

## **HRM Challenges in Public Sector Banks**

### **Dr. Vivek Singh Sachan**

*Asstt. Prof., Institute of Business  
Management, CSJM University, Kanpur  
Email: vivek\_singh\_sachan@yahoo.co.in*

### **Dr. Mayank Jindal**

*Research Scholar,  
Kumaun University, Nainital, Kanpur.  
Email: mayankjindal.512@gmail.com*

### **Arpana Katiyar**

*Asstt. Prof., Institute of Business  
Management, CSJM University, Kanpur  
Email: arpanakatiyar1980@gmail.com*

### **Dr. Jitendra Dabral**

*Asstt. Prof., IJMC,  
CSJM University, Kanpur  
Email: jitendradabral@gmail.com*

### **Warshi Singh**

*Asstt. Prof., (Corresponding Author)  
Institute of Business Management,  
CSJM University, Kanpur  
Email: warshi.s@gmail.com*

#### **Abstract**

*Human Resource Management (HRM) plays a vital role in improving employee efficiency, organizational productivity, and service quality in public sector banks. The present study is based on secondary data collected from research papers, journals, reports, and published literature related to HRM challenges in public sector banks in India. The study examines major HR-related issues such as technological adaptation, employee motivation, workforce aging, succession planning, employee stress, and competition from private and foreign banks. Public sector banks face difficulties in managing digital transformation, retaining skilled employees, and maintaining employee engagement due to rigid organizational structures and increasing work pressure. The findings indicate that modernization of HR practices, continuous training and development, employee wellness initiatives, transparent appraisal systems, and technology-driven workforce management are essential for improving organizational efficiency and competitiveness. The study concludes that strategic and employee-centered HRM practices are necessary for strengthening the long-term sustainability and performance of public sector banks in the rapidly changing banking environment.*

#### **Keywords**

*Human Resource Management, Public Sector Banks, HRM Challenges, Employee Motivation*

Reference to this paper  
should be made as follows:  
**Received: 12-09-2019**  
**Approved: 25.09.2019**

**Dr. Vivek Singh Sachan**  
**Dr. Mayank Jindal**  
**Arpana Katiyar**  
**Dr. Jitendra Dabral**  
**Warshi Singh**

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*RJPP 2019,  
Vol. XVII, No. 2,  
pp.85-94  
Article No. 12*

**Online available at :**  
*http://  
rjpp.anubooks.com/*

## **Introduction**

Human Resource Management (HRM) has become one of the most important functions in the banking sector because the efficiency and success of banks largely depend on the quality, skills, and commitment of employees. In India, the banking sector has undergone major transformation due to economic liberalization, privatization, globalization, technological advancement, and increasing financial competition. Public sector banks, which play a significant role in the Indian economy, are now facing intense competition from private sector and foreign banks. This changing environment has increased the importance of effective Human Resource Management practices in public sector banks.

Traditionally, public sector banks in India operated under highly regulated and bureaucratic systems where HR functions mainly focused on administrative activities such as recruitment, salary management, transfers, and promotions based on seniority. However, modern banking requires employees who possess technical knowledge, digital skills, customer relationship management abilities, adaptability, and problem-solving capabilities. The introduction of digital banking, internet banking, mobile banking, artificial intelligence, and financial technologies has significantly changed the operational structure of banks. As a result, public sector banks must continuously upgrade employee skills and modernize HR practices to remain competitive and efficient. One of the major challenges faced by public sector banks is technological adaptation. Many employees, especially older staff members, face difficulties in adapting to digital technologies and modern banking systems. Rapid technological changes require continuous training and development programs to improve employee competence and service quality. Public sector banks also face challenges related to workforce aging because a large number of experienced employees are approaching retirement, creating leadership and talent gaps within organizations. Succession planning and leadership development therefore become important concerns for HR managers. Employee motivation and engagement are additional challenges in public sector banks. Compared to private sector banks, public sector banks often have rigid organizational structures, slower promotion systems, and limited performance-based incentives, which may reduce employee motivation and productivity. Work stress, heavy workload, customer pressure, and changing performance expectations also affect employee morale and job satisfaction. Furthermore, public sector banks experience difficulties in attracting and retaining highly skilled employees due to increasing opportunities in private banks and financial technology companies.

