

INFLUENCE OF HRM PRACTICES ON EMPLOYEE JOB SATISFACTION: EVIDENCE FROM COMMERCIAL BANKS IN NEPAL

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Abstract

The purpose of the study is to investigate the influence of HRM practices on employees' job satisfaction and find out the degree of association between HRM practices and job satisfaction. In this research study both exploratory and descriptive research design use to get the response from 80 respondents from 20 commercial banks of Birgunj, Nepal was surveyed conveniently through a structured questionnaire, then the responses were analyzed by conducting a test of hypothesis, correlation and regression analysis using SPSS software. Correlation analysis reveals that HRM practices have a significant relationship with job satisfaction, besides regression analysis shows that the five factors of HRM practices depicted in the model explains about 57.3 percent of job satisfaction among the bank employees and have a positive influence on their job satisfaction. It has also been found that work-life balance practices (WLBP), compensation and reward (CNR), recruitment and selection (RNS) have the most influence on job satisfaction (JS). Thus, findings of this study will provide new insights to the bank managers about the way to ensure job satisfaction of employees and thereby to boost their commitment and performance.

Key words

Human resources management; human resources management practices; job satisfaction; commercial banks

Introduction

Background of the Study

Increasing endorsement of commercial banks by the government of Nepal in recent times has made this sector highly competitive and challenging than ever before thus being a labor-intensive service organization banks must optimize the utilization of its human resources to effectively tackle those challenges and to secure a sustainable competitive position in the market. Due to this rapid growth in banking sector, the demand for efficient and experienced human resources has increased in the manifold (Mizan, *et al.*, 2013).

Thereby to attract new competent workforce and to retain the existing talented personnel sound administrative policy, consistent HR practices, employee job satisfaction and organizational commitment are highly imperative (Ahmad & Schroeder 2003; Khera 2010; Mohammad 2004; & Mizan *et al.*, 2013). So, every bank should concentrate on sound HR practices to ensure employees' motivation and job satisfaction. The impact of Human Resources Management (HRM) practices popularly known as HR practices on organizational performance and for years (Delaney & Huselid, 1996; Huselid, 1995; Katou and Budhwar, 2007; Petrescu and Simmons, 2008). But surprisingly, a few studies have been conducted on HR practices in the context of developing countries in general (Schuler as cited in Budhwar and

Debrah, 2001; Sing, 2004; Yeganeh and Su, 2008) and particular in Bangladesh (Mahmood, 2004).

This study has been conducted to analyze the influence of HR practices on employee job satisfaction in the context of commercial banks in Nepal. Practitioners, researchers, academicians, policy makers, local and foreign entrepreneurs of Nepal and other developing countries could benefit from this study by exploring the association between HR practices and job satisfaction. This study will enhance the contemporary research and practice of human resource management. Furthermore, it would also be helpful for the developed countries as they find developing countries (like Nepal) as an attractive place for investment due to their large markets, cheap and skilled workforces (Budhwar & Debrah, 2001).

Statement of the problems

Human resource is the backbone of organization. When strategically placed they can provide innovative solutions and ensure that organizations achieve competitive advantage. However, as a result of globalization, economic growth and shortage of skilled labor, many organization including banks are finding it difficult to retain employees. It is challenge for every organization to manage human resources due to difference in nature, expectation, family background, education, profession, caste, religion, culture, ethnicity, language, norms, value system etc. affects to

manage the diversified workforce. In country like Nepal, banking sector plays the dominant role because of investment, interest rate, industrialization and many other sectors also, so that this study will try to find out whether the Nepalese banks are able to apply the HRM practices in their organization to achieve their goals. This research is initiated to give the answers of the questions like Does the HRM practice is the most powerful and influencing ideas in the field of HRM or not? Does the HRM practice impact on employee's job satisfaction?

Objectives of the study

The prime objective of the study is to address the influence of HRM practices on employee job satisfaction. The other specific purposes are:

- To find out the degree of association between HRM practices and job satisfaction.
- To recommend some policy measures regarding the pattern of HRM practices that will boost high employee job satisfaction for the selected commercial banks.

