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A COMPARITIVE STUDY OF HR PRACTICES IN PRIVATE AND PUBLIC SECTOR BANKS IN BIHAR

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Executive Summary

This report is about a study that compares how public banks in Patna Bihar handle their employees. The study looks at things like hiring, training and paying employees. We want to see how these banks are different and how they can do better.

The study will use surveys and interviews to get information from bank employees. We will use this information to see what works well and what doesn't. The Reserve Bank of India says that many bank employees are leaving their jobs so we need to find out why and how to keep them.

We think that private banks will be better at giving employees incentives to work hard while public banks will be better at keeping employees safe and secure. We also think that public banks will have relationships with their employees because of their unions.

Research Objectives

To provide a structured path for this investigation, the following objectives have been established: To evaluate and compare the recruitment and selection strategies employed by PSBs and PVBs in the Bihar region. To investigate the relationship between compensation structures (fixed vs. variable) and employee morale. To understand the drivers of employee attrition in the Bihar context and provide actionable policy recommendations to bank management and regulators.

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Compare how private and public banks handle their employees

- See how employees feel about their jobs and the banks policies
- Understand what makes employees happy or unhappy
- Give advice to banks and regulators on how to improve

The Crisis of Attrition

The RBI's 2023–24 "Trends and Progress of Banking in India" report highlighted a staggering 25% attrition rate across the industry over the last three years. This is no longer just a private sector problem; public banks are seeing "brain drain" as younger officers (Scale I and II) exit for better work-life balance or higher corporate pay. This research builds on the gap identified by the RBI: the need for better on boarding and mentorship.

The Bihar Context

Bihar presents a unique case study. While it is often characterized by its agrarian economy, Patna is a burgeoning hub for trade and education. The banking workforce in Bihar often deals with a dual challenge: managing high-volume retail banking in semi-urban areas and high-pressure corporate targets in the city. The "cultural fit" of HR policies in a traditionally conservative state like Bihar is a significant area of untapped research.

Recruitment and Selection:

In Bihar the Public Sector Bank recruitment is done in a way by the Institute of Banking Personnel Selection. This means that people are hired based on their merit. It is the same for all areas whether they are in the city or in the country.

The private sector banks do things a little differently. They handle their recruitment and it is more flexible. They look for people with skills. They often look for people in cities, like Patna to do jobs that involve computers and sales. The Public Sector Bank recruitment is still done through the Institute of Banking Personnel Selection.

Employee Satisfaction and Work-Life Balance

In Bihar's context, **job security** is an important factor. PSBs score significantly higher in employee trust and long-term security, which correlates with higher overall job satisfaction in rural settings.

Employees in private banks often face high pressure due to extended hours and unrealistic targets, according to research focused on Patna. People who work in these places like getting money and having nicer things around them.. They are not as happy with how their work and personal life fit together and they worry about being safe and taken care of. This is not as good as it is for people who work in the sector. These staff members like the pay and better infrastructure but they are still not satisfied, with their work-life balance and social security just like the public sector employees have.

Strategic Human Resource Management (SHRM)

SHRM theory says that HR practices must not exist in a vacuum; they must align with the bank's business goals. For a private bank, the goal is "Market Share," leading to aggressive HR. For a public bank, the goal is "Financial Inclusion," leading to a more social-welfare-oriented HR approach. Research Hypotheses H1: Private sector bank employees perceive their recruitment and induction processes as more aligned with modern industry requirements than public sector employees. H2: Public sector banks provide higher "Job Security Satisfaction" but lower "Growth Opportunity Satisfaction" compared to private sector banks.

