



A Study of Innovative HRM Practices in Indian Public Sector Enterprises: Maharatna, Navratna, and Miniratna Perspectives

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Introduction:

Industrialisation has long been recognized as a cornerstone of economic development, providing the structural transformation necessary for nations to progress from agrarian economies to modern, diversified systems of production. It delivers benefits such as large-scale employment generation, rising income levels, technological advancement, and infrastructure creation that support sustained growth. Beyond economic metrics, industrialisation improves living standards, fosters inclusivity, and enables equitable resource distribution, aligning countries' comparative advantages with their resource base and manpower potential.

The economic reforms of 1991 represented a watershed moment, compelling PSEs to undergo significant restructuring, modernization, and reorientation towards market competitiveness. These reforms facilitated improvements in productivity, efficiency, and managerial practices, including in human resource management (HRM), while reinforcing their social responsibilities in employment generation and equitable

development. Greater operational autonomy—particularly for high-performing PSEs categorised as Maharatna, Navratna, and Miniratna—enabled the adoption of professional, flexible, and innovative HRM approaches to attract talent, enhance skills, and align workforce capabilities with emerging challenges like digitalisation and sustainability.

This study examines the innovative HRM practices adopted by Indian PSEs in response to post-reform imperatives, focusing on key areas: recruitment and selection, training and development, performance appraisal, compensation and benefits, and employee relations and welfare. Over time, PSEs have evolved into dynamic institutions balancing commercial viability with national priorities, underscoring the critical role of innovative HRM in enhancing organisational efficiency, employee motivation, and overall competitiveness. Their inherent characteristics can be summarized as follows:

1. **PSEs are foundational economic entities**, established to drive industrial growth and national development.

2. **PSEs cultivate skilled human resources**, through innovative training and development, ensuring managerial competence and technical expertise.
3. **PSEs invest in technological capacity-building**, fostering innovation and industrial progress in strategic areas.
4. **PSEs balance national priorities with market demands**, reflecting the ethos of “serve the nation, strengthen the economy.”

Objectives of the Study:

1. To study the Human Resource Management practices followed by Public Sector Enterprises in India.
2. To identify innovative Human Resource Management practices adopted by Public Sector Enterprises.
3. To understand the importance and relevance of HRM practices in enhancing the performance and competitiveness of Public Sector Enterprises.

Research Method:

The present study is descriptive in nature and is based primarily on secondary sources of data. The secondary data has been collected from various books, journals, government reports, magazines, and credible websites that document the origin, growth, and transformation of public sector enterprises (PSEs) in India. The study covers Central Public Sector Enterprises (CPSEs) belonging to Maharatna, Navratna, and Miniratna categories. The focus is on understanding general trends and common innovative HRM practices across these categories in the post-1991 liberalisation

period, rather than analysing individual companies or specific sectors.

Overview of Public Sector Enterprises in India:

Public Sector Enterprises (PSEs) in India were established after Independence as the main vehicle for state-led industrialisation and nation building. The Industrial Policy Resolutions of 1948 and 1956 provided the foundation for setting up PSEs in core and strategic sectors such as steel, coal, power, oil, heavy engineering, transport, telecommunications, and infrastructure with the twin objectives of achieving self-reliance and reducing regional disparities.

For the first four decades, PSEs built the country's industrial base and generated large-scale employment, but their efficiency suffered due to bureaucratic controls and lack of autonomy.

The economic crisis of 1991 and the subsequent liberalisation policy brought a major shift. The government introduced disinvestment, restructuring, professionalisation of boards, and performance-linked incentives. Most importantly, it created three special categories of high-performing PSEs to grant them greater managerial and financial autonomy:

- **Maharatna** (introduced in 2010)
- **Navratna** (introduced in 1997)
- **Miniratna** (Category-I and Category-II, introduced in 1997)

As of 2024-25, there are 14 Maharatna, 26 Navratna, and 73 Miniratna CPSEs. These high-performing enterprises together employ approximately 9 lakh

people and continue to play a vital role in India's economy and strategic sectors.

The greater autonomy given to these categories has enabled them to adopt modern, flexible, and innovative Human Resource Management practices while maintaining their social obligations.

