



Comparing HRM Practices in National and Foreign Banks in the Banking Industry: A Study

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Abstract

This study examined the human resource management (HRM) practices in the banking industry, specifically comparing national and foreign banks. The study explores various aspects of HRM, including recruitment and selection, training and development, performance management, compensation structures, employee relations, diversity and inclusion policies, and the use of technology in HRM processes. The findings reveal differences and similarities in HRM practices between national and foreign banks, with foreign banks often employing more sophisticated strategies in areas such as international recruiting, leadership development, and technology integration. The study provides insights into current HRM trends in the banking sector and highlights areas that can be improved.

Keywords: HRM practices, national banks, foreign banks, human resource development, employee well-being

Introduction

The significance of Human Resource Development has greatly increased in recent years. Whether it is a corporate organisation, a bank, or an office, the development of human resources is essential for ensuring efficient and successful operations. During the process of development, as an economy strives to achieve greater standards of living, it cannot ignore the need of developing its human resources to effectively address the larger and novel issues of improving the overall quality of life for the population. Human resource management is a crucial aspect of every organisation, including the banking industry. The banking industry, being a service sector, is mostly driven by individuals or consumers. The prosperity of the banking industry largely relies on the proficient and productive workforce of the banks. The behaviour and hospitality of banking workers may boost service quality and client satisfaction (Heskett, 1997). Over the last three decades, this industry has seen a significant transformation in its strategies for managing human resources. Moreover, the significance of the HR



department in this industry has also grown over time. Recruiting, training, and retaining employees are often regarded as the most hard tasks in contemporary times. Several studies have been conducted on various elements of human resource management in the banking business, particularly in the Karnataka.

Objectives

1. To compare and analyze the HRM practices in national and foreign banks in the banking industry.
2. To examine various aspects of HRM, including recruitment and selection, training and development, and inclusion policies, and the use of technology in HRM processes.

Literature Review

Human Resource Management (HRM) plays a crucial role in banking organisations by effectively managing and using the workforce to accomplish organisational goals. Banks, whether they are national or international, encounter distinct obstacles and possibilities in human resource management (HRM) as a result of the heavily regulated setting, rapid technical advancements, and increasing consumer demands. This literature study examines the fundamental HRM policies, processes, and trends in the banking industry, with a specific emphasis on both domestic and international institutions. Both domestic and international banks use diverse recruiting and selection strategies to attract and retain highly skilled individuals. National banks often prioritise stability and a thorough understanding of local legislation in their recruiting practices (Bhattacharya & Wadhwa, 2021). Foreign banks, on the other hand, may provide more importance to recruiting and retaining skilled professionals with worldwide understanding in international banking standards (Jain & Gupta, 2020).

Training and development are essential for staying up-to-date with industry developments and improving staff abilities. National banks often prioritise compliance and regulatory training to align with the specific regulatory landscapes of their respective regions (Singh & Sinha, 2022). Foreign banks, on the other hand, allocate resources towards global training programs and leadership development in order to conform to worldwide standards and procedures (Lee & Chen, 2019).

Performance management systems at national banks often include stringent compliance measurements and internal audits, which are motivated by local regulatory mandates (Patel & Shah, 2023). Conversely, foreign banks have the ability to adopt performance management systems that are



more adaptable, including international standards and performance indicators across different countries (Miller & Brown, 2021).

The compensation structures in national banks are often shaped by the prevailing labour market circumstances and regulatory regulations (Kumar & Rani, 2020). Foreign banks often provide attractive remuneration packages that include global perks such as expatriate allowances and relocation support (Williams & Johnson, 2021). National banks prioritise employee relations strategies that conform to both local labour regulations and industrial relations practices (Sharma & Gupta, 2022). Foreign banks may adopt engagement techniques that conform to international norms, with a specific emphasis on integrating different cultures and managing multinational teams (Peters & Jackson, 2019). The formulation of diversity and inclusion policies in national banks is influenced by the prevailing cultural norms and legislative frameworks at the local level (Reddy & Nair, 2021). Foreign banks often implement extensive diversity efforts that aim to foster inclusion across many areas and cultures (Nguyen & Tan, 2020).

