participate in and to understand the roles that they play. The ability to continuously learn the evolving bank dynamics, coupled with competence in aligning the HRD practices to changing requirement, is one of the key sources of competitive advantage in present context. But sometimes, despite the ability and competence, the banks fail to align their employee recruitment and retention practices with the fast changing requirement. Therefore, there is a great need to research the challenges in the existing employee retention practices in the banking sector in India. This research is aimed at studying the employee retention practices followed in public and private sector banks.

## **SELECTED BANKS FOR THE STUDY**

### **A. PUBLIC SECTOR BANKS**

- State Bank of India
- State Bank of Patiala
- Canara Bank
- Punjab National Bank
- Punjab and Sind Bank

### **B. PRIVATE SECTOR BANKS**

- ICICI
- AXIS (UTI) Bank
- HDFC
- YES Bank
- Indusland Bank

## **RESEARCH METHODOLOGY**

The research methodology used in this study is shown in the following figure and uses combination of quantitative as well as qualitative techniques. Questionnaire survey method has been used to obtain empirical data for the study which is most popular instrument in collecting data. The data has been analyzed using SPSS statistical package. Results obtained from the analysis is used to derive learning's, suggest recommendations and interventions for better employee retention practices.

## **UNIVERSE OF THE STUDY**

The study is conducted in the various cities of state of Punjab in the selected public and private sector banks. The bank employees (with at least two years experience), managers of various banks are considered as respondents.

## **SAMPLING UNIT AND SAMPLING FRAME**

It comprises of managers working in the selected ten banks. The Sample consists of 500 respondents working in ten different banks, five belonging to public sector and five belonging to private sector. For the present study 500 respondents were contacted from selected ten banks but only 454 questionnaires could be effectively used for the analysis.

## **PROCEDURE OF DATA COLLECTION**

Tools used for primary data collection was structured questionnaire. Data collection in all the ten banks began with approaching various branches of these banks in the state of Punjab. Descriptive analysis is used for analysis.

To achieve above mentioned objectives the following results are interpreted by using the descriptive analysis.

Table -1 Major functions performed by HR department in Banks

Purpose of HR department in a Bank	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Total
To increase the effectiveness and efficiency.	6%	29%	9%	23%	13%	21%	100%
To manage employees and their records.	00%	13%	24%	22%	15%	26%	100%
To fulfill the needs of internal and external customers.	4%	21%	8%	20%	12%	36%	100%
To maintain and manage the resource system.	17%	14%	23%	4%	29%	14%	100%
To make the Bank's work more smoothly.	13%	5%	27%	27%	24%	4%	100%
To Recruit the employees.	60%	17%	10%	4%	7%	1%	100%

It can be seen that 60% respondent are of opinion that purpose of HR department is to recruit employees in the bank. The second most important reason for having a HR department in the bank is to increase the effectiveness and efficiency of the bank. 29% respondent are of opinion that the HR department is meant to device policies in the banks which leads to increase in the efficiency and effectiveness of the bank. 21% respondents are of opinion that HR department is meant to fulfil the needs of internal and external customers. Here internal customers are the bank employees and external customers is the society. The needs of society are meant through internal customers which are bank employees.

In the next step, there is need to study the most important method of procurement of employees used by banks. From the literature and interview with managers of different banks, six most commonly used method of procurement of employees are identified. The responders are asked to rank the methods of procurement of employees used in their bank. Rank 1 means most commonly used method and rank six indicates the least commonly used method.

As it can be seen from table 2 that recruitment test is most commonly used by the banks. 56% respondents have given first rank to recruitment test which mean this is the most common

practice in their bank. While 27% respondents have given advertising as first rank. This indicates that recruitment test and advertising are the most commonly methods used by the banks. 21% respondents have given rank 2 to recruitment test. 23% respondents have given rank 2 to employment agency as source of employment. Nomination by present employees is least preferred method as 56% respondents have given it rank 6. Other methods are also used by the banks but differences exist in the important.

Table 2 : Methods of procurement of employees used by banks.

Methods of procurement of employees	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Total
Through employment agency	7%	23%	22%	29%	19%	0%	100%
Campus Placement	0%	18%	24%	28%	13%	17%	100%
Personal Application	9%	18%	20%	26%	14%	14%	100%
Nomination By Present Employees	1%	6%	13%	5%	20%	56%	100%
Recruitment Tests	56%	21%	9%	2%	11%	1%	100%
Advertising	27%	11%	23%	3%	23%	13%	100%