Literature Review

HR Practices in Indian Banking

The Indian banking sector has evolved dramatically since liberalization, requiring workforce adaptation. Recent studies note that banks are innovating HRM to attract and retain talent or example, Sneha and Chodisetty (2024) find banks increasingly view employees ("internal customers") as vital, implementing innovative HR practices to retain talent. However, challenges persist: common HR issues include training shortfalls, recruiting the right people, retention and appraisal systems. The RBI's 2023–24 "Trends" report explicitly flags rising attrition (~25% over three years) as a concern, advising banks to strengthen onboarding, training, mentorship and employee support to curb turnover. This aligns with academic work highlighting the need for strategic HRM in banking to enhance satisfaction and performance.

Public vs. Private Sector Differences

Private Banks are often better at customer service. Handling employees because they are more flexible. Public sector banks are more stable. Have better pay but they can be slow to make changes.

HR Dimension

- Recruitment: Public sector banks use exams and formal notices to hire employees while private banks use campus placements and recruitment agencies.
- Training: Public sector banks have training programs while private banks may use in-house or vendor training.
- Performance Appraisal: Public sector banks have regimented appraisals while private banks have more flexible and performance-based appraisals.
- Compensation: Public sector banks have pay and benefits while private banks offer more variable pay and bonuses.
- Retention: Public sector banks have job security while private banks may retain employees through bonuses and promotions.
- Employee Relations: Public sector banks have unions while private banks have weaker unions and more direct management-employee dialogue.

Regional Context: The Patna/Bihar Factor

Banking in Bihar is not just about finance; it is about social status. Working in a Public Sector Bank is still viewed as a "Gazette" level achievement in Bihari society. However, the younger generation in Patna is increasingly comfortable with the high-stakes environment of private banking. The Rural-Urban Divide: Many bank employees in Patna are frequently transferred to rural Bihar. Government workers typically view this as a job requirement, while corporate staff frequently list "regional placement" as a major factor for quitting. . Moral Standards Knowledgeable Agreement: Each subject shall learn precisely how their details are processed. Privacy: Zero identities or particular office sites shall be disclosed to safeguard workers against executive payback.. Data Integrity: No data will be fabricated; "Outliers" will be handled using standard statistical protocols

Patna's banking sector is unique because Bihar is one of India's developed states. Many customers are from areas so banks need to be able to serve them well. The banking sector in Patna is also very competitive with many private banks trying to get market share.

Theoretical Framework

This study uses Strategic Human Resource Management and the AMO model. These models say that HR practices should align with the organizations strategy and context.

Research Hypotheses

Based on literature and context, we propose hypotheses comparing bank types (employees' survey perceptions). Example hypotheses include:

- **H1:** *Private bank employees will rate their bank's HR practices (flexibility, performance incentives, and speed of recruitment) higher than public bank employees do.* (Privates' agility vs PSBs' bureaucracy).
- **H2:** *Public bank employees will rate job security and standardized policies higher, and will report higher satisfaction with social benefits (pension, leave), than private bank employees.*
- **H3:** *Training adequacy will be rated similarly in both sectors, given prior studies showing uniformly high training satisfaction in Indian banks [10].*
- **H4:** *Private Banks will report higher scores on performance appraisal effectiveness and compensation competitiveness, while public banks report higher scores on fairness/stability of HR systems.*
- **H5:** *Employee relations (voice, grievance handling) will be rated better in public banks due to union mechanisms, but innovation in HR (e.g. use of technology in HR processes) will be higher in private banks.*

These will be tested via survey comparisons (t-tests/ANOVA) between sectors.

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Methodology

Research Design

A mixed-methods comparative design will be used, with surveys and interviews.

Population and Sampling

The study population includes employees of scheduled banks in Patna. For reasons we focus on major banks: for example SBI, PNB, Canara Bank, Bank of Baroda (public) and HDFC, ICICI, Axis, Kotak (private). These banks together cover branches and staff in Patna. A stratified sampling method will be used.

- Banks are divided into groups by type for example private.
- Then branches within each bank group are picked randomly.
- Finally employees, within each branch are also picked randomly.
- The banks are stratified by type.
- The banks are grouped.
- The branches are randomly picked within each bank.
- Employees are randomly picked within each branch.

