



Exploring the Influence of Human Resource Management Strategies on Employee Engagement and Commitment in the Banking Industry: A Comprehensive Literature Review

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Abstract

The banking sector was experiencing unprecedented levels of competition at the moment. Under these rapid changes, only the most formidable competitors will be able to survive. The goal of every single bank was to overcome this challenge, but doing so was much more difficult than anybody had anticipated. On the other hand, if everyone wanted to work together for change, it may be achievable. Banks were compelled to contemplate and adapt to the evolving financial landscape due to the rapid and intricate advancements in new approaches and talents. In order for the bank's personnel to adapt better to the changing conditions, it was necessary to improve their competences, which include skill, knowledge, and approach. Every person has the capacity to do great things, and the bank should help them realise this potential by providing them with information, a supportive environment, and opportunities. This could only have happened if the company had implemented effective and efficient human resource practices that would have allowed them to maximise value while minimising costs. Although there is no universally applicable best practice, it is essential for businesses to establish their own unique Human Resource Management System that reflects the essential skills and knowledge needed to stay in business. Ideal for one company may not be ideal for another. The optimal strategy that worked well a month ago may not work so well now. Therefore, in today's cutthroat business environment, the banking industry's success or failure hinges on its human resource management. The importance of well-managed human resources has been widely acknowledged in recent years, as it has in the past. Therefore, this research set out to investigate the HRM practices of both public and private sector banks in order to provide recommendations, bearing in mind the importance of human resources in the banking industry.

Keywords – Banking sector, employee engagement, commitment, human resource management

Introduction

In the banking industry, HRM policies have a significant impact on employee engagement and dedication. The term "engagement" describes how emotionally invested and involved a worker is in their job and the company they work for, while "commitment" describes how much a worker identifies with and is devoted to their employer. Key effects of human resource management strategies on dedication and involvement in the banking industry staff include the following: Finding and Choosing Employees: Hiring people with the correct set of values and abilities is the goal of every good recruiting and selection process. Job satisfaction and loyalty are both increased when the correct individual is hired for the proper position.

Professional Growth and Education: Staff members who participate in ongoing professional development opportunities learn new skills and are better able to adapt to changing market conditions. Higher levels of involvement and contentment in one's work are associated with more possibilities for learning. Management of Performance: A spirit of fairness and appreciation among workers is fostered by open and honest performance reviews. Increased levels of involvement are a result of both positive reinforcement and constructive criticism.

Salaries and Perks: Paying employees a competitive and fair wage helps to recruit and retain the best employees. Worker happiness and loyalty are enhanced by well-planned compensation and benefit packages. Finding a Balance Between Work and Life: Employee health is improved by policies that promote work-life balance, such as allowing employees to work remotely or have more flexible schedules. Staff members who get encouragement to manage their work and home life well are more invested in their work and more inclined to go above and beyond.

Leading and Communicating: Trust and transparency are nurtured via strong leadership communication. Employees are more invested and engaged when their leaders show them they



appreciate and support them. Participation and Agency of Workers: A feeling of belonging is created when workers are included in decision-making and given responsibility. Workers who have a say in how the company operates are more invested in its success. Design of the Work: Workers report more happiness in their work lives when their occupations are well-suited to their interests and strengths. Employees are more inclined to put in long hours if they like what they do and are challenged by their work.

Showing Appreciation and Recognition to Employees: Employee engagement and morale are both boosted when workers are acknowledged and valued for the work they do. Consistently praising accomplishments fosters a supportive work environment. Benefits for Workers' Health and Safety: A pleasant work environment is created when initiatives are put in place to promote health and well-being. An increase in engagement and commitment is likely to occur when employees feel that their well-being is being supported. Good human resource management methods in the banking industry help to make the workplace pleasant, increase job satisfaction, and encourage workers to be actively involved in their work. Overall organisational success, enhanced customer service, and higher productivity may result from this.

