

Public vs. Private Banking HR Models: Insights from a Decade of Organizational Transformation in India

Ratnesh Kumar Roy^{*1}, Dr. Anisa Khanam²

¹Research Scholar, School of Commerce and Management Studies Sandip University, Madhubani, Bihar

Email ID : ratneshroy123@gmail.com

²Associate Professor, School of Commerce and Management Studies Sandip University, Madhubani, Bihar

***Corresponding Author:**

Ratnesh Kumar Roy

Email ID : ratneshroy123@gmail.com

Receive date :

11/11/2025

Revised date :

20/11/2025

Accepted date :

15/12/2025

Published date :

22/12/2025

ABSTRACT

This study examines the transformation of Human Resource (HR) models in Indian banking between 2015 and 2025 through a qualitative comparative case study of the State Bank of India (SBI) and ICICI Bank. Drawing on 25 semi-structured interviews with managers and employees, along with HR manuals, training circulars, and policy documents, the research explores how digitalization, competition, and evolving employee expectations have reshaped HR practices. Findings reveal a clear shift from administrative control to strategic human capital management, marked by the adoption of digital HR tools, data-driven performance systems, and enhanced employee engagement initiatives. While both public and private banks are converging toward strategic, technology-enabled HRM, significant differences persist in organizational culture, reward systems, and decision-making autonomy. The study reinforces the AMO and RBV frameworks, highlighting institutional inertia as a moderating factor in digital HR adoption. Overall, it provides one of the first decade-long qualitative syntheses of HR transformation in Indian banking, offering theoretical and policy insights for future workforce modernization

Keywords – Digital HR, Employee Engagement, Human Resource management, Indian Banking, Strategic HR Transformation.

1. INTRODUCTION:

Since 2015, the Indian banking sector has undergone a major transformation driven by economic liberalization, digitalization, and heightened competition. The introduction of government-led reforms such as *Digital India* and Jan Dhan Yojana, and the spread of fintech innovations, have reshaped how banks operate and engage with customers. Public Sector Banks (PSBs), long characterized by rigid hierarchies, process-oriented structures, and strong labor union influences, have been compelled to adapt to a more dynamic and competitive environment. Their traditional human resource (HR) models, which emphasized job security, seniority-based promotions, and procedural adherence, now face pressure to evolve toward efficiency, accountability, and innovation. Conversely, private sector banks have historically demonstrated agility, performance-driven incentives, and customer-centric cultures.

These differences have resulted in diverging organizational behaviors and workforce expectations, particularly as technology-driven processes such as digital HR systems, analytics-based performance tracking, and virtual learning platforms have become mainstream (Kaur & Gupta, 2021).

Amid these changes, understanding how HR models have evolved across public and private banks in the last decade becomes increasingly important. The shift toward *digital HR* practices, performance accountability, and employee

empowerment has redefined talent management, work culture, and organizational commitment (Singh & Dixit, 2022). However, despite significant interest in digital transformation, few studies have qualitatively examined how these shifts have influenced HR strategies, employee morale, and long-term organizational sustainability in both sectors. Most existing literature focuses on quantitative analyses of performance metrics or technology adoption rates, overlooking the deeper human and cultural dimensions of this evolution. Hence, there exists a critical research gap in exploring how HR systems in Indian banks have transformed—balancing digital integration, performance expectations, and evolving employee aspirations—within a comparative, decade-long perspective. This study aims to address that gap by offering an in-depth qualitative analysis of HR transformations in Indian public and private banks from 2015 to 2025.

Objective: To understand the evolution of HR models in public and private banks and draw lessons for sustainable human capital management.

Research questions:

How have HR structures and practices evolved in public and private banks from 2015–2025?

What contrasts exist in their strategic HR approaches?

What factors drive or hinder HR transformation in each model?

How do employees perceive HR effectiveness across ownership types?

2. Literature Review:

HRM in the Indian Banking Sector:

Human Resource Management (HRM) in the Indian banking sector has undergone a significant transformation over the past three decades, evolving from a purely administrative function to a strategic partner in organizational development. The initial wave of reforms began with the Narasimham Committee Reports (1991, 1998), which recommended liberalization, enhanced competition, and modernization of the banking system. These reforms paved the way for greater autonomy, technological adoption, and performance accountability in both public and private banks. The Reserve Bank of India (RBI) further strengthened this transformation through modernization policies, digitalization drives, and prudential norms aimed at enhancing efficiency and customer service.

