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## EMPLOYEES' SATISFACTION TOWARDS HUMAN RESOURCE MANAGEMENT PRACTICES IN PUBLIC AND PRIVATE SECTOR BANKS OF PUNJAB

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## HUMAN RESOURCE MANAGEMENT PRACTICES AND EMPLOYEES' SATISFACTION TOWARDS PUBLIC AND PRIVATE SECTOR BANKS OF PUNJAB

### ABSTRACT

In the present era of dynamic business environment, organisations are being posed with new challenges every day. Globalisation, Liberalisation, Mergers and Acquisitions, advances in communication and information technology, changing mix and values of workforce have created enormous challenges for business organisations. The sustainability and success of business organisations depends upon, how effectively these organisations use their resources. To cope with these challenges, human resources play very crucial role. Human Resource Management focuses on optimal utilisation and management of human resource capital to achieve maximum output. Effective human resource management encompasses wide spectrum of approaches and strategies starting from HR planning, Recruitment and Selection till the Separation of employees. The present study attempts to gain insight into HRM practices being followed by Public and Private sector banks and judge the satisfaction level of employees from these practices. A structured questionnaire is constructed containing various questions on three major dimensions of HRM i.e Recruitment & selection, Salary and Compensation, Training and Development. Survey on sample of 100 respondents from both the Public and Private sector Banks has been administered for the purpose of this study. The data is analysed using statistical measure of Chi Square test using SPSS.

**Keywords:** *Human Resource Management, Employee Satisfaction, Recruitment and Selection, Salary and Compensation, Training & Development, Chi Square Test*

### INTRODUCTION

In the present era of dynamic business environment, organisations are being posed with new challenges every day. Globalisation, Liberalisation, Mergers and Acquisitions, advances in communication and information technology, changing mix and values of workforce have created enormous challenges for business organisations. The sustainability and success of business organisations depends upon how effectively these organisations use their resources. To cope with these challenges, human resources of the organisations play very crucial role. Human resources play an integral role in providing innovative and high quality products/ services. If the employees of the organisation are satisfied with their jobs,

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organisations can achieve these goals very easily and straightforwardly. Human Resource Management focuses on optimal utilisation and management of human resource capital to achieve maximum output. Effective human resource management encompasses wide spectrum of approaches and strategies starting from HR planning, Recruitment Process till the Separation of employees. Human resource management practices is the management of people within the internal environment of the organization comprises of the activities, policies and practices involved in planning, acquiring, developing, utilizing, evaluating, maintaining and retaining the appropriate numbers and skill mix of employees to achieve organization's objectives (**Applebaum2001**).

Job satisfaction is the amount of overall positive effect or feelings that individual have towards their jobs (Feldman & Arnold 1983). Job satisfaction is an attitude which is an outcome of harmonizing and summation of likes, dislikes and experiences of job. So the level of satisfaction of employees from their jobs is associated with output and productivity of the organization. So the foremost priority of the organisations is to keep their employees satisfied in order to achieve its goals. **Bogdanova et al (2008)** stated that HRM practices try to develop and allocate human capital in 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.

### **Why Human Resource Management is important for Banks?**

Being a service industry, human resource management is very important for banks. Management of human resources and management of risk are two challenges being faced by banks nowadays. Banks' approach towards management of their people and management of risk determines the success in banking business. Banking is a labour intensive industry where efficiency of employees has got a bearing on quality of services offered. That is reason, why human resource management in banks has gained priority nowadays. In the earlier days, personnel management unfortunately was the most neglected aspect of banks management. As such typical work of banks does not required any professional training and it was the belief that everyone can do anything as one knows nobody does much to the prosperity of the organization. With the non interference and sheltered environment by GOI and RBI, Bank management never felt the need of professionalization of personnel management. With the implementation of recommendation of Pillai Committee a controversy was ranging among bankers whether Personnel management is a specialised function or not. But in the light of liberalisation of economy personnel management in banks gradually started forging ahead. Globalisation trend of late 90's induced the Personnel management function to get in the form Human Resource Management, a full fledged array of policies and practices dealing with the planning, obtaining developing and utilising the human resources for achieving organisational objectives. A majority of banks have set up separate Human Resource Development Departments (HRDDs) within a decade of functioning. HRDD in some banks have gained certain creditable achievements. But still a lot has to be accomplished by the banks in this area to achieve high degree of satisfaction among employees and in turn increased productivity.