Human Resource Practices followed by Public Sector Enterprises (PSEs):

Public Sector Enterprises (PSEs) in India have always been major sources of stable and respectable employment. Despite being fewer in number than private firms, they remain highly preferred by job seekers because of job security, pension, medical benefits, housing, and the pride of serving the nation.

What makes HRM in PSEs unique is the combination of strict public accountability, reservation policies, transparency, and social justice with gradually adopted modern practices. Today, especially in Maharatna, Navratna, and Miniratna companies, traditional bureaucratic approaches are giving way to innovative, flexible, and performance-oriented HRM systems while still retaining the core public-sector values of inclusivity and welfare. The present study examines these innovative human resource management practices and how they help PSEs remain competitive and relevant in the liberalised era.

Working Definition:

- **Public Sector Enterprise (PSE):** A company in which the Government of India holds more than 51% ownership, established for rapid industrialisation,

self-reliance, balanced regional growth, and social objectives.

- **Human Resource Management in PSEs:** The systematic process of recruiting, selecting, training, developing, appraising, compensating, and maintaining harmonious relations with a large and diverse workforce in accordance with government guidelines, reservation policies, and organisational goals.
- **Employee Empowerment in PSEs:** Encouraging employees to participate in decision-making, take responsibility, and continuously upgrade skills so that individual growth supports national and organisational objectives.

Core Dimensions of Human Resource Management Practices in PSEs:

1. HRM in PSEs is a continuous process aimed at managing a large, diverse, and multi-level workforce.
2. It remains aligned with government policies, economic reforms, and technological changes.
3. It combines universal HR principles with strict adherence to reservation, transparency, and social justice norms.
4. It balances employee welfare and career aspirations with organisational productivity and larger national development goals.

Human Resource Practices Adopted by Different Public Sector Enterprises in India:

Innovative Human Resource Practices of Maharatna PSEs:

Maharatna CPSEs represent the highest category of public sector enterprises in India. They are granted this status when they are large, financially strong organizations with a global presence, enjoying maximum autonomy in investment and operational decisions. To qualify as a Maharatna, a company must already hold Navratna status and demonstrate significant net worth, turnover, and profitability. Prominent examples of Maharatna enterprises include ONGC, NTPC, Indian Oil Corporation, and the Steel Authority of India Limited (SAIL). As of 2025, there are a total of 14 Maharatna CPSEs operating in the country.

- **Recruitment and Selection –** Maharatna PSEs emphasize merit-based hiring through national competitive exams (e.g., GATE for technical roles), lateral entry for executives, and extensive campus placements from premier institutes like IITs and IIMs. Reservation policies ensure inclusivity, while digital platforms like AI-driven applicant tracking systems (used by NTPC and ONGC) enhance transparency and attract global talent.
- **Training and Development –** Heavy investments (often 2-3% of payroll) support advanced programs, including in-house academies (e.g., ONGC's leadership modules), international collaborations (e.g., IOCL's partnerships with Harvard Business

School), and digital platforms for e-learning on sustainability and AI. Focus is on upskilling for emerging technologies like green energy.

- **Performance Appraisal –** They Shift to 360-degree feedback and competency-based systems (e.g., SAIL's balanced scorecard) integrated with key performance indicators (KPIs). Performance-linked incentives (PLIs) reward up to 200% of basic pay, fostering accountability.
- **Employee Encouragement –** Empowerment via participative forums like quality circles and innovation labs (e.g., NTPC's idea portals). Recognition includes stock options and sabbaticals for R&D, promoting a culture of ownership and creativity.
- **Welfare and Accountability –** Comprehensive schemes cover subsidized housing, comprehensive health insurance (e.g., ONGC's family wellness programs), and pensions under NPS. Emphasis on ESG-linked welfare ensures alignment with national goals like skill India.

Innovative Human Resource Practices of Navratna PSEs:

Navratna CPSEs represent the mid-level category of public sector enterprises in India. They are recognized for consistent profitability and operational efficiency, and are granted substantial autonomy in investment and decision-making, though less than Maharatnas. To qualify as a Navratna, a company must first hold Miniratna Category I status and meet specific performance benchmarks set by the government.

