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## *A Study of HRM Practices and its Impact on Employees job Satisfaction in Private Sector Banks: A Case Study of HDFC Bank*

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*Abstract: In current era of highly volatile business environment organizations are facing emerging challenges in form of acquisition and optimization of human resource. Being valuable and scarce capabilities, human resources are considered as a source of sustainable competitive advantage. The success of an organization depends upon several factors but the most crucial factor that affects the organization performance is its employee. Human resources play an integral role in achieving an innovative and high-quality product/ service. The present study is an attempt to examine and analyse the impact of human resource management practices on job satisfaction of private sector banking employees. In the study, the estimated regression model identified that the HRM practices like Training, Performance Appraisal, Team Work and Compensation has significant impact on job satisfaction. On the other hand Employee Participation has no significant impact on job satisfaction of the employees of HDFC banks.*

*Keywords: Human Resource Management Practices, Job Satisfaction, Training, Performance Appraisal, Team Work, Employee Participation.*

### I. INTRODUCTION

In current era of highly volatile business environment organizations are facing emerging challenges in form of acquisition and optimization of human resource. Being valuable and scarce capabilities, human resources are considered as a source of sustainable competitive advantage. The success of an organization depends upon several factors but the most crucial factor that affects the organization performance is its employee. Human resources play an integral role in achieving an innovative and high-quality product/ service. If the employees of an organization are satisfied with their jobs, the organization can achieve its goals very straightforwardly. In any organization HRM practices focuses on optimal utilization and management of their human resource effectively in order to achieve maximum output. Managing people is concerned with deciding approaches and strategies to find alternatives of how to achieve organization goals. **Khan (2010)** revealed that in energetic business atmosphere, there is a need of an approach to achieve better performance, to originate and implement HRM practices. In considerable and insubstantial extent the organizations need to invest in such practices to get a competitive advantage.

Human resources management practices play a very crucial role in achieving the organization's goals and maintain the competitive advantage. HRM practices refer to organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfillment of organizational goals (**Schuler & Jackson 1987**). Human resource management practices is the management of people within the internal environment of organizations, comprises the activities, policies, and practices involved in planning, obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate numbers and skill mix of employees to achieve the organization's objectives (**Appelbaum 2001**). Presently

organizations are competing through implementing the unique HRM practices and due to the globalization organizations adopt the most up-to-date HRM practices in order to accomplish the organizational goals. Best HRM practices are advantageous for both employee and employer; it plays an important role in constructive growth of the organization.

Job satisfaction is an attitude which is an outcome of harmonizing and summation of numerous precise likes and dislikes experiences with the job. Job satisfaction for an employee is the level of satisfaction according to job. Job satisfaction is a crucial indicator of how employees feel about their job and describes how much they are contented with his or her job. The satisfaction level of employees also associated with increase output of the organization. Job satisfaction of an employee is essential to the success of an organization. In an organization a high rate of employee contentedness is directly related to a lower turnover rate. Thus, keeping employees' satisfaction in their jobs with their careers should be a foremost priority for every organization. **Bogdanova et al (2008)** stated that HRM practices try to develop and allocate human capital in the best possible ways in order to achieve long-term goals; they provide them with many benefits and good environments that would boost employee's motivation, job satisfaction, and increase their performance. **Gürbüz (2009)** remarked that in order to sustain in the market human resource management (HRM) practices and job satisfaction of employees have many significant benefits for organization.

## II. OBJECTIVES OF STUDY

The main objective of the study is to examine and analyze the impact of human resource management practices on job satisfaction of private sector banking employees.

## III. REVIEW OF LITERATURE

In order to examine the relationship between HRM practices and job satisfaction the researchers, academicians and policy makers have investigated several studies in different time periods. Many researches have demonstrated that HRM practices and job satisfaction are the key factors for employee performance. In this paper an attempt has been made to assess the relationship between HRM practices and job satisfaction of private sector bank employees.