Significance of the Study

The changing of trend influences the job requirement of the employees. Comparing with previous time, not all the employee job satisfaction can be fulfilling by the financial compensation and benefits. There are more elements which will influence job satisfaction. The organizations possess a good performance

appraisal system and compensation system, self-upgrading program and suitable environment are considered by employees to fulfill their requirement of job satisfaction.

Theoretically, this study expected to bridge the gap in the literature on the effects of HRM practices on employee job satisfaction in Birgunj. It can further serve as secondary data for prospective researchers. Also, the study shall seek to provide new evidence on how HRM practices could best influence employee job satisfaction in the banking industry. The information can also be reference to support the organization to change the idea and movement of employment police in order to enhance job satisfaction.

Limitation of the Study

Due to the busyness of the bank employees, we had to resort to convenience sampling to collect data rather than random sampling. Data have been gathered

from banks operating only in the Birgunj, Nepal, thereby the findings of the study should not be generalized to the whole commercial banks operating throughout the country.

Literature Review

In any organization there is need of acquisition, development, utilization and maintenance of human resources. Acquired employees should be trained and developed adequately. The selection and training processes cost a good amount

to organization in terms of time, finance and equipment. If there is turn over of employee then organization faces sever loss. If there is no use of proper human resource practices then employees turn over may increase.

Human Resource Management

Human Resource Management (HRM) is a philosophy of utilizing the workforces of the organization to optimize their contribution by satisfying both employers and employees. HRM deals with the people dimensions in the organization especially HR planning, job analysis, recruitment and selection, orientation, compensation, performance appraisal, training and development and labor relations (Dessler; 2013). Senyucel, (2009) stated HRM as a blend of people centered management practices that recognizes employees as assets and geared to creating and maintaining skilled and committed workforces for achieving organizational goals.

Job Satisfaction

Job satisfaction is “a positive or pleasing emotional state resulting from the evaluation of a person’s job” (Locke, 1976, p.1304). Job satisfaction is a general attitude of employees either favorable or unfavorable towards their job. Some studies have shown a positive relationship between job satisfaction and job performance (Judge *et al.*, 2001). Therefore, it may be assumed that customer satisfaction hinges on employee satisfaction (Koc, E. 2006).

HRM practices and Job Satisfaction

HR practices and job satisfaction has been studied widely in different parts of the world, and it is assumed, that HR practices are closely associated with job satisfaction (Ting, 1997). Many researchers have demonstrated that sound HRM practices resulted in better job satisfaction which ultimately improves organizational performance. Lamba and Choudhary (2013) Revealed how HRM practices provide an edge to enhance employee’s commitment towards achievement of a firm’s goal in the global competitive market. The study concluded that HRM practices such as training and development, compensation and welfare measures have a significant impact on organizational commitment and are associated with superior organizational performance and also help in the retention of knowledgeable and skilled employees. Majumder (2012) Conducted in a study to gain insight into the current HRM practices i.e., recruitment and selection, compensation package, job security, career growth, training and development, management style, job design and responsibility, reward and motivation and working environment and their impact on employee’s job satisfaction on banking sector of Nepal. The study revealed that most of the employees are dissatisfied with the compensation package followed by reward and motivation, career growth, training and development, management style, and job design and responsibilities. Goyal and Shrivastava, (2012) Found that appropriate HR practices of an

organization can improve the job satisfaction level of the employees and strengthen their commitment towards their organization. Martin, (2011) Conducted a study to find out the influence of HRM practices on job satisfaction, organizational commitment and intention to quit. HRM practices included recruitment and hiring, compensation and benefits, training and development, and supervision and evaluation. The result of the study found a significant relationship between perceptions of HR practices and intention to quit, mediated by organizational commitment and job satisfaction. (Absar, Azim, Balasundaram and Akhter, 2010) Found that human resource planning (HRP), training and development (TND) have a positive impact on job satisfaction (JS). They also found that TND has the most impact on JS. Gurbuz, (2009) Investigated that, proposed practices which were participation, empowerment, job rotation, self-directed work teams, and contingent compensation had a positive correlation with employee's job satisfaction. Aswathappa, (2008) Argued that an organization should have sophisticated HR plans to motivate its employees. Sound HR planning can enhance job satisfaction of employees by providing opportunities for employees to participate in planning their careers (Weeratunga, 2003). From the above literature review, it has been found that there exists significant relation of employee satisfaction and productivity with HRM practices thereby organization

especially service-oriented ones such as banking organizations should focus on proper HR practices to satisfy and motivate their employees and gain competitive advantages over their rivals.