Objectives of the study

- To aims to synthesize key findings, identify patterns, and analyze the diverse range of HRM practices that have been studied in relation to employee engagement and commitment.
- the study seeks to contribute valuable insights that can inform both academia and practitioners in the banking sector, fostering a deeper understanding of the critical factors influencing employee engagement and commitment through effective HRM strategies.

Research methodology

The information was gathered from a variety of sources, including books, papers, websites, and study. The conclusions and recommendations presented in this study were derived from secondary sources of information. In order to draw conclusions about the bank's production, this study was exploratory in nature.

Literature review

Human Resource in Banking Industry

The expansion of any economy cannot be achieved without the banking sector. According to Ahmad Ashfaq et al. (2020), the banking industry is a crucial part of the global financial sector that helps manage financial resources properly. It is also considered a centre and indicator of a country's financial system. Among the country's oldest industries, banking has always played an important part in the nation's economic growth. With its vast population, abundant natural resources, and rapidly expanding pool of highly trained workers, India is quickly becoming an economic superpower. When it comes to development, organisation, and diversity, the Indian banking industry is unrivalled. When it comes to helping the Indian economy grow, this sector is crucial.

A combination of cutting-edge technology, improved credit and treasury management, diverse products, and internal and external factors is essential if this sector is to reach the pinnacle of global excellence, all within the context of a dynamic economic and business climate. Since banking is a service business, the success of individual banks is highly dependent on the dedication and output of its employees. Because of the inseparable nature of the interactions between customers and employees, losing competent workers may mean losing important clientele. As a result, the banking sector has built its HR systems, processes, policies, and practices around the idea of retaining people at all levels. The tremendous effect of human nature on the workplace is becoming more recognised. The key to future success, according to the industry, is human resource management.

Why Banks Should Prioritise Human Resource Management

The most valuable and essential component for every organization's smooth, effective, and efficient operation is its human members (Mosadragh, 2023). When it comes to accomplishing organisational goals and objectives, having competent and qualified staff is crucial. In the end,



it all comes down to three things: the dedication, commitment, and participation of the employees.

Back when personnel management systems were in vogue, people were seen as interchangeable parts—machines whose actions could be controlled to benefit the company and replaced when they were no longer needed. There was a lack of decentralisation and the policies of the company were rigid. Organisations, however, became more adaptable and decentralised with the advent of an HRM paradigm, which is better suited to organic systems and has cross-cultural and cross-hierarchical structures. Human resource management, according to (Shahnawaz M.G et al., 2016), examines the company as a whole.

Methods for Managing Human Resources

The shortage of qualified workers is the main obstacle to the efficient and profitable operation of financial institutions. It is unacceptable to think that human resources resources, both in terms of number and quality, are becoming limited. Banks should pay close attention to the whole Human Resource Management process because, as a society, we all gain when scarce resources are well-managed. If banks are to remain in business, they will need to implement radical reforms across the board in HRM. The administration of the bank has a significant issue in managing its employees. It is anticipated that commercial banks in India would ensure their workers are satisfied and productive by providing them with crucial recruiting, selection, training and development, and remuneration services.

As a result, banks are more focused on dedicated employees as a means of retaining smart and talented workers. Various studies have shown that HRM practices do just that. More and more, financial institutions are seeing the value in fostering the careers of their current staff. They have come to understand that a company's personnel may serve as a valuable resource of exceptional talent and propel the business to new levels of success. Human resource management strategies have an impact on these endeavours since they motivate and shape workers' abilities. It is vital to the success of the company in reaching its objectives and maintaining its competitive advantage. Organisational actions aimed at managing human resources and making sure they are used to achieve organisational objectives are known as HRM practices (Schuler & Jackson 1997). Appelbaum (2021) defines human resource management as "the science and art of managing people in an organization's internal environment." This science and art include all the policies, procedures, activities, and people-related tasks that go into ensuring an organisation has the right mix of skills and enough people to accomplish its goals.