Training and development have become essential for improving employee efficiency in public sector banks. Employees require regular training in digital banking

systems, cybersecurity, customer service, risk management, and financial technologies to meet modern banking requirements. Effective HRM practices can help banks improve employee performance, customer satisfaction, and organizational productivity. Therefore, modernization of HR policies and strategic workforce management are necessary for strengthening the competitiveness and sustainability of public sector banks in India.

### **Review of Literature**

Shukla (2014) examined the emerging Human Resource Management challenges faced by public sector banks in India and observed that technological advancement, increasing competition, and changing customer expectations have significantly transformed the banking sector. The study highlighted that public sector banks often face difficulties in adapting to digital banking systems because many employees lack adequate technical skills and modern banking knowledge. The researcher emphasized that continuous training and development programs are essential for improving employee competence, customer service quality, and organizational productivity. The study further revealed that rigid organizational structures, slow decision-making systems, and limited performance-based rewards reduce employee motivation and efficiency in public sector banks.

Pařaođlu (2015) analyzed the relationship between Human Resource Management practices and organizational commitment in the banking industry. The study found that HR practices such as training and development, promotion systems, performance appraisal, job security, and employee participation positively influence employee commitment and organizational loyalty. Employees working in organizations with effective HR systems demonstrate higher levels of motivation and job satisfaction. The research also highlighted that strategic HRM practices help organizations improve employee engagement and organizational performance. The findings are important for public sector banks because employee commitment directly affects customer service quality and operational effectiveness.

Pandey and Sharma (2014) examined succession planning practices and challenges in Indian organizations and found that many institutions face leadership gaps due to inadequate workforce planning and insufficient leadership development programs. The study highlighted that succession planning is necessary for maintaining organizational continuity and preparing employees for future managerial responsibilities. Organizations lacking formal succession planning systems often struggle with leadership instability and operational disruptions. The researchers suggested that organizations should focus on mentoring, leadership training, and career development programs to strengthen future workforce capabilities. This issue is

particularly important for public sector banks where large numbers of experienced employees are approaching retirement age.

Sanyal and Biswas (2014) investigated the relationship between performance appraisal systems and employee motivation in the Indian service sector. The study found that transparent and fair appraisal systems positively influence employee satisfaction, confidence, and organizational commitment. Employees are more motivated when performance evaluations are linked with promotions, rewards, recognition, and career growth opportunities. The researchers also observed that effective performance management systems improve employee productivity and organizational efficiency. The findings indicate that public sector banks need to modernize appraisal systems and implement performance-based HR practices to improve employee engagement, reduce dissatisfaction, and strengthen overall organizational performance.

### **Objective of the Study**

To examine major Human Resource Management challenges faced by public sector banks in India.

### **Research Methodology**

The present study is descriptive and conceptual in nature and is based entirely on secondary data. Information has been collected from research papers, journals, books, reports, conference proceedings, and published literature related to Human Resource Management practices and challenges in public sector banks in India.

### **HRM challenges in public sector banks**

#### **Technological Adaptation and Skill Gap**

Technological adaptation has become one of the biggest Human Resource Management challenges for public sector banks in India because the banking industry is rapidly shifting toward digital and technology-driven operations. Modern banking services such as internet banking, mobile banking, digital payments, artificial intelligence, online customer support, and automated financial systems require employees to possess strong technical knowledge and digital skills. Public sector banks traditionally operated through manual and paper-based systems, and many employees, particularly senior staff members, find it difficult to adjust to rapidly changing technological environments. The introduction of core banking systems, cybersecurity measures, online transaction platforms, and digital financial services has significantly changed the nature of banking operations. Employees who are not properly trained in modern technologies often struggle to perform efficiently, which negatively affects customer service quality and organizational productivity. Public sector banks therefore face continuous pressure to organize training and development