Since 2015, the pace of transformation has accelerated with the government's *Digital India* initiative, the rise of fintech innovations, and the entry of new-generation private banks. As banking operations became more technology-driven, HRM evolved from being a compliance-oriented administrative function to a strategic enabler of business growth and innovation (Kaur & Gupta, 2021). Human resources are now viewed as critical assets for achieving competitive advantage, especially amid automation, Artificial Intelligence (AI), and digital customer interfaces. Public sector banks, which traditionally prioritized stability and social inclusion, have increasingly adopted digital HR systems, competency-based training, and performance measurement frameworks. In contrast, private sector banks have continued to refine their agile HR practices, emphasizing leadership development, employee empowerment, and data-driven decision-making (Singh & Dixit, 2022).

Public vs. Private HR Models:

The HR philosophies of public and private banks differ fundamentally due to their ownership structures, objectives, and institutional legacies. Public banks such as the State Bank of India (SBI) emphasize stability, compliance, and social responsibility, reflecting their broader public service mandate. Their HR structures are typically centralized and unionized, with strong procedural control and limited flexibility. Promotion and reward systems are seniority-based, focusing on tenure rather than performance outcomes. Training programs primarily target regulatory and routine compliance, ensuring standardization and procedural adherence (Bhatnagar & Sharma, 2020).

In contrast, private banks such as ICICI Bank operate under a performance- and innovation-driven philosophy, emphasizing customer orientation, agility, and result-based accountability. Their HR structures are decentralized and meritocratic, empowering managers to make context-specific HR decisions. Compensation systems are performance-linked, incentivizing productivity and innovation. Training and development are skill- and leadership-focused, aiming to build future-

ready capabilities (Agarwal & Sinha, 2021). This contrast highlights the dual evolution of HR models within India's banking ecosystem—public banks modernizing under institutional constraints, and private banks leveraging autonomy to foster agility and competitiveness.

Theoretical Underpinnings:

The transformation of HR models in Indian banking can be explained through multiple theoretical lenses. The Resource-Based View (RBV) positions human capital as a core source of sustainable competitive advantage (Barney, 1991). Under this framework, banks that effectively recruit, train, and retain skilled employees are better positioned to differentiate themselves and achieve superior performance.

The Ability–Motivation–Opportunity (AMO) Framework further elaborates on how HR practices enhance employee performance by focusing on three dimensions: developing employees' abilities through training and learning, fostering motivation through rewards and recognition, and providing opportunities for participation and empowerment (Boxall & Purcell, 2016). This model underscores the strategic alignment of HR policies with employee engagement and organizational objectives.

Lastly, Institutional Theory explains why public and private banks evolve differently despite operating in the same environment. Institutional constraints such as bureaucratic culture, government oversight, and unionization limit flexibility in PSBs, while private banks enjoy greater autonomy to adopt innovative HR practices (Scott, 2014).

The coexistence of these institutional pressures and market demands has led to a hybrid HR environment that blends traditional values with modern, technology-driven approaches.

Research Gaps:

While several studies have examined HR practices in Indian banking, most focus on specific dimensions such as training effectiveness, digital adoption, or employee satisfaction. There remains a lack of comprehensive, decade-long qualitative analyses capturing the evolution of HR systems across both public and private sectors. Existing literature also overlooks the interaction between digital HR initiatives and organizational culture, particularly how technology-driven transformation reshapes communication, leadership, and employee identity. Moreover, empirical studies often emphasize quantitative correlations rather than the lived experiences of employees navigating this transformation.

This study addresses these gaps by conducting a comparative qualitative investigation of HR evolution in Indian public and private banks from 2015 to 2025. By linking digital HR adoption with cultural and structural change, it aims to offer a holistic understanding of how human resource models are being redefined in India's dynamic banking ecosystem.