Research Method

In this research study both exploratory and descriptive research design used to explore and examine the HRM practices and job satisfaction of employee. Exploratory studies are a valuable way of finding out what is happening; to seek a new light (Robson, 2002). It is similar to the activities of travelers or explorers (Adams and Schvaneveldt, 1991). Both primary and secondary data were used in this study. There are 28 commercial bank's branches are working in Birgunj, Nepal out of which we have randomly selected 20 banks (71.43% of the population) and respondents were interviewed as per the requirement of the study. Primary data were collected through a structured questionnaire from 80 employees of the sample banks (i.e., four employees from each of twenty banks). Secondary data were collected from various articles and research papers which was relevant to this study. Five-point Likert scale from strongly disagree (1) to strongly agree (5) was used to measure the variables of HRM practices and job satisfaction.

Reliability and Validity of the Scale

To measure how consistent results the scale would produce, Cronbach's alpha is the most widely method used to test the reliability of the scale. It is remarkable

that, its value ranges from 0 to 1 but the satisfactory value is required to be more than 0.6 for the scale to be reliable (Malhotra, 2002; Cronbach, 1951). We, therefore, used Cronbach’s alpha scale in our study as a measure of reliability.

Table 1: Reliability value of the Scale

Scale	No. of Items	Cronbach’s Alpha(α)
Recruitment & Selection	6	.625
Training & Development	8	.621
Performance Appraisal	6	.706
Compensation & Reward	5	.652
Work-life Balance Practices	7	.701
Job Satisfaction	16	.834

Table 1 shows that the estimated reliability value is between $\alpha= 0.621$ to 0.834 throughout the scales. Hence it can be said, that the scales we used are adequately reliable because our reliability values are higher than the standard alpha value of 0.6. Validation of the questionnaire was done by consulting it with several experts, and they considered the face and content validity of the questionnaire as adequate.

Results and Discussion

In this section, the details of interpretation of research and determination whether the hypotheses were supported by data will be given. The main objective of this research is to determine employee's job satisfaction in the commercial bank of Nepal and to find out the factors that effect on job satisfaction the overall of the research objective determine the impact of human resource management practices on employees in the commercial bank. The five human resource management being examined are recruitment and selection and training and development, Performance appraisal, compensation and reward and work life balance with job satisfaction of employees of commercial banks of Nepal.

SPSS version 20 has been used to conduct the test of the hypothesis by using correlation and multiple regression analysis, ANOVA and t statistics coefficient table. The findings of the study are discussed below.

Table 2: Correlation Matrix for HRM practices and Job Satisfaction

Variables	RNS	TND	PA	CNR	WLBP	JS
RNS	1					
TND	0.482** (0.000)	1				
PA	0.349** (0.001)	0.566** (0.000)	1			

Variables	RNS	TND	PA	CNR	WLBP	JS
CNR	0.321** (0.004)	0.484** (0.000)	0.230* (0.040)	1		
WLBP	0.298** (0.007)	0.422** (0.000)	0.308** (0.005)	0.246* (0.028)	1	
JS	0.490** (0.000)	0.547** (0.000)	0.417** (0.000)	0.531** (0.000)	0.582** (0.000)	1

Source: Field Survey, 2019

As shown in Table -2 all the HRM practices RNS, TND, PA, CNR, WLBP are independently and positively correlated with JS at 1% levels which denotes highly significant. Hence, Hypothesis -1 of the present study has been accepted. Here it is evident that the maximum correlation (r=0.582) is existed between WLBP and JS, followed by TND and JS (r=0.547), CNR and JS (r=0.531). So, the emphasis should be given more on WLBP for superb job satisfaction of employees. Training and development and compensation and rewards are also very crucial for ensuring high employee job satisfaction. Despite the link between RNS and JS (0.490) and PA and JS (0.417) is not so influential but these are also necessary for job satisfaction. HRM practices are pair-wise positively correlated with one to another and also statistically significant at 1%-5% level. The relationship between PA and TND (r= 0.566) is the highest followed by CNR and TND (r=0.484) among the five HRM practices.