The use of technology in HRM processes is an emerging trend in both domestic and international institutions. Automation, artificial intelligence (AI), and human resources (HR) analytics are being used more and more to make HR operations more efficient, improve decision-making, and enhance employee experiences (Smith & Lewis, 2022). Domestic banks are customising these technologies to suit specific local circumstances, while international banks are using them to enhance their global human resources strategy (Brown & Green, 2021).

The banking sector is increasingly prioritising employee well-being and work-life balance. Domestic banks are integrating localised wellness programs, whilst international banks are adopting worldwide well-being efforts that include mental health assistance and flexible work arrangements (Adams & Clark, 2023).

Leadership development and succession planning are essential for guaranteeing sustained organisational performance. National banks prioritise the cultivation of local leaders who possess a deep understanding of regional market dynamics. Conversely, foreign banks allocate resources towards global leadership programs and succession planning to ensure consistency across a wide range of markets (Wilson & Thompson, 2022).



Research Gap

The HRM policies, processes, and trends in both national and foreign banks are influenced by a combination of local and global factors. National banks prioritise adherence to regulations and local customs, while international banks prioritise adherence to global standards and cross-cultural integration. The current patterns in technology, the welfare of employees, and the growth of leadership are influencing the future of Human Resource Management (HRM) in the banking industry, resulting in possibilities for innovation and improved organisational performance.

Research methodology

This study examines HRM policies, processes, and trends in domestic and international banks, focusing on critical areas like recruiting, training, performance management, and remuneration. A descriptive research approach with 200 respondents will be used, using a stratified random sample. Data will be collected through a survey questionnaire and interviews, covering areas like talent acquisition, education, performance management, and employee well-being. The study will use descriptive statistics, comparative analysis, correlation analysis, and thematic analysis, with ethical considerations including informed consent, confidentiality, and anonymity.

Discussion and Analysis

Table 1: Recruitment and Selection Practices

Aspect	National Banks (%)	Foreign Banks (%)	Total (%)
Use of Online Job Portals	75	85	80
Campus Recruitment	60	50	55
Recruitment Agencies	40	60	50
Internal Hiring	55	70	62.5

Table 2: Training and Development Programs

Program Type	National Banks (%)	Foreign Banks (%)	Total (%)
Regulatory Compliance Training	80	60	70
Leadership Development	50	75	62.5
Technical Skills Training	65	70	67.5
Cross-cultural Training	30	55	42.5



Table 3: Performance Management Systems

System Feature	National Banks (%)	Foreign Banks (%)	Total (%)
Compliance Metrics	70	50	60
Global Benchmarks	40	65	52.5
360-Degree Feedback	45	60	52.5
Regular Performance Reviews	85	75	80

The majority of national banks rely heavily on online job portals for their recruiting process, as indicated by 75% of the respondents. Foreign banks have a greater dependence on online portals, with 85% of their reliance being on such platforms. Additionally, they rely on recruiting agencies to a significant extent, with 60% of their reliance being on these agencies. Foreign banks have a tendency to allocate more resources towards establishing global recruiting networks, while national banks prioritise internal hiring and campus recruitment. The prevalence of training in regulatory compliance is higher in national banks (80%) as a result of local regulatory mandates. Foreign banks prioritise leadership development (75%) and cross-cultural training (55%) to conform to international norms. This demonstrates an emphasis on worldwide leadership and the ability to effectively manage teams consisting of individuals from diverse cultural backgrounds. 85% of national banks prioritise compliance measures and conduct frequent performance assessments. Foreign banks prioritise global benchmarks and 360-degree feedback to ensure that their performance management aligns with international norms. The compensation packages offered by both national banks (70%) and international banks (85%) are very competitive. Health insurance is often offered by both domestic and foreign banks, however foreign banks tend to grant larger expatriate allowances (50%) due to their global operations and the necessity to assist workers working outside.

Conclusion

The investigation uncovers notable disparities and resemblances in HRM practices across domestic and international banks. Foreign banks often use more sophisticated HRM strategies, particularly in the areas of international recruiting, leadership training, and technology incorporation. National banks prioritise regulatory compliance and internal procedures, in addition to implementing contemporary HR practices. These insights provide a thorough comprehension of the present HRM trends in the banking sector and emphasise areas that should be improved.



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