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REVIEW ARTICLE

EMPLOYEE RETENTION: A CHALLENGE FACED BY INDIAN BANKING INDUSTRY - A STUDY

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ABSTRACT

In today's scenario Banking sector have emerged as most employment generating industry and contributing a large portion in Indian economy. This article enlightened the banking activity which thrives on the strength of human power. The success of an organization depends upon several factors but the most essential factor that affects the organization performance is its employee. Human resources play a vital role in achieving an innovative and high-quality product/ service and to fulfil the Vision and mission of that organization. The present study is an attempt to examine and analyse the impact of human resource management practices on job satisfaction of bank employees. Besides the fact, that Banks are emerging as the highest job generating agency, the banking sector is also facing employee retention problem. As retention is directly related to job satisfaction, which is to be monitored by the HR department. This study identified that the HRM practices like Workforce planning, Recruitment, Promotion, Transfers, Training and development, Performance Appraisal, Team Work and Compensation has significant impact on job satisfaction.

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INTRODUCTION

Employee Retention

Employee Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There is no dearth of opportunities for a talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its Employees. Retention term involves: Compensation, Growth, Systemic succession planning and career management, Empower senior and middle managers, Reward system, Conducive work environment, etc.

Human Resource Management

Human resource management is a process of bringing people and organizations together so that both organizational and

individual goals are satisfied. Nowadays, the role of human resource manager is not restricted but it is shifting from protector and screener to the role of a planner and change negotiator. Human resource management practices are a potentially powerful and dominant lever for shaping the culture of the organization and they are strong predictors of Employee Engagement, on-the Job Behaviour, Job Satisfaction and Organizational Commitment Levels of managerial employees. In India Banking sector is emerging as an Employment generating agency. There are, at present 26 Public Sector Banks and 24 Private Sector Banks. There are various steps followed by Banks HR department to attract and retain talent in the institution:

Workforce planning

Banks plan for the number of officers/clerks etc. required at the beginning of the financial year, depending on the business plan of expansion (new branches/offices to be opened), number of employees likely to retire during the year, etc.

Recruitment

Based on the number of vacancy decide, Banks recruit in different Scales/Grades through IBPS (Institute for Banking Professional Selection). IBPS conducts written test, interview etc. for the new recruits on behalf of the PSBs (except SBI) in a very transparent manner and allots the new recruits to various banks based on merit and the candidate's choice.

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Promotion

Internal vacancies are filled up through promotions to the higher grade, normally based on the last 3 years annual appraisal, written test/GD/Interview as applicable. The promotion is fairly done on merit basis.

Training and Performance Support

Banks provide training to the new recruits/existing employees in the Banks' own training colleges (called Staff Training Colleges) or through external training by nominating employees to various training institutes like NIBSCOM, Noida, NIBM, Pune, IDRBT, Hyderabad, Banker's Training College, Mumbai. Banks also nominate employees for various Seminar/Workshops/Trainings conducted abroad. Banks also publish all their circulars, manuals, job cards, policy documents, banking news etc in the bank's Intranet site which helps in keeping employees up-to-date. In order to promote business knowledge, Banks also encourage their employees to do courses like JAIIB and CAIIB (from Indian Institute of Banking and Finance, Mumbai) and grant additional increments on passing these examinations. Banks also reimburse the examination fees and offer one time honorarium (a fixed amount) to the employees for passing various diploma and certificate examinations in banking (from IIBF, Mumbai).

Compensation and Benefits

Banks offer competitive pay packages to attract the best talents. The pay scale is fixed for various grades/scales. Apart from Salary, the employees are also paid for leased accommodation (or HRA), Leave Fare Concession (LFC) every 2 years, Conveyance, telephone at residence, furniture at residence, pension (now new pension scheme), newspaper, medical expenses, etc.

HRM in Banks

The HRM practices in banks are progressively forging ahead. A majority of the banks have set up separate HRD Departments (HRDDs) within a decade of functioning; HRDDs in some banks have gained certain commendable achievements. There are also cases of banks where the HRDD performs personnel administrative functions of recruitment, placement, transfer, promotion and training. The functioning of the HRDD in certain other banks shows a changeover towards HRD functions. In these banks, along with training, certain other activities like manpower planning and performance appraisal have been introduced yet, a few other banks have made quick changes as far as the introduction of new HRM activities such as systematic induction, quality circles, staff meetings are concerned besides introducing these systems, some banks have also taken substantial efforts in perfecting certain system like training and performance appraisal. Nevertheless, there is a widespread feeling in the banking industry that there are no sufficient linkage between HRD systems.