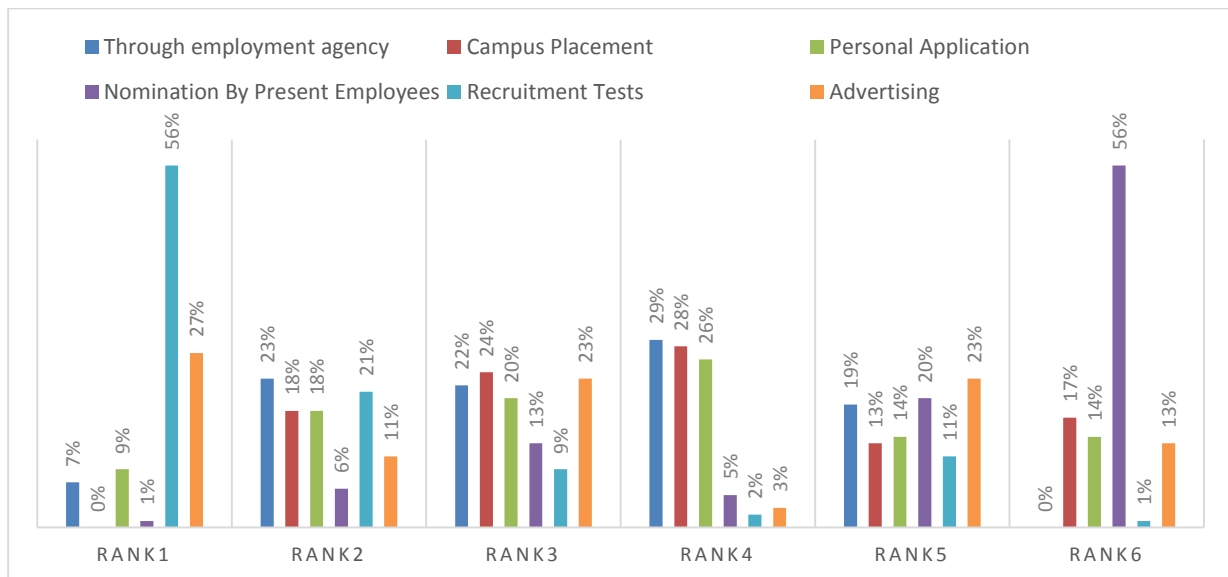


Figure 1: Methods of procurement of Employees used by the banks

From table 3, it can be seen that majority of bank employees are satisfied with present procurement procedure of the bank. Approx. 53% are fully satisfied and around 38% are satisfied. While only 1% are dissatisfied with the procedure of procurement.

Table 3: Level of satisfaction with the present procurement procedure

ARE YOU FULLY SATISFIED WITH PRESENT RECRUITMENT PROCEDURE?		
	Frequency	Percent
FULLY SATISFIED	242	53.3
SATISFIED	162	35.7
GOOD	46	10.1
DISSATISFIED	4	0.9
Total	454	100

The next step was to analyze the various financial and non-financial policies adopted by the banks. From table 4, it is evident that 23.3% respondents are of view that their bank has adopted financial incentives route to retain the employees. These banks offer financial incentives to their employees to retain them. 77% respondents are of view that their bank have adopted both financial and non-financial route to retain the employees.

Table 4: Financial and Non-financial policies adopted by banks

Financial and Non-financial policies adopted by banks	Frequency	Percent
Financial incentives	106	23.3
Non-financial incentives	00	00
Both	348	76.7
Total	454	100

Respondents were asked to disclose the financial incentive adopted by their bank. Table 5 exhibits the frequency and percentage of financial incentive offered by banks to retain their employees.

30% respondents says that their bank's most important financial incentive to retain its employees is Medical allowance. 27% respondents says their bank's most important financial incentive to retain the employee is leave with pay. Gratuity and pension is at number three as 13% respondents are of view that their bank's main financial incentive to retain their employees. 13% banks also share their profits and provide bonus to their employees to retain them. Social security schemes are adopted by 6% banks as policy to retain their employees.

Table 5: Financial incentives adopted by the respondents' bank

financial incentives adopted by respondents bank	Frequency	Percent
Handsome wages and performance Bonus	53	11.7
Profit Sharing/ Bonus	59	13
Leave with pay	121	26.7
Medical Allowance	135	29.7
Gratuity and Pension	57	12.6
Social Security schemes	29	6.4
<b>Total</b>	<b>494</b>	

The next step was to know the non-financial incentives offered by banks. Table 14 shows the frequency and percentage of non-financial incentive offered by the bank to retain their employees.

34% respondents says the most important non-financial incentive offered by their bank is the Status, Position and Self-respect. The bank positions their employees very high in the society that it raises their self-esteem and raise level of self-respect. 28% respondents are of opinion that security is the most important non-financial incentive offered by their bank. This provide them secure job and reason for livelihood.

Table 6: Non-financial incentives offered by banks

Non-financial incentives offered by banks to retain the employees	Frequency	Percent
Delegation of Authority.	22	4.8
Status, position and Self-respect.	152	33.5
Employees Participation.	42	9.3
Security	126	27.8
Job Enrichment.	58	12.8
Job Simplification and Satisfaction.	54	11.9



12% says their bank has simplified their jobs and which lead to rise in the satisfaction. When satisfaction is more, employees stick to their jobs for longer time. Employee participation or job enrichment is also very important non-financial incentive offered by the bank as 9% of respondents' bank offer it as means of non-financial incentive. 5% respondents says that their bank delegate the authority to their employees which lead to their self-esteem and job satisfaction which keep them stick to their jobs.

## **FINDINGS AND SUGGESTION**

- HR department is meant to perform various important functions in bank. But the most important is to recruit the employees. Other functions are also important but the importance as indicated by the bank varies and respondent have differences of opinion on it.
- Recruitment test is most commonly used by the banks. 56% respondents have given first rank to recruitment test which mean this is the most common practice in their bank. While 27% respondents have given advertising as first rank. This indicates that recruitment test and advertising are the most commonly methods used by the banks. 21% respondents have given rank 2 to recruitment test. 23% respondents have given rank 2 to employment agency as source of employment. Nomination by present employees is least preferred method as 56% respondents have given it rank 6. Other methods are also used by the banks but differences exist in the important.
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## **CONCLUSION**

For the recruitment and retention of good employees in banks or in any other organization proper procedure is to be followed. As discussed above the various methods of recruitment are followed by banks. With the accurate method of recruitment right kind of financial and non financial incentives are to be followed for retention of employees.

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