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Strategic analysis of HR policies : Mitigating attrition and attracting top talent in the Indian banking industry

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Abstract

This study explores the pivotal role of HR policies on attrition rate and attracting the Top Talent in dynamic Banking industry in India. With increase in competition and expectations of the workforce from the management, the effective formulation & implementation of HR Policies have become indispensable for Banks to sustain growth and competition. Through an extensive literature review and empirical analysis, this research explores the multifaceted dimensions of attrition and Talent acquisition. It examines the prevailing challenges faced by Banks in retaining highly skilled & productive employees. The study investigates various HR policies and practices adopted by leading banks to address attrition concerns and retaining

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talent pool employees. Key focus of areas includes Talent Management initiatives, Employee Engagement strategies, Compensation and Benefit frameworks, Career development programs and organizational culture enhancement efforts. The insights would guide Banks in devising proactive strategies to foster employee retention, cultivate a Talent centric culture and sustain long term success in a highly dynamic and competitive marketplace (Figure 1).

Subject Classification: *M1.*

Keywords: *Banking industry, Attrition, HR policies, Talent attraction, Competition.*

1. Introduction

India holds the 5th position in the world largest economies as per GDP ranking in 2024. It is emerging as a significant economic force with its resilience and uncertainties in the economic market. India has elevated its position to 40th rank in Labor market efficiency as per Global Competitiveness Index 2023. Financial Sector considered to be the pillar of any Economy & Banks plays a critical role. Indian government-initiated Pradhan Mantri Jan Dhan Yojana (PMJDY) as a support mechanism for every one.Under the National Mission of Financial Inclusion, RBI issued 10 Small Finance Bank and 6 Payment Bank Licenses. Hence, Indian Banks/financial institutions can be categorized as public, private, foreign, small finance and payment banks. Licenses to new Banks, Competition from fintech, Globalization and digital disruption results in change in talent priorities in financial sector. As technology creates new opportunities, it also creates new challenges for Banking & Financial sector such as regulatory landscape, changing customer preferences, changing expectations of stakeholders and secure compliant services. In such scenario, human resource become crucial and gain competitive advantage for the growth, success & survival of the companies. Talent Management

Table 1

Private Banks Attrition Rate for FY23

Bank	Attrition Rate for FY23
HDFC Bank	34.15%
Kotak Mahindra Bank	46%
Axis Bank	35%
Yes Bank	43%
ICICI Bank	30.90%
Indusind Bank	51%

Source: https://www.cnbctv18.com/business/companies/rbi-closely-watching-high-attrition-at-some-private-banks-says-shaktikanta-das-18207931.htm



Figure 1

Conceptual framework of the study

Created by Author based on the research under study

has become challenge for Banks. RBI Governor Shaktikanta Das expressed concern over high attrition in banks especially Private Banks in November 2023 as average attrition rate for FY 2022-23 was 35-40% (Table 1).

Problem Statement

This is a big challenge for organizations to control attrition attracting top talent and retention of talent especially in financial sector, which is expanding,

Objective of the Study -

- To assess the reasons of employee's attrition in Indian Banking sector
- To analyze HR Policies in controlling attrition & attracting top talent from market
- To study retention measures to enhance retention ratio to survive in competitive business environment.

2. Literature Review

2.1 *Role of HR management*

Human Resource Management is the planned approach to nurture & develop employees and ensuring positive work environment. A study conducted on Indian Banks showed that banks can survive in this cutthroat economic environment only by paying attention to its HR strategies & functions and can also achieve competitive advantage. Total 600 replies from Indian Banks were gathered on 12 independent variables with one dependent variable [17] B. Schneider proposed attraction-selection-attrition (ASA) model in 1987, which suggested that people are attracted to the organizations based on some sort of fit between 'personal & organizational' characteristics. Else, they would join & leave organization [4]. Study was conducted on 19 SMEs from service & Manufacturing sector and found that employees committed to the organization when have