There are various HRM practices as discussed by various researchers and academicians. **Katou (2008)** conducted a study to measure the impact of HRM practices on organizational performance in manufacturing sector of Greece. The results indicated that the relationship between HRM practices (resourcing and development, compensation and incentives, involvement and job design) and organizational performance is partially mediated through HRM outcomes (skills, attitudes, behavior), and it is influenced by business strategies (cost, quality, innovation). The study concluded that HRM practices are associated with business strategies will affect organizational performance through HRM outcomes. **Iqbal et al (2011)** conducted a study to compare the HRM practices of public and private universities of Pakistan among executives. The study found that there was a significant difference in HRM practices in public and private universities. HRM practices such as job definition, training and development, compensation, team work and employees participation were better in the public universities than private universities. Study further found that performance appraisal practices were better in the private universities than public sector universities. **Zulfqar et al (2011)** investigated a study to examine the relationship and nature of relationship between HRM practices (compensation, performance evaluation, and promotion practices) and the employee perceived performance in the banking sector of Pakistan. The results of the study found that, the employee perceived performance and HRM practices has the positive and significant relationship. Further results based on analysis indicated that performance evaluation and promotion practices are significant but the compensation practices are not significant. A similar study on bank employees was conducted by **Majumder (2012)** to gain an insight into the current HRM practices (recruitment and selection systems, compensation package, job security, career growth, training and development, management style, job design and responsibilities, reward and motivation and working environment) and its impact on employee's satisfaction on the private banking sector in Bangladesh. The study revealed that most of the employees are dissatisfied with compensation package followed by reward and motivation,

career growth, training and development, management style, and job design and responsibilities. **Hussain and Rehman (2013)** examined the relationship between the HRM practices implemented by the organization on employee's intention to stay and work effectively for the organization. The result of the study explored that HRM practices viz-a-viz: person-organization fit, employment security, communication and training and development are contributing strongly in developing the employees' intentions to stay with organization. Further, strong positive inter-relationships were found between HRM practices and employees' retention and such practices enhances employees' retain ability of organizations. **Lamba and Choudhary (2013)** revealed that how HRM practices provide an edge to employee's commitment towards an organization goal in the global competitive market. The study concluded that HRM practices such as training & development, compensation and welfare activities has significant effect on organizational commitment and are associated with superior organizational performance, which help in retention of knowledgeable and skilled employees.

**Awang et al (2010)** examined the impact of job satisfaction of university lecturers on their commitment towards academic activities. Besides that, it also investigated specifically factors contributing to job satisfaction, namely promotional opportunities, remuneration, working environment, workload, relationship with colleagues, and management style. The study found that promotional opportunities, workload and relationship with colleagues significantly affect job satisfaction of lecturers. Most importantly, this study also confirmed that there is a significant relationship between job satisfaction and work commitment. In a study on public sector universities of Pakistan **Malik et al (2010)** examined the impact of teachers' satisfaction with job dimensions on perceived organizational commitment. The findings of the study indicated that the satisfaction with work-itself, quality of supervision and pay satisfaction had significant positive influence on organizational commitment of faculty members. The study found that teachers had high degree of organizational commitment and satisfaction with work-itself, supervision, salary, coworkers and opportunities for promotion. **Padala (2010)** conducted a study to identify the various parameters for employee job satisfaction and organizational commitment. The study revealed that employees have a positive inclination in their intensity of commitment towards their organization. Age, education, nature of the job, length of service and income have negatively relations with the employee job satisfaction as well as organizational commitment. Employees having very active participation in trade union are found to have more job satisfaction and high degree of organizational commitment. **Olusegun (2013)** conducted a study among universities employees in South West Nigeria to examine the influence of job satisfaction on turnover intentions. The result of the study found that the linear combination effect of job satisfaction and turnover intentions was significant. There were significant relationships between job satisfaction and turnover intention. The study also revealed that there was no significant difference in the turnover intention of library personnel by their place of work.

**Shikha (2010)** examined HRM practices among the employees of Indian commercial banks to study HRM practices which provide a source of sustainable competitive advantages. Study revealed that instead of spending resources on training and development, organization should emphasize on long term commitment towards human resource. **Hock (2011)** carried out a study to examine and gain a better understanding of the impact of human resource practices on foreign workers job satisfaction in PCSB group of companies in Malaysia. The results of the study found that the independent variable, only compensation was found to have an impact on foreign workers job satisfaction. Results also revealed that workers, who possess only primary education, have higher job satisfaction. **Martin (2011)** conducted an investigation to find out the influence of HRM practices on job satisfaction, organizational commitment and influence on intention to quit. HRM practices include recruitment & hiring, compensation & benefits, training & development, and supervision & evaluation. The result of research found a significant relationship between perceptions of human resource practices and intention to quit, mediated by organizational commitment and job satisfaction. **Khan et al (2012)** conducted a study on university teacher of three different sectors of Pakistan Universities (public, private and semi govt.) to find out the relationship between job satisfaction and HR practices. The study found that male university teachers are more satisfied with their job but female teachers are more satisfied with HR practices of universities. Public sector university teachers are more satisfied and found direct relationship in length of experience and job satisfaction.