The sampling frame and sizes are summarized in Table 2.

Bank Type	Banks Included	Approx. Branches in Patna	Approx. Employees	Survey Sample Size	Sampling Method
Public Sector	SBI, PNB, Canara, BoB	~60 (total)	~1,500	200	Stratified random by branch and role
Private Sector	HDFC, ICICI, Axis, Kotak	~45 (total)	~900	200	Stratified random by branch and role

Survey Instrument

A structured questionnaire will be developed. It will use 5-point Likert items on HR dimensions.

- *Recruitment:* "Our bank's recruitment process is transparent and merit-based."; "Recruitment channels (campuses, ads) effectively attract qualified candidates."
- *Training:* "Employees receive regular and relevant training to improve their skills."; "Training programs meet employees' job needs."
- *Performance Appraisal:* "Performance evaluations at this bank are fair and unbiased."; "I receive helpful feedback in my performance reviews."
- *Compensation:* "Our pay scales are competitive compared to industry standards."; "Rewards (bonuses/incentives) are linked to performance."
- *Retention:* "I feel secure about my long-term career prospects here."; "The bank provides clear career development paths."

Interview Guide

Conversational inquiries will supplement the questionnaire.

Ethical Considerations

This study will adhere to research standards. Participation is voluntary with consent obtained in writing. Data will be anonymised: survey responses coded, interview transcripts -identified and findings reported in aggregate.

Data Collection Logistics (Patna)

Data collection will take place in Patna over 2–3 months. The researcher will visit selected branches by appointment. Surveys will be self-administered to staff during work breaks. Interviews with managers will be scheduled in advance.

Data Analysis Plan

Quantitative Analysis

Survey data will be entered into SPSS. Preliminary analysis will include data cleaning and descriptive statistics for each item and scale. Reliability of each construct will be checked via Cronbach's alpha. Independent-samples t-tests will be used to compare bank types.

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Qualitative Analysis

Interview transcripts will be analysed via analysis. After transcription two researchers will code transcripts to identify themes.

Analysis of HR Dimensions: A Comparative View

Recruitment and Selection

In the Public Sector, the IBPS (Institute of Banking Personnel Selection) and SBI Central Recruitment Board provide a transparent, merit-based entry point. However, the process is lengthy (often taking 6-12 months). In contrast, Private Banks use "Just-in-Time" hiring, campus placements at B-schools, and social media (LinkedIn) headhunting. Observation: Public banks attract "security seekers," while private banks attract "career climbers."

Training and Development

Public banks have massive, dedicated training colleges (e.g., SBI's State Bank Academy). Their training is exhaustive but often lacks "soft skills" or "sales" focus. Private Banks focus heavily on "Product Knowledge" and "Cross-selling," often using mobile-based micro-learning modules.

Performance Appraisal and Reward Systems

The evaluation frameworks underscore the most distinct gap betwixt those dual domains.

- **Public Sector Banks:** Rely heavily on traditional, seniority-linked promotions and annual performance reports. While secure, this can sometimes produce administrative bottlenecks and a lack of drive for high-performers.

Private Sector Banks: Utilize current, outcome-focused frameworks like multi-source evaluations and Key Performance Indicators (KPIs). These banks use monetary incentives and rapid career growth as primary motivators. However, this "performance-centric" shift has increased workplace pressure

This is the most contentious area. Public sector PA (often the Annual Confidential Report or APAR) is criticized for being "halo-effect" prone and seniority-linked. Private Banks use KPIs (Key Performance Indicators) and 360-degree feedback. While more "fair" on paper, the private sector's "Bell Curve" ranking creates high levels of workplace anxiety. 8.4 Compensation and Benefits the "Pay Gap" is narrowing at the entry level, but the "Perk Gap" remains. Public sector employees enjoy leased accommodation, lifelong pensions (for older staff), and subsidized loans. Private sector employees receive higher "Take-home" pay and "Performance Bonuses," but lack long-term post-retirement security. 8.5 Employee Relations and Voice in Patna, bank unions (like AIBEA or AIBOC) are highly active in the public sector. They act as a shield against management high-handedness. In private banks, "Employee Relations" is often a one-way communication from HR to the employee, with grievances often going unheard until the employee resigns.