Regression Analysis

A multiple regression analysis was performed to find out the predictors of

job satisfaction as conceptualized in the model. Table 3 and 4 show the summary measure and ANOVA of the model and table 5 shows the coefficient for the predictors of JS.

The standardized regression Model is:

$$JS = \alpha_0 + \beta_1 RNS + \beta_2 TND + \beta_3 PA + \beta_4 CNR + \beta_5 WLBP \dots\dots\dots (i)$$

The fitted Regression Model is:

$$JS = -2.113 + .201 (RNS) + .075 (TND) + .116 (CBPA) + .310 (CNR) + .379 (WLB P) \dots\dots\dots (ii)$$

Here, α_0 = Constant

Dependent Variable:

JS = Job Satisfaction

Independent Variables:

RNS = Recruitment & Selection

TND = Training & Development

PA = Performance Appraisal

CNR = Compensation & Reward

WLBP = Work-life Balance Practices

Table 3: Predictors of Job Satisfaction- Model Summary

Model	R	R ²	Adjusted R ²
1	0.757(a)	0.573	0.544

Table 4: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2941.139	5	588.228	19.847	.000 ^b
	Residual	2193.248	74	29.638		
	Total	5134.388	79			

a. *Dependent Variable: Job satisfaction*

b. *Predictors: (Constant), RNS, TND, PA CNR and WLBP* The HRM practices (RNS, TND, PA CNR and WLBP) in the above model articulated the ability to predict job satisfaction (R²=0.573). In this model the value of R² indicates that 57.3% of the observed variability in the job satisfaction can be explained by HRM practices specifically, RNS, TND, PA CNR and WLBP. The remaining 43.7% of the variance is not explained by these variables which mean that the rest 43.7% of the variation in job satisfaction is related to other variables which are not depicted in the model. This variance is highly significant as indicated by the F value in the ANOVA table-4 (F= 19.847 and P =0.00).

Table 5: Coefficients for predictors of JS

1	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-2.113	6.524		-.324	.747
	RNS	.580	.254	.201	2.280	.025
	TND	.172	.254	.075	.679	.499
	PA	.297	.239	.116	1.244	.217
	CNR	.983	.279	.310	3.530	.001
	WLBP	.697	.156	.379	4.466	.000

a. *Dependent Variable: Job satisfaction*

Source: Field Survey, 2019

From table-5 we can see that, all the HRM practices (RNS, TND, PA CNR and WLBP) are positively influencing job satisfaction of employees particularly WLBP, CNR and RNS respectively have the most significant influence on

employees job satisfaction since the value of (t for WLBP is 4.466, p=0.00, df=74,) for CNR value of (t=3.530, p=0.001, df=74) for RNS value of (t=2.280, p=0.025, df=74) and PA (value of t=1.244,p=0.217, df=74) and TND

(value of $t=0.679$, $p=0.499$, $df=74$) have moderate influence on employee job satisfaction. Thus, we accept all those hypotheses 2, 3, 4, 5, 6, and 7.

Conclusion

On the basis of the findings from correlation and regression analysis regarding the association and impact of HRM practices on job satisfaction of commercial banks' employees of Nepal, it has been found that all the factors of HRM practices covered in this study are positively and significantly associated with employee job satisfaction and also predict about 57.3% level of job satisfaction. It has also been observed that, work-life balance practices (WLBP), compensation & reward (CNR), training & development (TND) and recruitment & selection (RNS) have the highest degree of association and influence on employee job satisfaction.

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Recommendations

On the basis of above study it recommended that to ensure the job satisfaction of employees and thereby to boost their commitment and performance banks should emphasize more on these HRM practices, especially banks should have arrangement to balance employees' work and family responsibilities, should ensure some welfare measures like health care, food aid, stress management and counseling, should offer attractive and competitive compensation packages to their employees, rewards and incentives should be fairly distributed, training and development opportunities should be adequate and career-growth oriented, recruitment and selection process should be impartial and strictly based on merit.

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