Overall HR practices have positive correlation with job satisfaction. Iqbal et al (2013) evaluated the relationship between HR practices (impact of supervisor role, participation in decision making & compensation policy) and employee's job satisfaction among the employees of manufacturing and service sector of Pakistan. The results of study revealed that supervisor role has strong positive effect on job satisfaction. The participation in decision making the factor which is the optimistic about company success has lesser positive effect on job satisfaction.

#### IV. RESEARCH METHODOLOGY

The present study is an exploratory research seeks to examine and analyze the impact of human resource management practices on job satisfaction of private sector banking employees. For the present study HDFC Bank a leading private sector is taken as case study. The sample units include executives, middle level managers and managers of HDFC Bank. For the study 60 respondents were contacted for obtaining the information regarding HRM practices. But due to busy time schedules of bank employee and their engagement in various activities the numbers of respondents were restricted upto 52. For obtaining the required information interview method is used and structured schedule is filled by the researcher.

##### ▪ Methodology:

For the current study two methodologies are followed. The first is Qureshi and Ramay (2006) scale on HRM practices comprised of 25 statements on training, team work, performance appraisal, compensation, and employee participation. The second is Singh (2001) scale on job satisfaction comprises of 20 statements. The reliability and validity of these instruments is found to be within acceptable norms.

##### ▪ Model Specification

Further for analyzing the impact of human resource management practices on job satisfaction the multiple linear regression models have been applied using SPSS. The regression model is depicted as:

$$JS_{it} = \beta_0 + \beta_1 (T) + \beta_2 (P) + \beta_3 (TW) + \beta_4 (EP) + \beta_5 (C) + e_{it}$$

In the above equation  $\beta_0$  is constant and  $\beta_i$  are the regression coefficient of the explanatory variables, while  $e_{it}$  is the residual error of regression.

##### ▪ Dependent and Independent Variables

The Job Satisfaction (JS) of bank employees is taken as dependent variable in the regression model. The independent variables used in model are Training (T), Performance Appraisal (P), Team work (TW), Employee Participation (EP) and Compensation (C).

##### ▪ Hypotheses

For examining the impact of HRM practices on Job Satisfaction the following null hypotheses have been framed.

H<sub>01</sub>: Training has no significant impact on job satisfaction.

H<sub>02</sub>: Performance Appraisal has no significant impact on job satisfaction.

H<sub>03</sub>: Team work has no significant impact on job satisfaction.

H<sub>04</sub>: Eemployees' Participation has no significant impact on job satisfaction.

H<sub>05</sub>: Compensation has no significant impact on job satisfaction.

## V. DATA ANALYSIS AND INTERPRETATION

Table I Showing the Mean Value and Standard Deviation of HRM practices and Job Satisfaction.

	N	Minimum	Maximum	Mean	Std. Deviation
<b>Training</b>	52	2.00	5.00	4.02	0.79
<b>Performance</b>	52	3.00	5.00	4.00	0.52
<b>Teamwork</b>	52	2.00	3.00	2.45	0.44
<b>Employee participation</b>	52	1.00	5.00	2.80	1.16
<b>Compensation</b>	52	4.00	5.00	4.48	0.34
<b>Total HRM</b>				3.55	
<b>Job Satisfaction</b>	52	3.00	5.00	4.34	0.50

The training practices provide satisfaction to all the respondents between “small extents” to “very great extent”. On an average the respondents are satisfied to a large extent from the training practices provided by the organization. The performance appraisal system provides satisfaction to all the respondents between “moderate extents” to “very great extent”. On an average the respondents are satisfied to a large extent from the performance appraisal system provided by the organization. Respondents are satisfied to a small extent with the training practices and Employee participation practices offered by the Bank. The most important factor compensation showed that respondents are satisfied “to a large extents” with the salary packages and other remunerations benefits. The average value (3.55) showed that the employees are satisfied to large extent with the HRM practices offered by the Bank. The mean value of Job satisfaction showed that the employees are satisfied to a large extent.

#### ▪ Findings of Regression Model

In order to determine the existence of multicollinearity problem, the simple correlation matrix among independent variables is analyzed and presented in the table (1). Cooper and Schindler (2003) argued that a multicollinearity problem exists when correlation scores are 0.8 or greater.