psychological connection & acceptance of company policies/practices [11]. [16] conducted study on 100 samples each, from Private & Public Banks in Chennai and found that banks need to devise Branding strategy to have higher level of dedication from employees to corporate aim. Further, Private bank employees are more concerned towards branding dimensions [16]. Fitness Continuously decrease in profit of PSBs showed importance of utilization, development & retention of talented manpower. Based on feedback from functional & HR managers and secondary data, HR policies & practices should be linked with Business strategies [19]. A study showed that Banks like HDFC & PNB are performing better which have implemented people driven and oriented work culture and attuned their HR policies like talent acquisition, compensation, performance and potential appraisal to succession planning accordingly. [10]

Chakrabarty [22] emphasized in his insights on working in banks that *"it is the people, people and people that make an organization achieve competitive advantage in this tough and competitive world"*. In a study by [8], there are different strategies which are adopted by Public & private sector banks which help in retention & attraction of talent. A study [1] on employee turnover study at Navanagar Co-operative Bank, Jamnagar Gujarat showed the reason of attrition to be lack of training & development programs, poot growth options and working conditions and cultural issues. The strategies suggested by him showed that the services of surplus staff could be utilized by forming separate teams for marketing and image building, follow-up and recovery of loans, internal inspection, planning and performance.

2.2 *Influence of Stress, Employee engagement and Motivation in work environment*

The Associated Chamber of Commerce and Industry of India conducted a study in 2007 on work-related stress and mental fatigue is affecting the Indian employees (www.assocham.org). Balraj [2] identified the causes of stress & efforts needed to reduce stress in the working environment, which could lead to improvement in employee's productivity & reduction in attrition. Kulkarni [9] carried out a study on over 100 bank employees at Bangalore and showed positive correlation between employee engagement factors as well as organizational commitment. He proposed that management could take employee engagement initiatives to improve the motivation level. Srivastava, [20] in his study conducted on 280 managers of private sector banks of Delhi-NCR revealed the impact of mentoring and psychological empowerment on turnover intentions.

2.3 *HR Policies in Banking Sector*

HR policies serve as the bedrock of organization culture, establishing the rules by adopting certain policies as mentioned below:

- **Recruitment Policy:** promotes consistency & standardization in hiring process
- **Equal Employment opportunity (EEO):** ensure that all employees are treated fairly & without discrimination
- **Code of Conduct & Ethics:** Defines expected standards of behavior and ethical conduct.
- **Anti-Harassment & Anti-discrimination:** Establishes protocols and procedures to prevent and address harassment, discrimination, and retaliation in the workplace
- **Health & Safety:** Outlines procedures and requirements to ensure a safe and healthy
- **Employee Relations:** defines the rights and responsibilities of both employees and the organization
- **Leave & Attendance Policy:** Outlines policies related to various types of leaves

2.4 *Reasons of Employees' Attrition in Banking Sector*

Employee attrition refers to the rate at which employees voluntarily leave an organization which is a result of two types of factors- Push Factors & Pull Factors [23]. Study by Ms Shiwani Arora Thakur explains reasons of employee's attrition [21].

- **Work Environment:** Employees are more likely to stay when there is a predictable work environment and vice versa [24].

2.4.1 Job Stress

Giga and Hoel [25] stated that mergers & acquisitions, globalization, technological development and restructuring resulted in time pressure, excessive work demand, role conflicts and problematic customer relationship.

2.4.2 Compensation & Benefits

Highly productive employees, who found their salaries less than the market rate may feel undervalued and look for opportunities where a company will pay them what they're worth [26]. Manu et al. [27] argue that employees quit job due to economic reasons.

2.4.3 Employee relationship with Management

Employee-supervisor relationship plays important role in attrition.

2.4.4 Poor Employment & Selection Decision

By choosing the right employees, organizations improve their efficiency to realize strategic objectives and manage future challenges [3], [5], [7], [18].