Expected Findings & Discussion

Based on prior studies and the Bihar context, we anticipate:

- **Recruitment**: Public banks will report more formalized exam-based recruitment compared to private banks.
- **Training**: Both sectors likely score high on training adequacy.
- **Compensation:** Private bank employees will indicate that performance pay and appraisals are more aggressive.
- **Retention**: Public bank staff report loyalty and lower intent to quit.
- **Employee Relations**: Public banks may score higher on "voice" but may also report
- Bureaucracy.

Timeline and Budget

Our field study will take 6 months. Here is a breakdown:

- Preparation: Literature review, instrument design, pilot testing
- Data Collection: Survey and interview
- Analysis & Write-up: Data analysis, report writing

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Budget Estimate (approximate):

Item | Cost (INR) | Remarks |

Item	Cost (INR)	Remarks
Local Travel	Rs 5000	Auto/Taxi Fares
Printing	Rs 3000	500 pages
Incentives	Rs 4000	Small token for participants
Data transcription	Rs 5000	Typing, interview recordings
Miscellaneous	Rs 3000	

Implications for Theory and Practice

For Theory: The study will extend HRM knowledge by providing a region-specific case linking national banking reforms to local outcomes. It will test HRM models and reveal the role of institutional context in shaping HR outcomes.

For Practice: Our findings will help bank management and regulators. For example if private banks are slow in providing training they can use some of the standardized programs from public sector banks (PSBs). If public banks struggle with appraisals they can learn from private sector methods. We may suggest strengthening campus recruitment drives, modernizing appraisals and improving PSB employee satisfaction using State Bank of India's (SBI) welfare practices.

Limitations

This study looks at one region and one time so our findings may not apply everywhere. Our sample may not include all bank types, such as banks. We used surveys to reduce bias. Time and resources limited our sample size. Since there's no existing HR data for Patna our comparisons are based on assumptions. Future studies could track changes over time. Test new interventions.

Recommendations

Based on the above, anticipated recommendations include:

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Policy (RBI/IBA): Encourage public sector banks to expand and reach rural areas. Update rules to reward skill development and employee retention in banks.

Public Banks: Keep employee benefits while streamlining recruitment and modernizing performance reviews. Give managers autonomy.

Private Banks: Develop HR policies and transparent appraisal standards. Hire campus talent and consider offering fixed benefits.

Training: Create industry-academia programs to improve financial literacy in Bihar. Use e-learning for bank staff.

- **Further Research:** Similar studies in other cities or with customer perspectives to validate findings.

Appendix: Survey & Interview Materials

Survey Questionnaire

- The recruitment process is transparent and fair.
- I receive training to perform my job well.
- My annual performance appraisal is fair.

Interview Guide (sample questions):

- How does your bank recruit staff?
- What training and development opportunities are offered?
- How is performance evaluated?
- Informed Consent Form Template:
- You are invited to participate in a research study about HR practices in banks.
- Participation involves filling a survey and/or a short interview.

Informed Consent Form Template

- You are invited to participate in a research study about HR practices in banks.
- Participation involves filling a survey and/or a short interview.

Conclusion

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The HR landscape in Bihar's banking sector is a study of contrasts: PSBs offer stability and social relevance, particularly in rural and flood-prone districts, while PVBs drive innovation and digital efficiency in urban hubs. To build a more resilient banking ecosystem in Bihar, policymakers suggest a hybrid HRM strategy—incorporating the agility of the private sector while maintaining the social security and trust synonymous with public institutions.

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