Paauwe demonstrated a connection between HRM actions, results, and company performance, providing a unified framework for the field. According to this model, HRM efforts lead to better HRM results, which impact the efficiency and effectiveness of the business. The graphic shows that certain actions have a direct impact on the firm's success, as shown by the rising arrows. Human resource management practices are subject to change based on the organization's performance, as shown by the dotted lines.

In order to achieve this goal, all of the banks are implementing unique HRM practices for their most important employees. Not only do these HR practices assist build a healthy organisational culture, which in turn boosts growth and performance for banks, but they also instil a sense of empowerment within workers. The study's scope includes the following HRM practice areas: recruiting and selection; remuneration and benefits; training and development; and promotion and advancement within the organisation.

Academic Research on HR Methods

An integral aspect of any research process is the review of relevant literature. This allows us to review and assess the prior work on the topic of our study. When it comes to the global and Indian setting, there is a plethora of literature of all kinds. Reference books, case studies, research articles, empirical surveys, etc., have been contributed by several specialists in human resource management and administration. An efficient way may be found to understand the current ideas, hypotheses, and approaches. Only by doing so can the study area's gap be

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determined. The researcher has attempted to provide reviews of some comparable works on human resource practices in this chapter, recognising its importance and relevance for the study effort. Choosing a small number of writers for books and research papers covering pertinent topics to the current study was deemed sensible and efficient. A solid understanding of the study's theoretical and practical components has been provided by the review. This is why we have examined and presented the chosen works. The review process aided the researcher in analysing the field survey data and making valuable insights and inferences. Here are a few examples of the broad studies that were chosen to serve as a foundation for future research:

The recruiting, selection, training, and pay policy of SSIs in Punjab were examined in Mann's (2019) Ph.D. thesis. For this investigation, a total of 429 units were used as a sample. She came to the conclusion that SSIs used agents and required specialised training for HRM staff to conduct recruiting and selection at the plant gate. She went on to say that workers felt that various SSIs' pay policies were the root of most of the organization's problems. She mentioned the importance of human resource management methods in SSI and the necessity for targeted training to enhance staff abilities.

According to Zulfqar Bowra and Kabir Niazi's (2021) study titled "Impact of human resource practices on employee perceived performance in banking sector of Pakistan," there is a positive and significant relationship between HR practices and employee perceived performance. This finding highlights the importance of banks, both public and private, realising that HR practices impact employee performance, which in turn impacts the overall performance of the bank. There are a lot of HR organising techniques that have a big impact on performance, according to several academics.

In terms of customer attention, top-down commitment, and human resource management procedures, Selvaraj (2019) found that private banks outperformed public sector banks. Also, public and private banks are different in how they treat their workers, the technology they use, the prospects for advancement, and the stability of their jobs. D'Souza (2012) found that private sector banks have bigger pay disparities, fewer incentives for tenure, and pay for performance, in contrast to public sector banks that have lower pay disparities, high base pay, and long-term tenure rewards.

By positively impacting other related variables and leading to overall corporate performance, innovative HRM practices help organisations stay ahead of the competition (Tiwari Pankaj, et al., 2019). These practices include financial performance, employee commitment, job satisfaction, competitive advantage, and employee turnover.

Human resource (HR) practices at Pakistani banks, including salary, performance assessment, and promotion procedures, are the focus of this research by Sharif Bowra (2022), which aims to determine the nature and extent of the link between employees' perceptions of their own performance and these HR policies. In order to examine the effect of HR policies on workers' impressions of their own performance, 235 banking staff members filled out a questionnaire that was individually administered. Using multiple regression analysis and Spearman's correlation matrix, we can determine the type and degree of the link. There is a positive and statistically significant association between HR procedures and how employees view their own performance, according to the findings of Spearman's correlation. Compensation procedures were shown to be non-significant in the regression analysis, but performance assessment and promotion practices were found to be significant HR practices.