Table (II) Showing the Correlation between HRM and Job Satisfaction

	JS	T	P	TW	EP	C
	Job Satisfaction	Training	Performance Appraisal	Team Work	Employee Participation	Compensation
JS	1.00					
T	0.281*	1.000				
P	0.097	-0.046	1.000			
TW	0.764*	0.096	0.311*	1.000		
EP	-0.187	0.187	-0.203	-0.208	1.000	
C	0.086	-0.025	0.039	-0.125	0.366*	1.000

\*Indicates correlation significant at level 5%

From the table 1 it can be concluded that none of the HRM practices variables have no high correlation or presence of multicollinearity, which is above the standard rule of thumb 80%. The results from correlation analysis indicate that job satisfaction of employees is negatively correlated with employee participation and other HRM practices like training, performance appraisal, team work and compensation are positively correlated with job satisfaction.

## Regression Analysis Results

**Table III Showing the Multiple Regressions.**

Explanatory Variables	Constant	T	P	TW	EP	C
Variables		Training	Performance Appraisal	Team Work	Employee Participation	Compensation
$\beta_i$	0.720* (0.341)	0.153* (0.012)	-0.182 (0.054)	0.890* (0.000)	-0.090* (0.048)	0.403* (0.008)
t-values	0.965	2.641	-1.994	8.259	-2.047	2.826
R <sup>2</sup>	Adj. R <sup>2</sup> 0.677					
F-Test	Durbin Watson 2.244					

(\*) indicates significant at 5% level.

Coefficient effect ( $\beta_i$ ) is a predictor of each variable related to HRM practices. The regression analysis results reveal the following observations.

1. The adjusted value of R<sup>2</sup> highlights that 67.7% variability in the job satisfaction of employees can be explained by HRM practices (independent variables).
2. The Durban Watson test value 2.244 indicates the absence of no serial correlation among the variables.
3. An F-Test value is 18.22 and p-values less than 5% for the data variables indicates the very well fit of regression model. In other words the null hypothesis (Ho: There is no effect of given explanatory variables on dependent variables) is rejected.
4. The regression results highlights that performance appraisal has no significant effect on job satisfaction at 5% level of significance.
5. The regression coefficients of the other independent variables of HRM practices are statistically significant at 5% significance level and they have significant influence on job satisfaction of the employees of HDFC Bank.

As shown in the above table the results of regression analysis can also be depicted in the regression equation form based on regression coefficients.

$$P_{it} = 0.720 + 0.153T - 0.182P + 0.890TW - 0.090 EP + 0.403C$$

Based on the above equation it can be inferred that Performance Appraisal (P) has negative and insignificant influence on Job Satisfaction (JS), whereas Employee Participation (EP) has negative but significant influence on Job Satisfaction (JS). The  $\beta_1$  is 15.3%, t-value is 2.641 which is less than p-value at 5% level of significance. Thus H<sub>01</sub> is rejected. It means Training has significant influence on Job Satisfaction in HDFC Bank.

The  $\beta_2$  coefficient shows -18.2% influence of Performance Appraisal (P) on Job satisfaction. But these results are not statistically significant at 5% significance level. The t-value is -1.994, which is more than p-value at 5% level of significance. Thus H<sub>02</sub> is accepted and it is inferred that the Performance Appraisal has no significant influence on Job satisfaction.

In the HRM practices Team Work (TW) shows positive correlation with Job Satisfaction. The  $\beta_3$  shows 89% influence on the Job Satisfaction, t-value is 82.59 and p-value is less at 5% significance level hence H<sub>03</sub> is rejected.

The regression results reveal that Employee Participation (EP) has negative and significant influence on Job Satisfaction. The  $\beta_4$  coefficient shows 9% influence on the Job Satisfaction, t-value is -2.047 and p-value is less at 5% significance level. Hence H<sub>04</sub> is rejected. Thus it is observed that in case of HDFC Bank e Employee Participation has significant impact on the Job Satisfaction.

The regression coefficient  $\beta_5$  which measures compensation has 40% influences on Job Satisfaction of sample employees. The t-value is 2.826 and p-value is less at 5% significance level. Hence H<sub>05</sub> is rejected.

## VI. CONCLUSION AND SUGGESTION

The present study is an attempt to examine and analyse the impact of human resource management practices on job satisfaction of private sector banking employees. In the present study, the estimated regression model identified that the HRM practices like Training, Performance Appraisal, Team Work and Compensation has significant impact on job satisfaction. On the other hand Employee Participation has no significant impact on job satisfaction of the employees of HDFC banks.

The study recommends that HDFC Bank has to build new policies to improve employee's participation at middle level and senior level management. Other practices like Training, Performance Appraisal, Team Work and Compensation need to be maintained in order to achieve high level of job satisfaction.

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