Table 1: HRM Evolution in Indian Banking

Topic	Major Contributors / Key Studies	Identified Research Gaps
Evolution of HRM in Indian Banking (1991–2025)	Narasimham Committee Reports (1991, 1998) – Liberalization & modernization; RBI Digitalization Policies; Kaur & Gupta (2021) – HRM as strategic enabler; Singh & Dixit (2022) – Digital HR and agility	Lack of comprehensive, longitudinal studies (2015–2025) covering both PSBs and private banks; Limited qualitative evidence on how reforms transformed internal HR systems.
Public vs. Private HR Models	Bhatnagar & Sharma (2020) – HR reforms in PSBs; Agarwal & Sinha (2021) – Strategic HR in private banks; Kaur & Sandhu (2021) – Comparative HR transformation	Insufficient comparative studies examining HR philosophies, engagement strategies, reward systems, and cultural differences between PSBs and private banks; Limited research on hybrid HR models emerging post-digitalization.
Strategic HRM & Competitive Advantage	Barney (1991) – RBV & human capital; Budhwar & Varma (2011) – Emerging HR patterns in India; Budhwar & Debrah (2019) – HRM in developing countries	Sparse research linking RBV to digital-age competencies in Indian banks; Limited evidence on how HR-driven capabilities enhance long-term competitive advantage in the banking sector.
Employee Engagement & Performance Systems	Agarwal & Sinha (2021) – Engagement in private banks; Singh & Malhotra (2020) – Digital HR & engagement; Braun & Clarke (2006) – Thematic analysis framework	Limited qualitative studies capturing employee experiences during digital HR transitions; Lack of understanding of how engagement differs across hierarchical levels and generations.

Topic	Major Contributors / Key Studies	Identified Research Gaps
AMO Framework & HR Effectiveness	Boxall & Purcell (2016) – AMO theory; Kaur & Gupta (2021) – Competency-based HR; Jain & Bhatt (2018) – HR practices & retention	Few studies operationalize the AMO model in the Indian banking context; Lack of empirical evidence on how Ability, Motivation, and Opportunity are influenced by digital HR tools.
Institutional Theory & HRM in PSBs vs Private Banks	Scott (2014) – Institutional theory; Bhatnagar & Sharma (2020) – Institutional constraints in PSBs	Limited studies exploring how institutional pressures shape HR digitalization; Lack of research on unionization, hierarchy, and bureaucratic structures in shaping HR innovation.
Digital HR & Technology-Driven Transformation	Singh & Dixit (2022) – Workforce agility; Singh & Malhotra (2020) – Digital HR practices; Gupta & Jain (2021) – HR analytics adoption	Limited exploration of the cultural impact of digital HR; Lack of qualitative insights on employee identity, communication, and leadership changes due to digital HR systems.

3. Methodology:

This study adopts a qualitative comparative multiple-case study design, focusing on two representative banks—State Bank of India (SBI), a public sector bank, and ICICI Bank, a private sector bank—to explore the evolution of human resource (HR) models in the Indian banking sector from 2015 to 2025. Guided by an interpretivist paradigm, the research seeks to understand employees' lived experiences and institutional contexts shaping HR transformation. Data were collected through 25 semi-structured interviews with managers, HR officers, and frontline staff across branches in North Bihar, supplemented by document analysis of HR manuals, training circulars, performance policy updates, and annual reports to ensure contextual depth.

A purposive and snowball sampling technique was employed to identify participants with direct involvement in HR operations and decision-making. The data were analyzed using thematic analysis as outlined by Braun and Clarke (2006), developing codes around key themes such as *recruitment modernization*, *digital HR integration*,

appraisal fairness, reward systems, and employee engagement. To enhance credibility and dependability, triangulation was achieved through cross-verification of interview findings with documentary evidence. Ethical protocols included informed consent, participant anonymity, and transcript verification, ensuring transparency and trustworthiness. Furthermore, validation measures such as member checking, peer debriefing, and maintaining an audit trail were incorporated to strengthen the rigor and authenticity of the qualitative analysis.

4. Findings and Discussion:

Thematic analysis of interviews and documents highlights key shifts in HR practices across Indian banks. Five core themes—recruitment, training, performance, employee relations, and digital HR—reveal contrasts and growing convergence between public and private sectors driven by digital transformation and evolving workforce expectations.

