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A STUDY OF RECRUITMENT AND SELECTION OF BANKING SECTOR

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Abstract:

The banking sector plays a vital role in the economic development of a country, and its efficiency largely depends on the quality of human resources. This study focuses on the recruitment and selection practices adopted in the banking sector, with the objective of analyzing their effectiveness, challenges, and recent trends. The research examines various recruitment sources such as internal hiring, campus recruitment, employee referrals, and digital platforms, along with selection methods including aptitude tests, interviews, group discussions, and background verification. The study is based on both primary and secondary data. Primary data is collected through surveys and interviews with bank employees and HR professionals, while secondary data is obtained from journals, reports, and official banking websites. The findings indicate that the adoption of digital recruitment tools and online assessment methods has significantly improved the efficiency and transparency of hiring processes. However, challenges such as high competition for skilled talent, lengthy selection procedures, and bias in evaluation still persist. The study concludes that while the banking sector has modernized its recruitment and selection processes, there is a need for continuous improvement through the use of advanced technologies, structured interview techniques, and unbiased assessment systems. Effective recruitment and selection practices can enhance employee performance, reduce turnover, and contribute to overall organizational success.

Keywords: Banking, Human resource Management, Recruitment and Selection.

Introduction:

Banking: Banking refers to the process of accepting deposits from the public and providing loans and financial services for the purpose of economic development.

According to the Banking Regulation act 1949, “Banking means accepting for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise”. The core idea of banking is to act as a financial intermediary between surplus and deficit units in the economy.

History of Banking in India

The history of banking in India is a long and evolving journey that reflects the country's economic, political and social changes. It can be studied under different phases:

1. Ancient and Medieval Period:
 - ✓ Banking activities in India began in ancient times through moneylenders, merchants and indigenous bankers.
 - ✓ The Arthashastra (4th century BCE) mentions practices like deposit acceptance, lending and bills of exchange (Hundi).
 - ✓ During the Medieval period, banking was dominated by shroffs, seths, Chettis and mahajans, who financed trade and agriculture.
 - ✓ The use of Hundis was popular for remittances and trade financing.
2. Early Modern Banking (17th – 19th Century)
 - ✓ Modern banking in India started with European agency houses.
 - ✓ The first banks established were: - Bank of Hindustan (1770), General Bank of India (1786) and Oudh Commercial Bank (1881).
 - ✓ Presidency Banks were formed: - Bank of Bengal, - Bank of Bombay (1840), - Bank of Madras (1843).
 - ✓ These three banks were later merged to form the Imperial Bank of India (1921).
3. Establishment of the Reserve Bank of India (1935):
 - ✓ The RBI was established on 1st April 1935 under the RBI Act, 1934.
 - ✓ It became the central bank responsible for currency issuance, credit control and financial stability.
 - ✓ RBI was Nationalized in 1949.
4. Bank Nationalization Phases:
 - ✓ First Phase: - The Banking Regulation Act (1949) strengthened regulation.
 - The Imperial Bank was nationalized and renamed State Bank of India (1955).
 - ✓ Second Phase: - In 1969, 14 Major Commercial banks were nationalized to improve rural credit and financial inclusion.
 - In 1980, another 6 banks were nationalized.
 - Nationalization expanded branch networks into rural India and supported priority sector lending.
5. Economic Liberalization and New Private banks (1991 onwards)
 - ✓ Post 1991 reforms encouraged competition, efficiency and technology adoption.
 - ✓ RBI allowed new private sector banks like: HDFC Bank (1994), ICICI Bank (1994), Axis Bank (1993), IndusInd Bank (1994).
 - ✓ Foreign Banks also expanded operations.
6. Technological Transformation (2000s onwards):
 - ✓ Introduction of core banking solutions (CBS), ATMs, internet banking and mobile banking.
 - ✓ Digital payments ecosystem grew with: - NEFT (2005), RTGS (2004), IMPS (2010), UPI (2016) revolutionized digital payments globally.
7. Recent Developments (2014-present)
 - ✓ New categories of banks were introduced: - Payments Banks (Eg: Paytm Payments Bank, Airtel Payments Bank) – Small Finance Banks (Eg: AU SFB, Equitas SFB).
 - ✓ Introduction of Jan Dhan Yojana (2014) for financial inclusion.
 - ✓ Emphasis on cybersecurity, financial literacy, digital lending and FinTech partnerships.
 - ✓ Consolidation of public sector banks (2017-2020) reduced PSBs from 27 to 12.

Private Banks have played a major role in the development of Indian Banking Industry. They have made banking more efficient and customer friendly. In the process they have jolted public sector banks out of complacency and forced them to become more competitive.

Theoretical Background of Recruitment and Selections

Human Resource Management: Human Resource Management refers to the process of recruiting, developing, motivating and managing people in an organization. It deals with managing employees so that they contribute effectively towards achieving organizational goals.