Literature review

HR Practices are correlated with the management of human resources, activities required for staffing the organization and

sustaining high employee performance. The most familiar HR Practices are recruitment, selection, training and development, compensation, rewards and recognition (Yeganeh, 2008). Six HR practices including- hiring, compensation policy, rewards, recognition, training and development and information sharing have been studied with relation to employee job satisfaction (Dessler, 2007).

S. Kesavan and P. Fathimanancy Dyana (June, 2013) "Disclosure of Human Resource Accounting (HRA) in Selected Indian Companies- An Empirical Analysis" The study reveals that to ensure growth and development of any institution, the efficiency of people must be accounted in the right perspective. Usually the expenses for procurement, development and maintenance of human resources are treated as revenue expenditure. In the current scenario some of the Indian companies have realized the real value of human resource and these expenses are incurred for the future benefit and should be capitalized. Hence an attempt is made to analyze the Human Resource accounting disclosure In Selected Indian companies 20 companies were selected for the study, only 6 companies (3each from Public and Private sector companies) were following Human Resource Accounting and Independent 't' test was used to find the divergence in the disclosure of human resource variables in selected Indian companies.

Raunak Narayan (2010) "Human resource accounting: A new paradigm in the era of globalization" . In this paper the author has elaborately discussed about the objectives and process of HRA in the Indian context. The basic intent of the paper is to study the Human Resources Accounting practices, to identify the issues and challenges, to study these issues and challenges and to give suggestions based on the findings. Sharma and Pooja Purang (2000) in their study Value Institutionalization and HRD Climate: A Case Study of a Navratna public sector organisation, found a positive association between value institutionalization and HRD climate in a large public sector organisation, sense thereby that a better and more ethical environment of the organization shall lead to a better HRD climate for the organisation. Hussain and Rehman (2013) examined the relationship between the HRM practices implemented by the organization on employee's purpose to stay and work efficiently for the organization. The result of the study explored that HRM practices: person-organization fit, employment security, communication and training and development are contributing effectively in developing the employees' intentions to stay with organization. Further, strong positive inter-relationships were found between HRM practices and employees' retention and such practices enhances employees' retain capability of organizations. Lamba and Choudhary (2013) revealed that how HRM practices provide an edge to employee's dedication towards an organization goal in the global competitive market. The study concluded that HRM practices such as training & development, compensation and welfare activities has major effect on organizational commitment and are associated with superior organizational performance, which help in retention of knowledgeable and skilled employees.

Awang *et al.* (2010) examined the impact of job satisfaction of university lecturers on their commitment towards academic

activities. Besides that, it also investigated particularly factors contributing to job satisfaction, specifically promotional opportunities, remuneration, working environment, workload, relationship with colleagues, and management style. The study found that promotional opportunities, workload and relationship with colleagues drastically affect job satisfaction of lecturers. Many researchers have pointed out that HRM practices impact on the outcomes such as employee satisfaction, commitment, retention, employee presence, social climate between workers and management, employee involvement, trust, loyalty, organizational fairness (Edger & Geare, 2005; Paauwe and Richardson, 1997 and Storey, 1989). Some of the authors have indicated that these outcomes and HRM practices can lead to firm performance such as profits, market value of the company, market share, increase in sales, yield, product service quality, customer satisfaction, growth of products/services and future investments.