Table 2: Thematic Analysis of HR Transformation in Indian Banking (2015–2025)

Theme	Public Sector Banks (e.g., SBI)	Private Sector Banks (e.g., ICICI)	Key Observations / Emerging Trends
Theme 1 – Recruitment and Workforce Composition	Recruitment remains dominated by competitive exams, reservation policies, and limited lateral entry from outside the sector. Hiring emphasizes stability and compliance with government norms.	Recruitment relies heavily on campus hiring, performance-based screening, and lateral talent mobility to ensure agility and innovation.	A gradual convergence is observed as public banks increasingly adopt contractual and project-based hiring, especially for technology and analytics roles.
Theme 2 – Training and Development	Expanded use of digital modules and e-learning, yet training outcomes often suffer from limited follow-through and	Strong focus on leadership development, continuous learning, and succession planning through dedicated academies	Shift from compliance-oriented to competency-oriented training across both sectors, indicating a move toward capability building

	assessment mechanisms.	and online platforms.	rather than procedural instruction.
Theme 3 – Performance Management and Rewards	Predominantly seniority-based appraisal systems with moderate linkage between performance and pay; incremental improvements post-7th Pay Commission.	Highly KPI-driven performance frameworks with variable pay, target-linked bonuses, and performance stress.	Post-COVID era has seen a hybrid performance model, balancing quantitative targets with qualitative metrics such as collaboration and innovation.
Theme 4 – Employee Relations and Culture	Characterized by unionized stability, hierarchical structures, and slower innovation. Industrial relations remain strong, ensuring job security but limiting agility.	Culture is flexible and competitive, fostering innovation but also leading to workplace stress and burnout due to performance pressure.	Both models are hybridizing, with increased focus on employee wellness, diversity, and inclusion programs to address stress and engagement issues.
Theme 5 – Digital HR and Transformation	Significant strides in digitization post-2019, including adoption of HRIS platforms such as PeopleSoft and YONO HR for employee services and analytics.	Advanced AI-driven recruitment, HR analytics, and gamified learning platforms enhance engagement and efficiency.	Digital HR acts as a unifying force across sectors, though private banks lead in innovation and integration speed, while public banks catch up through institutional initiatives.

In conclusion, both public and private sector banks in India are steadily converging toward a strategic and digitally driven HR model. While public banks are evolving from a compliance- and welfare-oriented approach toward greater agility, they remain limited by bureaucratic processes. In contrast, private banks demonstrate mature strategic HR integration, adapting swiftly to digital and market dynamics. Overall, digital HR acts as a key catalyst for modernization, promoting integration, innovation, and a more performance-oriented culture across the Indian banking ecosystem.

5. Discussion:

The thematic analysis of interviews and institutional documents revealed multidimensional shifts in human resource (HR) practices across Indian banks over the past decade. Five interlinked themes—recruitment, training, performance management, employee relations, and digital HR transformation—illustrate how both public and private sector banks have responded to competitive pressures, digitalization, and changing workforce expectations.

RQ1: How have HR structures and practices evolved in public and private banks from 2015–2025?

Findings show a clear evolution from administrative control to strategic human capital management. Public banks such as SBI have gradually adopted digital HR platforms (e.g., *PeopleSoft*, *YONO HR*), competency-based recruitment, and online training modules. Private banks like ICICI, meanwhile, strengthened performance-linked incentives, leadership pipelines, and data-driven HR decision-making. Despite differing starting points, both sectors have transitioned toward a strategic HRM orientation, aligning people practices with organizational goals.

RQ2: What contrasts exist in their strategic HR approaches?

The analysis highlights enduring contrasts shaped by institutional legacies. Public sector banks emphasize stability, compliance, and social responsibility, reflecting bureaucratic and unionized structures. Private banks, in contrast, exhibit agility, meritocracy, and customer-centricity, emphasizing productivity and innovation. While public banks remain constrained by hierarchical decision-making and limited flexibility, private banks face challenges of stress, attrition, and work–life imbalance. This duality underlines how ownership structure continues to influence HR philosophy and execution.

RQ3: What factors drive or hinder HR transformation in each model?

Key drivers include digitalization, government reforms, and generational workforce changes demanding flexibility and engagement. Hindrances stem from institutional inertia, policy rigidity, and limited technological readiness in public banks, compared with high performance pressure and burnout in private banks. Digital HR emerged as a unifying catalyst—accelerating modernization yet exposing disparities in adoption speed and cultural adaptability.