### **OBJECTIVES OF THE STUDY**

The objectives of the study are to measure employees' satisfaction on HRM Practices in Public & Private Sector Banks in Punjab. To that end, specific objectives are:

- To provide an overview and analysis of HRM Practices followed by Banks
- To find out the satisfaction level of the employees on HRM practices followed by the banks
- To find out the difference in level of satisfaction between employees of public sector and private sector banks.

### **REVIEW OF LITERATURE**

From last two decades has been very crucial and decisive, focusing on HR practices for organizational performance. Effective HR practices improve the performance of organization and lead to higher profits. **Datta et al. (2003)** found that the best use of HR practices reveals a stronger association with efficiency of firm. Performance of any organization largely depends on the performance of its employees. Successful organizations are increasingly realizing that there are number of factors that contribute to performance but human resource is clearly the most critical (**Mello, 2005**). **Katou (2008)** conducted a study to measure the effect of HRM Practices on organizational performance in

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manufacturing sector of Greece. The result indicated the relationship between organizational performance and HRM practices (resourcing and development, compensation and incentives, involvement and job design) is partially mediated through HRM outcomes (skills, attitude, behaviour), and it is influenced by business strategies (cost, quality, innovation). The study further concluded that HRM practices associated with business strategies will affect organizational performance through HR outcomes. **Caliskan (2010)** acknowledged that HR practices are one main source of competitive advantage. Many researchers have proven that HR practices have a significant and positive relationship with employees' performance.

**KC Chakraborty (2012)** "HR Management in Banks- Need for a new perspective" concluded that Human Resource Management is important for banks because banking is a service industry. Management of risks and Management of people are two key challenges facing banks. He has focused more on the emerging needs of HRM in banking sector in today's world. **Deepti Bhargava (2010)** concluded in her research that Human resources play an integral role in achieving an innovative and high-quality products and services. **Bowra & Niazi (2011)** in their research paper "Impact of human resource practices on employee perceived performance in Banking sector of Pakistan" found that the HR practices and employee perceived performance has positive and significant relationship and it is very crucial for the banks to understand that their HR practices affect the performance of employees and in turn affect the overall performance of a bank be it private sector or public sector. **Mangleswaran & Srinivasan (2011)** in the research paper "Human Resource Management Practices and its outcomes in Indian Public sector Banks" concluded in this study that effective HRM practices contribute to job satisfaction. Effective HRM practices lead to higher job satisfaction level and higher level of organizational commitment.

**D.V. Ramana Murthy** has discussed in this article on "Human Factor in Banks," the significance of human factor and trade unions in the banks. **S.R.Varde** in his paper on "Manpower Planning" at the level of an Indian commercial Banks, dealt with the aspects like basic structure of manpower planning, linkage of manpower plan to other plans, interrelationship of various manpower functions, objectives of manpower planning in Indian commercial banks, anatomy of manpower plans and techniques of manpower planning.

**Tariq & Bashir (2014)** in their study explored the mediating role of employee motivation in post selection HRM practices and perceived performance of Islamic banks operating in Pakistan. Their study found that post selection HRM policies have positive impact on perceived organizational performance and employee motivation acts as a mediator in positive relation between post selection HRM practices and perceived organizational performance.

## **METHODOLOGY OF THE STUDY**

This paper is based on both primary and secondary data. Primary data was collected through a structured questionnaire which was personally administered to the respondents. The target population for the study was employees of public sector and private sector banks of Punjab.

### **Data and Sample**

Among various banks, 6 banks were considered on the basis of branch network and size of manpower. For conducting research, a sample of 100 employees was taken from these banks.