2.4.5 Quick growth

A 2012 survey by Catalyst shows that 78% young Indians aspire to senior executive and/or CEO roles, and they are very impatient about getting there. Figure 2 showed word cloud depicting Key HR terms & skills for fulfilling aspirations of Indians.

2.4.6 Monotonous work task

Study by Priya Thaly & Vinita Sinha showed that monotonous work offering little or no challenge and result in attrition [14].

The word cloud reflects that most of the aspects for employee retention are related to people issues like pandemic, upskilling, strategic management, future job security, research on people opinion, change management , organization vision, social aspects of business psychological perspectives etc.



Figure 2

Word cloud based on literature reviews

2.5 *Strategies for Retention of Employees*

2.5.1 Employee Engagement strategies

Employee engagement refers to the degree to which employees are emotionally invested in their work and committed to their organization. A study shared following strategies [13] These include goal clarity, [15], autonomy [12], affective and normative commitment.

2.5.2 Talent Management Strategies

Talent management includes transparent & quick recruitment & selection process**,** Smooth & efficient Onboarding Process, training & development, performance management, reward and recognition programs

3. Methodology

A qualitative method was used in this study. Explored secondary data on HR policies & processes, reasons of attrition & importance of talent attraction/acquisition. The current study gathered supporting evidence for the study by consulting 51 academic papers.

4. Finding & Discussion

Extensive literature review and empirical analysis showed the multifaceted dimensions of attrition and Talent acquisition. Studies by Agarwal [6] and Pahuja [17] showed that HR policies & functions play a crucial role in growth & success of organizations by improving retention & talent attraction. Bhattacharya and Gandhi [28] in her study (Engaging the Head, Heart and Hand of the Millennial Workforce) showed that organizations need to discover strategies or employee benefit schemes that have positive impact on employee engagement. Branding dimension also plays an important role in talent retention & attraction [16].

Proposed Model: The conceptual model was found to be supported based on the literature survey and previous research. The proposed model for future studies can be deployed as (figure 3) -

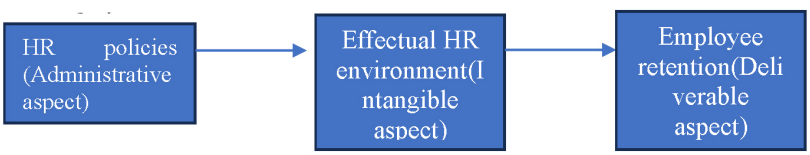


Figure 3

Impact of HR Policies & Environment on Employee Retention

Thus, the study contributes with respect to proposing a structured approach for employee retention largely. The factors cannot be limited to primary aspects but also secondary application-based insights that will help in assessing varied elements like talent management, role of administrative policies, styles, approaches that largely affects the work environment affect highlighting cultural, environment domain that further leads to retentive perspective of the organization which is the tangible and measurable aspect of HR.

5. Conclusion

The study was conducted to assess the reasons of employee's attrition in Indian Banking sector, Strategic analysis of HR Policies in controlling attrition & attracting top talent from market and Focus on the retention measures to enhance retention ratio to survive in this competitive business environment. Study shows that it is imperative for the management to be sensitive and implement relevant changes through HR interventions. Attrition has proven to be troublesome for organizational growth and customer satisfaction. Banks may effectively devise for better employee job-fit open organization culture, promote career planning, transparent appraisal system and competitive salary.

The study highlights how important it is to comprehend HR policies /practices in controlling attrition and retention & attraction of talented employees. With changing business norms, RBI regulations, emergence of new banks/fintech and strategic shift towards technology/AI results in new opportunities to examine the ways in which these variables affect HR policies & procedures.

7. Limitations of the Study

The study is based on theoretical perspective and secondary data due to time & resource constraints. Further, research with other dimensions, except chosen in the study, can also be conducted to assess the competitive advantage of human resources in organizational success.

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