RQ4: How do employees perceive HR effectiveness across ownership types?

Employee narratives reveal mixed perceptions. In public banks, employees value job security and benefits but desire greater recognition, career mobility, and fairness in appraisal systems. In private banks, employees appreciate performance rewards and learning opportunities but express concern over stress, competition, and limited long-term stability. These perceptions underscore the need for a hybrid HRM model blending public-sector security with private-sector agility to enhance engagement and retention.

Overall, both ownership types exhibit a convergence toward strategic and digital HRM, though at different paces and with differing levels of autonomy. Public banks are slowly reengineering legacy processes to align with performance and digital imperatives, while private banks continue to refine employee well-being and inclusion mechanisms. The evidence suggests that digital HR serves as the central integrator, bridging structural divides and enabling data-driven, inclusive, and future-ready human capital strategies within India's evolving banking ecosystem.

6. Implications:

Theoretical Implications:

This study reinforces the relevance of the Ability–Motivation–Opportunity (AMO) and Resource-Based View (RBV) frameworks in understanding HR transformation within hybrid organizational contexts. The findings demonstrate how human capital remains a strategic asset, while institutional inertia in public banks moderates the pace of digital HR adoption, highlighting the coexistence of modernization and structural rigidity within evolving HR ecosystems.

Practical Implications:

For practice, public sector banks need to strengthen performance accountability, agility, and digital competency, while private banks should focus on enhancing job security, employee well-being, and sustainable work culture. Policymakers such as the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA) can facilitate cross-learning between public and private HR models to balance efficiency with inclusivity. Furthermore, digital HR platforms should integrate features like inclusion metrics, learning analytics, and retention dashboards to support data-driven, equitable, and future-ready workforce management.

7. Conclusion:

Between 2015 and 2025, HRM in the Indian banking sector has evolved from an administrative and compliance-driven approach to a more strategic human capital management system. This shift reflects the growing influence of technology, performance-based practices, and employee-centric policies aimed at improving productivity and adaptability.

While both public and private sector banks increasingly rely on digital tools, employee engagement programs, and continuous learning, they continue to differ in their organizational culture and reward mechanisms. Public

banks prioritize stability and inclusiveness, whereas private banks emphasize agility, innovation, and performance-linked incentives. This pattern suggests the emergence of a hybrid HRM model that combines the strengths of both systems—public sector stability with private sector dynamism.

Future research could extend these findings through mixed-method studies across a wider sample of banks and longitudinal tracking of digital HR outcomes to better understand how technological and cultural shifts continue to shape the evolution of HRM in Indian banking

.. REFERENCES

1. Agarwal, N., & Sinha, P. (2021). HR practices and employee engagement in Indian private banks: A strategic perspective. *Journal of Organizational Studies*, 15(4), 102–118.
2. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
3. Bhatnagar, J., & Sharma, S. (2020). Evolution of HR practices in Indian public sector banks: From bureaucracy to strategic alignment. *Indian Journal of Industrial Relations*, 56(2), 215–232.
4. Boxall, P., & Purcell, J. (2016). *Strategy and human resource management* (4th ed.). Palgrave Macmillan.
5. Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101.
6. Budhwar, P., & Debrah, Y. (2019). *Human resource management in developing countries*. Routledge.
7. Budhwar, P., & Varma, A. (2011). Emerging patterns of HRM in India. *International Journal of Human Resource Management*, 22(15), 3130–3148.
8. Kaur, P., & Gupta, V. (2021). Human resource transformation in Indian banking: Drivers and implications. *Asian Journal of Management Research*, 12(2), 145–160.
9. Kaur, S., & Sandhu, M. (2021). HR transformation in Indian banks: Comparative perspectives. *Journal of Human Capital Development*, 8(3), 45–59.
10. Scott, W. R. (2014). *Institutions and organizations: Ideas, interests, and identities* (4th ed.). Sage.
11. Singh, P., & Malhotra, R. (2020). Digital HR practices and employee engagement in Indian banking. *Asian Management Review*, 12(2), 77–89.
12. Singh, R., & Dixit, P. (2022). Digital HR and workforce agility: Evidence from the Indian banking sector. *International Journal of Human Resource Studies*, 12(3), 55–72..