The findings of this research might also be useful for banking industry executives as they formulate or update their HR policies and procedures in pursuit of peak performance from their staff. In the Indian banking industry in the Tiruchirappalli District of southern India, Karthikeyan K et al. (2020) investigated the effects of training. Banks from the public and private sectors were also included in the research. Staff satisfaction with training practices is high across both public and private banks in southern India, and training's efficacy can be gauged by looking at how employees feel about training inputs, the quality of training programmes, and how well they apply what they've learned on the job.



The HRD policies and procedures of Bank of Rajasthan and State Bank of Bikaner and Jaipur (SBBJ) were the subject of Purohit's (2012) dissertation research. One hundred thirty-three bank officials made up the sample for this research. He discovered that both of these Rajasthani banks had an encouraging environment for growth. The bank had seen the value in training programmes and put them into action. However, the mechanism for evaluating performance was only adequate. Compared to workers with degrees in the arts or sciences, those with a commerce degree were more critical of the performance evaluation process. Commercial banks also tended to use a dominating leadership style when it came to training and educating their staff.

In addition, he said that the two financial institutions in question used the majority of HRD strategies. He stressed the need of commercial banks hiring HRD specialists to develop their staff. In the long run, it will encourage banks to do better. Jammu (2014) investigated the code of conduct, employee-employer relations, organisational structure, placement, promotion, training, compensation, allowances, and fringe benefits of the Punjab and Sind Bank. He came to the conclusion that the bank's hiring practices and the specialised training it provided were well-received by the staff. Workers were dissatisfied with the bank's promotion programme because of the influence of politics. The training centres lacked the necessary equipment and the facilities were inadequate. The survey also found that workers were happy with the bank's pay scale and code and disciplinary policies.

In his Ph.D. thesis, Kumar (2016) attempted to examine HRD practices in relation to different demographic variables, such as age, sex, marital status, job title, level of education, tenure, employment mode, and the role of various HRD subsystems in HRD development. So, for the sake of this research, a sample of 200 workers was chosen. He came to the conclusion that although training was provided to the majority of staff, factors like gender and age were not considered. It was also discovered that workers were dissatisfied with the promotion policy and that professional qualifications and education were not given the weight they deserved when deciding who to promote or transfer. The majority of employees were satisfied with the welfare facilities, performance appraisal system, and attitude towards management. He further concluded that recruitment was made according to the manpower requirement and that these variables were not considered at the time of recruitment.

Recruitment, placement, training, promotion, wage pay, financial incentive, transfer, deputation, industrial relations, and political interference were all discussed in depth in the study article by Mahajan and Sharma (2015), which focused on human resource development in cooperative banks. Fifty workers were chosen at random for this research. Based on their research, they concluded that the cooperative banks' approaches to HRD were lacking. When it came to HRD practices, employees at these institutions were not very satisfied.

In this study, Sharma and Nayyar (2015) sought to analyse State Bank of India's HRD process. With a focus on the Chandigarh circle—which includes the Indian states of Haryana, Himachal Pradesh, Punjab, and Jammu & Kashmir—the research offered a comprehensive overview of HRD processes, employee satisfaction, and the HRD atmosphere at State Bank of India (SBI). Among India's commercial banks, he found that SBI employed the most people overall. The bank's training programme was well-designed, and customer service was top-notch. The organisational atmosphere, working conditions, and performance assessment system were all good.

Human resource development techniques have an impact on both employee development and quality orientation in organisations. In their study article, Hassan et al. (2016) sought to assess this impact. The research drew from a pool of 229 workers from 8 different companies. In order to gather data, a questionnaire was used. This questionnaire assessed four systems: career, job planning, development, and self-renewal. According to the findings, HR practices varied greatly among organisations. The HR performance index, when added together, was a strong predictor of firm success, employee turnover, and productivity. Learning and training systems and staff development systems were shown to be the predictors of workers' satisfaction with



the HRD atmosphere in the research. Organisations with strong systems for evaluating and promoting employees' potential, as well as providing feedback on their performance and opportunities for professional growth, were shown to have higher levels of employee trust and satisfaction.