According to Edwin Flippo “ Human Resource management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration and maintenance of human resources for achieving organizational goals”

Objectives of HRM

- ✓ To ensure right people at the right job
- ✓ To develop employees
- ✓ To improve employee performance
- ✓ To maintain good employee relations
- ✓ To ensure employee welfare and safety
- ✓ To comply with labour laws
- ✓ To increase productivity and efficiency

Nature of HRM

1. People Oriented – HRM focuses on managing human beings, not machines.
2. Continuous process – HRM is on going activity.
3. Both art and Science – It uses skills (art) and principles (science).
4. Universal Function – Applicable in all types of organizations.
5. Development Oriented – Aims at employee growth and career development.
6. Separate department but integrates all departments – Co -ordinates with all functional areas.
7. Future – Oriented – Includes HR planning and forecasting manpower needs.
8. Multi – Disciplinary - Uses knowledge from psychology, sociology, economics, etc.,

Functions of HRM

There are 2 Functions of HRM they are : Managerial HRM and Operative HRM

A. Managerial Functions of HRM:

1. Planning: - Determining future HR needs.
 - Forecasting manpower requirements, skills and strategies.
 - Planning recruitment, training and development programs.
2. Organizing: - designing the structure of roles and responsibilities.
 - Allocating human resources to different departments.
 - Establishing relationships between jobs, departments and individuals.
3. Directing
 - Guiding and motivating employees to achieve organizational goals.
 - Providing leadership, communication and incentives.
 - Encouraging teamwork and employee participation.
4. Controlling
 - Monitoring and evaluating HR activities.
 - Ensuring performances standards are met.
 - Taking corrective measures through performance appraisal and feedback.

B. Operative Functions of HRM

1. Recruitment and Selection:
 - Attracting screening and selecting the right candidates.
 - Ensuring the right person is placed in the right job.

2. Training and Development:
 - Improving employees skills and knowledge.
 - Providing training programs, workshops and career development opportunities.
3. Performance Appraisal:
 - Measuring employee performance.
 - Providing feedback for improvement and reward decisions.
4. Compensation and benefits:
 - Designing salary structures, wages, incentives and bonuses.
 - Ensuring fairness and equity in pay.
5. Human Resource Development (HRD)
 - Overall development of employees through training, counselling and career planning.
 - Promoting learning and growth culture.
6. Safety and Health :
 - Ensuring workplace safety by implementing safety rules and preventive measures.
 - Promoting physical and mental well-being.
7. Maintaining HR Records:
 - Keeping employee records, attendance, performance data etc.,
 - Maintaining HR information systems (HRIS).

Recruitment

Meaning - Recruitment is the process of searching for and attracting potential candidates for employment.

Definition – According to Edwin B Flippo, “ Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs”.

Objectives of recruitment

- To attract a large pool of qualified candidates.
- To reduce hiring costs.
- To create a talent pipeline.
- To fill job vacancies on time.
- To increase organizational effectiveness

Sources of Recruitment

A. Internal Sources

- Promotions
- Transfers
- Employee referrals
- Re-employment of ex-employees

B. External Sources

- Advertisements
- Employment Exchanges
- Campus recruitment
- Job portals (Naukri, LinkedIn)
- Private employment agencies
- Walk-ins and job fairs

Selection - is the process of choosing the most suitable candidate from the pool of applicants.

According to Dale Yoder , “Selection is the process of choosing from the among the applicants the individuals who are best suited for the job”.

Objectives of Selections

- To hire the best candidate
- To ensure job-person fit
- To reduce employee turnover

- To improve productivity

Steps in selection Process

1. Preliminary Screening – Checking basic qualifications
2. Application Form/Resume Evaluation
3. Selection Tests
 - Aptitude test
 - Personality test
 - Technical test
 - Intelligence test
4. Employment Interview – Face to Face assessment
5. Background / Reference Check
6. Medical Examination
7. Final selection & Job offer
8. Placement & Induction

Review of literature:

1. Hari G & Maithreyi (2017): followed that a study on recruitment and selection in banking industry. The main objective of the study the profile of the employees inducted through the recruitment process, to know effective media that disseminates vacancy information and study the effectiveness of interview technique in recruitment and selection process. The study of the data methodology followed both primary data and secondary data are collected. They have used questionnaire and personal interview, brochures, magazines etc., the finding of the study reveals that the banks are mainly going with wide distributions of advertisements for recruitments. Banks are getting right person to the right job to meet the organizations requirements and the retain the employees. Hence the future challenges, banks should take steps to recruit talented young people.
2. Swarnakar, Udit & Dubey, Dr. (2025): followed that a study on recruitment and selection process in IDBI Bank Ltd. of Sundargarh Branch. The main objectives of the study to evaluate the effectiveness and efficiency of the recruitment procedures, to identify the sources of recruitment used by the bank, to examine the criteria and methods adopted for selecting candidates and to assess employee satisfaction with the recruitment and selection process. The study of the data methodology followed primary data Collected through structured questionnaires and personal interviews with employees and HR personnel of the bank. and secondary data used Gathered from company records, official reports, journals, books, and online sources related to recruitment and selection. The finding of the study IDBI Bank follows a systematic and structured recruitment and selection process to ensure the selection of qualified and competent candidates. The bank uses both internal and external sources of recruitment, along with appropriate selection techniques such as interviews and screening procedures, overall, the recruitment and selection process of the bank is effective but can be further enhanced to meet changing organizational needs and to attract highly skilled talent in a competitive banking environment.
3. Sharma, R. (2019): Challenges associated with recruitment in the Indian banking sector. International Journal of Banking and Finance the main objectives of the study to identify the major challenges faced in recruitment within the Indian banking sector, to analyze the effectiveness of existing recruitment practices used by banks, to suggest improvements for making recruitment more efficient and effective. The study of data methodology is primary data Collected through surveys/interviews of HR managers and bank employees. The finding of the study traditional recruitment methods are becoming less effective, requiring **digital and innovative hiring practices**, there is a growing need for **skill-based recruitment and employer branding** to attract quality candidates, Banks should adopt **technology-driven recruitment (e-recruitment, AI tools)** and improve selection processes to enhance efficiency.
4. Singh, A., & Verma, S. (2020). An analysis of aptitude test effectiveness in bank recruitment processes, the main objectives of the study to evaluate the effectiveness of aptitude tests in the recruitment process of banks, to analyze how well aptitude tests measure candidates' abilities such as reasoning, numerical skills, and problem-solving, to examine the role of aptitude tests in selecting suitable and competent candidates, the data is used under primary methodology collected through questionnaires/surveys from bank employees and candidates who appeared for aptitude tests. The finding of the study is found a positive relationship between

aptitude test performance and job suitability, however, aptitude tests alone are not sufficient; they should be combined with interviews and other selection methods for better results, overall, aptitude tests improve the efficiency and reliability of the recruitment process in banks.

5. Kumar, V., & Bansal, R. (2018): Influence of digital recruitment tools on enhancing candidate experience. The objective of the study to examine the role of digital recruitment tools (such as online job portals, social media, and company career websites) in the hiring process, to evaluate how these tools influence the **candidate experience** during recruitment, to identify the effectiveness of digital platforms in improving communication, transparency, and engagement with candidates. The data **methodology Used in primary data** Descriptive and analytical research design and collected through surveys/questionnaires from job seekers and candidates who experienced digital recruitment processes. The finding of the study digital recruitment tools significantly improve the **overall candidate experience**. they provide: faster communication and updates, greater accessibility and convenience increased transparency in the hiring process, the study concludes that organizations should adopt a **balanced approach**, combining digital tools with human interaction to achieve better recruitment outcomes.

Research Gap:

This study aims to analyze the recruitment and selection procedures followed in the banking sector and assess their effectiveness in meeting organizational and employee requirements.

Objectives of the Study:

1. To study the recruitment practices followed in the banking sector.
2. To examine the selection methods used by banks.
3. To identify challenges faced in recruitment and selection.
4. To evaluate the effectiveness of recruitment and selection practices.
5. To suggest measures for improving recruitment and selection in banks.

Methodology:

Primary data:

Collected through structured questionnaires and informal interviews with employees working in banks.

Secondary data:

Collected from books, journals, banking reports, and official websites.

Data and Interpretation:

Table 1: Sources of Recruitment

Source	No. of Respondents	Percentage
Internal Recruitment	15	30%
External Recruitment	35	70%

Interpretation:

Most banks prefer **external recruitment (70%)** as it brings fresh talent and new ideas into the organization.

Table 2: Preferred Selection Method

Method	No. of Respondents	Percentage
Written Test	20	40%
Interview	25	50%
Group Discussion	5	10%

Interpretation:

The **interview method (50%)** is the most commonly used selection technique in banks, followed by written tests.

Table 3: Satisfaction with Recruitment Process

Response	No. of Respondents	Percentage
Satisfied	30	60%
Neutral	10	20%
Dissatisfied	10	20%

Interpretation:

A majority of employees (60%) are satisfied with the recruitment and selection process, indicating effectiveness, though improvements are still needed.

Table 4: Factors Influencing Selection

Factor	No. of Respondents	Percentage
Qualification	20	40%
Experience	15	30%
Skills	10	20%
Communication	05	10%

Interpretation:

Educational qualification (40%) is the most important factor considered in the selection process.

Conclusion:

The study reveals that recruitment and selection play a crucial role in the success of the banking sector.

- Banks mainly rely on **external recruitment** to attract qualified candidates.
- **Interviews and written tests** are the most commonly used selection methods.
- Most employees are **satisfied** with the current recruitment system.
- **Educational qualification and experience** are key factors in selection decisions.

However, banks should:

- Adopt **modern recruitment techniques** like online hiring platforms
- Ensure **transparency and fairness**
- Focus more on **skills and practical knowledge**

Overall, an effective recruitment and selection process helps banks in hiring competent employees and improving organizational performance

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