Some statements showing attrition rate

1. Management consulting firm BCG (Boston Consulting Group) is a global management consulting firm with 78 offices in 43 countries. Has found that, on an average, 12 per cent of the new employees hired by public sector banks quit within the year. This compares positively with the corresponding figures of 22 per cent and 20 per cent for new and old private sector banks, respectively. PSBs may not be facing attrition today because relative reimbursement at junior levels is good. However, the firm cautioned that as the new hires reach middle management levels, the risk of losing the best people will be very high due to compensation mismatches.
2. Banks put out remarkable recruitment figures in their annual reports. But have you ever thought about the attrition rate in these banks? Shocking but true, in some cases, almost half of those who joined had resigned within a year. The clerical cadre has been witnessing high attrition, especially in banks with a regional focus. Bank unions say the attrition rate is almost 30 per cent in both the officer and clerical cadres. D.N. Prakash, President of Corporation Bank Officers' said that the attrition level in the clerical cadre was as high as 45 per cent in a bank at a point of time.
3. P. R. Karanth, Joint Secretary of AIBEA (All India Bank Employees Association), mentioned that someone who joins bank 'A' in the clerical cadre usually gets a good offer from bank 'B' in the officer cadre after two-three years. Even if the banks entail any bond during their appointment, they are ready to pay and leave. To address this, K.S. Bhat, Secretary of the Syndicate Bank Staff Association, said that weight preference should be given to those who work in bank 'A' while filling vacancies in the officer cadre. He said a person from clerical cadre had cleared IBPS with 167 marks in his bank. But the cut-off for officers' cadre was 168 marks. But he got an officers' job in bank 'B', where he matched the cut-off marks. Some relaxation for the existing staff would have helped his bank to preserve him. "In this process, we lost a clerical staffer and a person with two years' experience," he said.
4. According to banking HR circles, the rate of attrition in public sector banks varies between 10% to 15% annually. . So, there is a need to invent ways to prevent them from leaving the bank too soon," a top executive with a PSB said .Some PSBs including Bank of Baroda, Canara Bank, Punjab National Bank and Union Bank of India, have recently introduced a practice of signing service bonds with their new human resources joining at the officer level. Allahabad Bank and Dena Bank, in turn, propose to introduce it in their next round of recruitment. Senior executives of these banks have moved out on record that this is their way of recovering investments that go into training these new incumbents, especially if they leave within two-three years of joining. The move is also seen as a way to discourage new entrants from hopping jobs early in their careers.
5. PNB chairman and managing director KR Kamath said: "In case of new recruits at the officers level, we spend a lot of money on training and developing them. But when these officers leave the bank too early without even serving a minimum period and look for greener pastures, the entire cost of training goes in vain. The service bond system is a way to partly recover the sum."
6. Other bank chiefs like Canara Bank's AC Mahajan and Allahabad Bank's JP Dua too support Mr Kamath's views. Canara Bank, for instance, takes an upfront payment from new officers as a security deposit. "We offer a provision to pay in instalments.
7. Senior officials at Union Bank confirmed that its service bonds for up to three years are valued at Rs 2 lakh for general officers and Rs 2.5 lakh for specialised officers. BoB executive director RK Bakshi mentioned that the bank inks bonds worth Rs. 1 lakh for two years only with fresher's who join directly from the campuses. A top executive at Dena Bank said the bank management was planning to follow such a practice for IT officers to start with as attrition rates for these cadres are among the highest.

Purpose of the study

The economic slowdown is making job opportunities in public sector banks look attractive again. In today's scenario Banking sector have emerged as most employment generating agency and contributing a large portion in Indian economy. Highly qualified persons are willing to join banks; evidence justified that PG qualified persons are ready to join initially at clerical carder.

But after entering in the system and after realizing the ground reality of the banking industry they feel trapped and willing to switch to another sector whenever they get appropriate opportunity. There are various reasons for that (mainly in public sector banks):

1. **Posting policies are not comfortable.** With enough options for career, today an employee leaves a particular public sector bank just because some other bank offers him/her posting near his/her home town or a private bank offers a better pay package.