programs that improve employee technological competence and adaptability. However, conducting large-scale training programs for a huge workforce requires significant financial resources, time, and organizational planning. Another challenge is the gap between existing employee skills and industry requirements. Many employees possess traditional banking knowledge but lack expertise in digital systems, data analytics, cybersecurity, and financial technologies. This skill gap creates operational inefficiencies and slows down the process of digital transformation within banks. Furthermore, technological changes occur very rapidly, making it difficult for employees to continuously update their knowledge and skills. Public sector banks also face resistance to technological change because some employees fear that automation and digital systems may reduce job security or increase work complexity. Lack of confidence in using technology often creates anxiety and resistance among employees, especially those who have worked for many years in traditional systems. Customers today expect fast, accurate, and technology-enabled banking services, and failure to meet these expectations can reduce customer satisfaction and competitiveness of public sector banks. Private and foreign banks generally adopt new technologies more quickly, increasing competitive pressure on public sector institutions. Therefore, public sector banks must focus on continuous employee learning, digital training programs, technology-based workforce development, and supportive organizational culture to improve employee adaptability and operational efficiency in the modern digital banking environment.

### **Employee Motivation and Low Engagement**

Employee motivation and engagement remain major challenges in public sector banks because employee productivity and service quality depend greatly on the level of employee satisfaction, commitment, and involvement within the organization. Public sector banks in India traditionally follow bureaucratic and hierarchical organizational structures where decision-making processes are slow and promotion systems are often based more on seniority than performance. Such systems can reduce employee enthusiasm, especially among younger and highly skilled employees who seek recognition, career growth, and performance-based rewards. Employees working in public sector banks frequently feel that exceptional performance is not adequately recognized or rewarded, leading to dissatisfaction and low motivation levels. Compared to private sector banks, public sector banks generally offer fewer performance-linked incentives and slower career advancement opportunities. This often affects employee morale and reduces willingness to take initiative or innovate in the workplace. Heavy workload, increasing customer expectations, target pressure, and administrative responsibilities further contribute to stress and reduced employee engagement. Employees handling large customer volumes and financial responsibilities may experience

mental pressure and emotional exhaustion, affecting both performance and customer service quality. Another factor contributing to low employee engagement is limited communication and participation in organizational decision-making. Employees who feel ignored or disconnected from management are less likely to develop strong emotional attachment toward the organization. Public sector banks also face challenges related to maintaining positive workplace culture because rigid rules and bureaucratic systems sometimes reduce flexibility and creativity in work processes. In many cases, employees perform duties only to fulfill formal responsibilities rather than actively contributing toward organizational improvement. Lack of work-life balance and frequent transfers in public sector banks also negatively affect employee satisfaction and family stability. Additionally, younger employees entering the banking sector today have different expectations regarding work culture, career development, flexibility, and organizational support compared to earlier generations. If these expectations are not fulfilled, employees may become disengaged and seek opportunities in private banking or other sectors. Effective employee engagement practices such as transparent communication, recognition programs, career development opportunities, employee participation, counseling support, and performance-based reward systems are therefore essential for improving motivation and organizational commitment in public sector banks.

### **Workforce Aging and Succession Planning**

Workforce aging and succession planning have become critical Human Resource Management challenges for public sector banks because a significant portion of the workforce in many banks is approaching retirement age. Public sector banks in India recruited large numbers of employees during earlier decades, and many experienced officers and managers are now nearing retirement simultaneously. This situation creates serious concerns regarding leadership continuity, loss of organizational knowledge, and shortage of experienced personnel. Senior employees possess valuable practical experience, customer relationship knowledge, operational expertise, and understanding of banking systems that are difficult to replace immediately. When large numbers of experienced employees retire without proper succession planning, organizations may face leadership gaps, reduced efficiency, and operational instability. Succession planning refers to the process of identifying and preparing employees for future leadership and critical organizational positions. However, many public sector banks still lack structured succession planning systems and long-term workforce development strategies. Inadequate preparation of future leaders can create difficulties in handling managerial responsibilities, strategic decision-making, and organizational transformation. Public sector banks often rely heavily on traditional promotion systems based on seniority rather than leadership capability

and skill development, which may result in leadership positions being occupied by employees who are not fully prepared for modern banking challenges. Another major issue is the transfer of organizational knowledge from retiring employees to younger staff members. Without proper mentoring and knowledge-sharing systems, important operational expertise may be lost permanently. Younger employees entering public sector banks may possess educational qualifications and technological knowledge but often lack practical experience and managerial exposure required for leadership roles. Therefore, organizations must invest in leadership development programs, mentoring systems, job rotation, and management training initiatives to prepare future leaders effectively. Public sector banks also face difficulties in attracting highly talented young professionals because private banks often offer higher salaries, faster career growth, and modern work environments. This makes leadership pipeline development more challenging for public sector institutions. Furthermore, rapid technological changes and digital banking systems require future leaders who are adaptable, innovative, and technologically competent. Traditional leadership approaches may no longer be effective in managing modern banking operations and customer expectations. Therefore, strategic succession planning and workforce development have become essential for ensuring organizational continuity, leadership stability, and long-term sustainability in public sector banks.