Examples of Navratna enterprises include Bharat Electronics Limited (BEL), Hindustan Aeronautics Limited (HAL), IRCTC, and IRFC. As of 2025, there are a total of 26 Navratna CPSEs functioning across diverse sectors of the economy.

- **Recruitment and Selection** – Navratna PSEs focus on competency-based approaches via campus drives, internal promotions (up to 75% for executives), and psychometric assessments. Tools like video interviews (e.g., BEL's hybrid model) ensure quick, inclusive hiring while adhering to reservations.
- **Training and Development** – Targeted programs on niche skills (e.g., HAL's aerospace simulations) and e-platforms like LinkedIn Learning. Annual training budgets 1-2% of payroll emphasize certifications and cross-functional rotations for market adaptability.
- **Performance Appraisal** – Appraisal systems combine traditional reviews with modern evaluation methods, encouraging accountability and efficiency. e.g., NMDC's KPI dashboards. PLIs tied to 150% of salary promote efficiency without overcomplicating processes.
- **Employee Encouragement** – Employees are motivated through participative management, flexible work policies like work-from-home hybrids and employee stock ownership plans e.g., IRCTC's recognition awards.
- **Welfare and Accountability** – Robust support including education loans, creche facilities, and mental

health programs e.g., SCI's seafarer welfare. Accountability via transparent grievance redressal aligns with DPE norms.

Innovative Human Resource Practices of Miniratna PSEs:

Miniratna CPSEs form the entry-level category of public sector enterprises, divided into Category I and Category II based on profitability and net worth. These enterprises enjoy limited autonomy but are encouraged to operate independently within their niche sectors. To qualify as a Miniratna, a company must be profitable for three consecutive years and meet financial criteria prescribed by the government. As of 2025, there are 74 Miniratna CPSEs (62 in Category I, 12 in Category II). Notable examples include Airports Authority of India (AAI), Hindustan Copper Limited, and BSNL, reflecting the breadth of India's public sector presence across industries.

- **Recruitment and Selection** – Miniratna PSEs used Localized strategies via walk-ins, referrals, and UPSC-linked exams, with emphasis on community outreach (e.g., AAI's regional drives). Basic digital tools ensure compliance with inclusivity quotas.
- **Training and Development** – Training programs are localized and practical, focusing on knowledge sharing, technical skills, and discipline. Many adopt structured programs like safety training and community-based initiatives. e.g., BSNL's safety workshops
- **Performance Appraisal** – Simplified annual reviews emphasizing team

outputs and attendance like BEML's checklist models. Modest PLIs up to 100% of salary reward reliability over high-risk innovation.

- **Employee Encouragement** – Employees are encouraged through welfare committees, participative decision-making, and initiatives that strengthen community ties. Limited flexibility but strong on morale through recognition certificates.
- **Welfare and Accountability** – Strong focus on benefits like group insurance, housing allotments, and pension portability (e.g., IREDA's family support schemes). Local accountability via union dialogues upholds social equity.

Conclusion:

The present study establishes that the enhanced autonomy given to Maharatna, Navratna and Miniratna CPSEs after the 1991 reforms has transformed their HRM practices. While retaining the core public-sector strengths of job security, transparency, reservation policies, inclusivity and strong welfare measures, these enterprises have successfully adopted modern, flexible and performance-oriented HRM systems.

- Maharatna enterprises lead with world-class practices such as AI-based recruitment, international training collaborations, 360-degree appraisals, high performance-linked incentives (up to 200% of basic pay), stock options and ESG-linked wellness programmes.

- Navratna enterprises follow a balanced approach with competency-based hiring, digital platforms, quarterly reviews and incentives up to 150% of basic pay.
- Miniratna enterprises focus on practical, cost-effective improvements while strictly adhering to government norms.

The study thus concludes that innovative human resource management practices adopted by Maharatna, Navratna and Miniratna Public Sector Enterprises in the post-liberalisation era have not only ensure their commercial sustainability but also strengthen their role as model employers and key drivers of India's inclusive and self-reliant economic growth.

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