In their 2018 study, Mellacheruvu and Krishnamacharyulu detailed how public sector banks were unable to meet their staffing needs due to inadequate recruiting practices. There has been a lack of focus on training at these financial institutions. They also thought that the bank's performance review process may use some work to make it more objective and aligned with its goals. On top of that, they discovered that banks paid their workers less than other companies and that a strict system of incentives and promotions had no correlation with employee performance. Banks' retention and succession planning become problematic as a result. Additionally, they advocated for more independence for banks in hiring and accelerated promotions for deserving workers. A service culture may be fostered via HRD programmes by implementing a performance-based promotion and incentive system.

A study conducted by Manjinder (2019) compared training and development techniques in public and private sector banks, as well as the workers' perspectives on programme design, execution, and assessment. For this investigation, we used a random sample of 150 workers. She came to the conclusion that training design was an area where public and private sector banks have concentrated, with this area being affected by factors such as internal mobility, technological advancements, and job requirements. Additionally, she came to the conclusion that the two categories of banks had used optimal strategies for staff training. She advocated for a more diverse training programme. It was necessary for these institutions to adopt the idea of e-training and ensure that all workers, regardless of their level of seniority, could reap the advantages of these programmes.

A total of 600 people, including 300 government employees and 300 business owners, participated in the research that Pathak Neetu conducted. In the Purvanchal area, the survey was given to both general and supervisory/managerial level personnel at similar rates. Only primary data was used in the research. Finding and analysing the training programmes' efficacy was the primary goal of the research. Training programmes are beneficial in enhancing knowledge, skills, and attitudes, according to the research. They allow workers a chance to grow as individuals while also fostering team spirit, commitment to the job, and learning abilities. Technical and behavioural training, however, should take front stage. Training should be assessed after a certain amount of time has passed. The programmes will be more beneficial if they are longer and include background information for the personnel.

The difficulties encountered by India's public sector banks have been researched by Mellacheruvu Sujatha and Krishnamacharyulu. The study's primary aim was to analyse recommendations given by banking sector professionals. According to the research, experts and a high-level HR committee comprised of representatives from the Indian Bankers Association, the Government of India, State Bank of India, and other public sector banks have proposed solutions to the training gap that has been identified in public sector banks. By implementing training and development programmes, the bank will be able to identify which skills are most important for its future success. The new reality and client expectations need training programmes that adapt to them.

In his study, Trivedi Vikas (2018) compares and contrasts the HR policies and procedures of public and private banks, illuminating the key differences in HR approach between the two types of financial institutions. He chose 123 bank workers from the public and private sectors to participate in his research. His tool of choice here is a well-designed survey. He comes to the conclusion that private sector bank personnel are motivated to work hard and strive for excellence, and that they are given every opportunity to succeed. Public sector banks, on the other hand, use factors other than seniority to determine promotions and organisational rank. Training and retraining programmes that last a long time should be implemented by public



sector banks, according to him. It is also important to improve public sector banks' training facilities.

Conclusion

In addition to expanding our understanding, the researcher has been able to better tailor the goals of this study by reviewing the work of other researchers and experts. Researchers discovered that the backgrounds and work cultures of public and private sector bank employees are distinct. Profitability takes a back seat to the idea of social responsibility, which is the guiding principle of public sector banks' work cultures. Private sector banks, in contrast, aim to maximise profits. It is necessary to investigate how different sectors' HRM practices could impact an organization's culture due to the significant role that sector disparities play in this regard. Finding out whether staff are happy in their jobs is crucial to the success and long-term expansion of Indian banks. If they were happy, they would work harder and be more dedicated, which would have a positive effect on the banks' bottom lines.

The lack of a systematic approach to human resource management in India's private banking business was even brought to light by the examination of several qualitative studies. Research has shown that in an effort to boost productivity, various private bank managements are using a variety of HR tactics. The Indian private banking sector has many challenges, including those pertaining to job security, staff development, remuneration, working conditions, and the overall business climate. It has been noted that in order for banking organisations to be successful and competitive, human resource management must be completely integrated into their strategy and policies.

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