### **High Workload and Employee Stress**

High workload and employee stress are serious Human Resource Management challenges in public sector banks because employees are required to manage increasing responsibilities, customer expectations, financial targets, and operational pressures in highly competitive environments. Public sector banks serve a large customer base across urban and rural areas, and employees often handle multiple responsibilities simultaneously, including customer service, financial transactions, documentation, loan processing, compliance requirements, and administrative duties. Due to staff shortages and increasing banking activities, employees frequently experience excessive workload and long working hours, which negatively affect their physical and mental well-being. Technological changes and digital banking systems have further increased work complexity because employees are expected to manage both traditional banking operations and modern digital services efficiently. Customers today demand faster services, error-free transactions, and immediate problem resolution, increasing pressure on bank employees. Public sector banks also face intense competition from private and foreign banks, leading management to impose performance targets related to deposits, loans, customer acquisition, and financial products. Continuous pressure to achieve targets often

creates anxiety, frustration, and emotional exhaustion among employees. Workplace stress not only affects employee health but also reduces productivity, job satisfaction, concentration, and service quality. Employees experiencing stress may become less motivated, less efficient, and more likely to make operational mistakes. Mental stress also affects interpersonal relationships within organizations and can increase absenteeism, conflicts, and employee turnover intentions. Another challenge is maintaining work-life balance because employees in public sector banks are often transferred to different locations, affecting family stability and personal life.

### **Competition from Private and Foreign Banks**

Competition from private and foreign banks has become one of the most significant challenges for public sector banks because the banking industry in India has become highly competitive after economic liberalization and financial sector reforms. Private and foreign banks have introduced modern banking technologies, customer-oriented services, digital platforms, innovative financial products, and performance-driven organizational cultures that have transformed customer expectations and banking standards. Public sector banks, which traditionally operated under government-controlled systems and bureaucratic procedures, now face intense pressure to improve service quality, operational efficiency, and workforce productivity to remain competitive. One of the major HR-related challenges created by this competition is talent retention and attraction. Private and foreign banks generally offer higher salaries, better incentives, faster promotions, modern work environments, and greater performance-based rewards compared to public sector banks. As a result, many skilled and young employees prefer to work in private sector institutions rather than public sector banks. Public sector banks therefore struggle to attract highly qualified professionals, especially in areas such as digital banking, financial technology, risk management, and customer relationship management. Existing employees may also leave public sector banks in search of better career opportunities, causing high attrition and talent shortages. Another challenge is maintaining employee productivity and customer service standards.

### **Conclusion**

Human Resource Management challenges in public sector banks have increased significantly due to technological advancement, globalization, digital banking expansion, and rising competition from private and foreign banks. Public sector banks are facing difficulties related to technological adaptation, employee motivation, workforce aging, succession planning, employee stress, and talent retention. Traditional HR practices and bureaucratic organizational structures are no longer sufficient to meet the demands of the modern banking environment. Employees are required to

continuously upgrade their skills and adapt to changing technologies, while organizations must ensure effective training, leadership development, and employee engagement. High workload, work pressure, and changing customer expectations also affect employee productivity and job satisfaction. Furthermore, competition from private sector banks has created additional pressure on public sector banks to improve service quality, workforce efficiency, and organizational performance. The study highlights that modernization of HR practices is essential for strengthening the operational effectiveness and sustainability of public sector banks. Strategic HRM practices such as continuous training and development, transparent performance appraisal systems, employee wellness initiatives, succession planning, and technology-driven HR systems can help improve employee competence and organizational competitiveness. Public sector banks must adopt employee-centered and flexible HR policies to address workforce challenges effectively and maintain long-term growth in the rapidly changing banking sector.

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