### **Research Tools**

The questionnaire consists of various questions on three major dimensions that are Recruitment and Selection, Salary and Compensation Package and Training and Development. Respondents were asked to mark their satisfaction level on 5 point Likert Scale where 5=Highly Satisfied, 4= Satisfied, 3= neither Satisfied nor Dissatisfied, 2= dissatisfied and 1= Highly dissatisfied. And the secondary data used for the study was collected from related journal, books, reports and newspaper & Magazine articles. In this test some statistical measures like Chi Square test has been used for the purpose of hypothesis testing.

## **HYPOTHESIS DEVELOPMENT**

On the basis of various factors affecting HR Practices, following hypothesis are developed to be tested for the purpose of study-

**H1:** There is a significant difference in Recruitment and Selection Practices of Public and Private sector banks.

**H2:** There is a significant difference in Salary and Compensation Practices of Public and Private Sector banks.

**H3:** There is a significant difference in Training and Development Practices of Public and Private Sector banks.

**ANALYSIS AND DISCUSSION**

For the data interpretation and analysis, SPSS has been used find the frequencies and cross tabulation of data and hypothesis testing with the help of statistical tests. Hypothesis of the study is tested by using Chi Square test at the significance level of 5 % (Two-tailed test).

**Cross tabulation of Data**

**Table 1**

**Gender of respondents \* Type of bank Cross tabulation**

		Type of bank			Total
		Public sector bank	Private sector bank	4	
Gender of respondents	Male	29	30	1	60
	Female	19	21	0	40
Total		48	51	1	100

In the Table 1, we can see the cross tabulation of gender of respondents of public and private sector banks.

**Table 2**

**Age of respondents \* Years of service in the bank Cross tabulation**

		years of service in the bank			Total
		less than 5 years	5-10 years	more than 10 years	
Age of respondents	20-30 years	41	6	0	47
	30-40 years	9	12	7	28
	40-50 years	1	1	11	13
	Above 50 years	1	0	11	12
Total		52	19	29	100

Table 2 represents cross tabulation of age of respondents and years of service in the bank.

**Table 3**

**Education Qualification of respondents \* Type of bank Cross tabulation**

		Type of bank			Total
		public sector bank	private sector bank	4	
Education qualification of respondents	Graduate	28	15	0	43
	Post Graduate	20	36	1	57
Total		48	51	1	100

In table 3, we can see the cross tabulation of educational qualification of employees of both public and private sector banks.

**Hypothesis Testing**

For the purpose of hypothesis testing, chi square test has been used at 5% Significance level and the table values are interpreted thereof.

**H1:** There is a significant difference Employee satisfaction level towards Recruitment and Selection Practices of Public and Private sector banks.

**Table 4**

**(Level of Satisfaction among employees of Public & Private Banks towards Recruitment and Selection Policies)**

	Type of bank			Total
	public sector bank	private sector bank	4	
neither satisfied nor dissatisfied	8	23	0	31
Recruitment Selection Policies of the Bank Satisfied	21	16	1	38
highly satisfied	19	12	0	31
Total	48	51	1	100

In Table 4, we can see the satisfaction level of employees of both the public and private sector banks from recruitment and selection policies followed by the banks. More of employees of private banks are neither satisfied nor dissatisfied from recruitment and selection policies, And the more of public sector bank employees are satisfied from the recruitment and selection policies followed by public sector banks. Satisfaction level of public sector bank employees' is higher than that private sector bank employees'.

**Table 5**

**Chi-Square Test**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.206 <sup>a</sup>	6	.000
Likelihood Ratio	17.052	6	.009
Linear-by-Linear Association	2.040	1	.153
N of Valid Cases	100		

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .04.

Table 5 shows that probability of chi square test statistic (Chi square=34.206) is lesser than 0.05 level of significance. So our hypothesis that there is significant difference in employee satisfaction level of public sector and private sector bank employees towards Recruitment and selection Practices followed by banks is rejected. Our research supports that there is no significant difference in the satisfaction level of employees towards Recruitment and selection Practices followed by both type of banks.