2. **Succession planning is not communicated properly.** Statistics reveal that the attrition rate in Public Sector banks in recent years is quite alarming. Public Sector Banks need to understand the prevailing dynamics & align their policies to include faster promotion, transfers as per Employees' choice, better incentives & recognition for good work in order to attract the new talents to their banks as well as to retain the talents.
 3. **No defined working hours for Bank employees.** In Indian Banks, working hours are defined only for Clerical cadre and should be defined for officer cadre also.
 4. **Professional qualification pay:** At present the Professional Qualification Pay is paid only in respect of CAIIB. However, with the passage of time radical changes have taken place in the matter of banking business. The diversification, which we have witnessed, calls for specialization in different academic areas. We therefore are of the opinion that the officers should be compensated for the various professional qualifications they possess during their career in the bank apart from the existing CAIIB qualifications.
 5. **Lacking work life balance practices.** Some employees even after putting their service for 15-20 years in a public sector bank may switch to academic profession or join a consulting firm for better opportunities.
 6. **Incentives for working in rural centers and other sensitive far flung areas:** It is needed to provide incentives to all those officers who are posted to serve in the rural areas/most sensitive and difficult areas with security problems/ areas of weather aberrations in different parts of the country.
 7. **General environment- Ambience etc.:** It is the responsibility of the banks to provide an appropriate environment, ambience and above all the HR systems at all branches. The officers' fraternity should also be provided with all facilities such as supply of refreshment, beverages etc., inside the branch premises in view of the pressure of work, long stay in the office etc.
 8. **5 days week:** Five Day week is already available in the international banking system. It also exists in our country in RBI, Central and State Governments and in Public Sector Undertakings. Hence, it should be introduced in the whole banking sector. The working hours should not exceed 36.5 hours in a week.
 9. **Recruitment / Retirement:** The Banking industry is in doldrums due to insufficiency of the workforce. The asymmetrical policies and the conventional approach of the Government and the Managements and have created a big gap in the average age of the various groups of employees in the banks. There were no recruitments virtually for more than 2 decades and as a result, the age difference between the old employee and the new employee is so large that the average age of the workforce is adversely affected.
1. Every Banks should establish a high power HRM Committee at the corporate level. Alternatives, the Training Advisory Committee should meet at least quarterly. HRM task force at various levels may also be set up to implement various HRM methods as are initiated and approved by the HRM Committee.
 2. The compensation system should be so attractive that one should seek to go higher in the ladder of the career and continue his / her commitment and conviction to give the best to the institution.
 3. All efforts must be continuously made by banks to build up an overall HRM culture and climate. It is very important that line managers and other functionaries take appraisals of employees as an important part of their portfolio.
 4. The HRM surveys should be carried out in the banks every 3 years and findings of these surveys should be interpreted and appropriate HRM interventions should be made.
 5. Scope of employee suggestion schemes needs to be expanded to make it more participative and effective, realistic and useful suggestions should be encouraged.
 6. Visiting faculty (with some behavioural science background) should be made to visit all the branches over a period of time, inviting questions and suggestions about the day-to-day problems. These could be discussed in a brainstorming session at the branches. This should be followed up suitable communication from controllers.
 7. Tasks/assignments/paper presentation to individuals/group of participants should be as a normal feature, experience sharing with participants to make possible meaningful interaction should be provided for. To the extent practical, structured and unstructured role plays in training sessions should be introduced.
 8. Welfare measures particularly related to hospitalization scheme, canteen facilities at branches, staff holiday homes and whenever feasible, these and other such welfare measures may be suitably customized for the benefit of staff.
 9. More important HR policies like transfer and promotion are to be viewed periodically; transfer placement policy should be implemented in fairness and undue favouritism from either side. This will introduce confidence amongst all.
 10. The guidelines of reward and punishment should be made clear and transparent while there should be an institutionalized system for calling regular information, good work done by staff for quick appreciations of their deeds and punishment and suitable to serve as an example for others.
 11. A thorough and scientific screening of the participants should be done before selecting employees for training so that the right personnel are selected for the right type of training.
 12. The appraisal data should not only be used for promotion decisions but also for the detection of staff training needs, job placements, job enrichment and enlargement, talent spotting and career planning.
 13. Bank managers should be prepared to manage the people so that exact data can be used in the computer on time. Commitment of employees to computerization should be

Suggestions

Based on findings emerged from the analysis of the data and figures given by the management officials of the public sector banks, the following suggestions are offered to improve the HRM as widespread in banks.

evolved to cover various sections of employees. The executives and administrators must utilize the Computer Based Management Information System (CBMIS) to enhance the quality of their decisions.

Conclusion

From the above study, it can be concluded that, the HRDD of banks are also realizing the increase in attrition rates, which should be checked through new or modified HR practices. The levers of retention being used by them are: special training programs, talent pool programs, on boarding of new recruits, job rotation, comfortable postings, incentives, and fast-track promotions. PSBs are focusing on special training programs, fast-track promotions and preferred location posting, apart from job rotations. However, their emphasis on talent pool program and on boarding of new recruits as retention tolls is low. "Overall, retention of employees is the ultimate acid test. In a competitive market, it is only a matter of time before banks with disengaged work force lose staff to other banks or other industries," cautioned BCG. Today's human capital is treated as an important asset in any organization. Without satisfaction of human beings, organization cannot be success in the competitive environment. In India public as well as private sector banks are giving priority to the human resource disclosure practice. Government should provide opportunities to the organization for more disclosure human resource reporting information and also some part of human resource related information would be mandatory in future.

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