**H2:** There is a significant difference in Salary and Compensation Practices of Public and Private Sector banks.

**Table 6**

**(Level of satisfaction among employees of Public & private sector banks towards salary and compensation Package)**

	Type of bank				Total
	public bank	sector	private bank	sector	
highly dissatisfied	3		0		3
Dissatisfied	1		5		6
Salary and compensation packages neither satisfied nor dissatisfied	9		14		23
Satisfied	20		20	1	41
highly satisfied	15		12	0	27
Total	48		51	1	100

In Table 6, satisfaction level of employees of public and private sector banks from salary and compensation is represented.

**Table 7**

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.526 <sup>a</sup>	8	.384
Likelihood Ratio	10.206	8	.251
Linear-by-Linear Association	.260	1	.610
N of Valid Cases	100		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .03.

Table 7 presents chi-square values for this hypothesis, it is noted that (Chi square value=8.526) p' value is greater than alpha value 0.05, at the significance level of 5%. So our research hypothesis does hold well here. From the analysis it is concluded that there is a significant difference in satisfaction level of employees of Public sector and Private sector banks towards Salary and Compensation Practices.

**H3:** There is a significant difference in Training and Development Practices of Public and Private Sector banks.

**Table 8**

**(Level of satisfaction among Public and Private sector bank employees towards Training and Development)**

	Type of bank			Total
	public sector bank	private sector bank	4	
highly dissatisfied	0	1	0	1
Dissatisfied	2	1	0	3
Training and Development neither satisfied nor dissatisfied	3	8	1	12
Satisfied	31	24	0	55
highly satisfied	12	17	0	29
Total	48	51	1	100

In the table 8, we can see the level of satisfaction of employees' of both the public and private sector banks from training and development practices followed by the banks. Employees of both the public and private sector banks are highly inclined towards high degree satisfaction from training and development practices.

**Table 9****Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.567 <sup>a</sup>	8	.128
Likelihood Ratio	10.069	8	.260
Linear-by-Linear Association	.577	1	.448
N of Valid Cases	100		

a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is .01.

It is noted from the above table 9 that (Chi square value=12.567) that p' value is greater than alpha value 0.05, at significance level of 5%. So our hypothesis does hold well here. From the analysis it is concluded that there exists significant difference in satisfaction level of employees of Public sector and Private sector banks towards Training and Development practices.

### CONCLUSION AND RECOMMENDATIONS

The study disclosed relationship between Employees' satisfaction and some of the major dimensions of HRM practices. In the study we considered three major dimensions of HRM practices followed by public and private sector banks. We found out that there exists a difference in satisfaction level of employees of both public and private sector banks towards HRM practices Salary and Compensation Practices and Training and Development. But there is no difference in satisfaction level of employees of both the banks towards Recruitment and Selection practices. Banks should follow standard practices regarding Salary and Compensation Practices, Training and Development. It is observed from the analysis that employees of private sector banks are not satisfied with Salary and Compensation package, so private banks should focus on deciding the compensation packages at par with public sector banks. Attractive compensation package should be given to the employees for higher job satisfaction and higher productivity in turn. On the other hand, the employees of public sector banks are not much satisfied training and development practices. So the public sector banks should focus on training of employees and its usefulness for the respective jobs of employees. Human Resource Development and Career Planning is the need of hour for public sector banks to increase the level of job satisfaction of employees. As we all know that happy employees are satisfied employees and satisfied employees are productive employees.

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## **APPENDIX**

### **List of Tables:**

Table 1: Cross tabulation of Age of respondents & Type of Bank (Public or Private Sector Bank)

Table 2: Cross tabulation of Age of respondents and Years of service in bank.

Table 3: Cross tabulation of Educational qualification and type of bank.

Table 4: Level of Satisfaction among employees of Public & Private Banks towards Recruitment and Selection Policies.

Table 5: Chi square test value for the variables Recruitment and selection policies & employees of public and private bank.

Table 6: Level of Satisfaction among employees of Public & Private Banks towards Salary and compensation Package.

Table 7: Chi Square test value for the variables Salary and Compensation & employees of public and private bank.

Table 8: Level of satisfaction among employees of Public & Private Banks towards Training and Development Practices

Table 9: Chi Square test value for the variables Training and Development Practices & employees of public and private bank.