

A Study on Human Resource Management Practices and Customer Satisfaction in the Select Public and Private Sector Banks

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Abstract - The primary aim of the study is to analyze the impact of human resource management practices on customer satisfaction in public and private sector banks. The result of the study reveals that both in public and (Dutta and Dutta, 2009) private sector banks combined together, the officers have moderate perception, clerical and sub staff have low perception about overall human resource management practices of the banks. Similarly, officers in public and private sector banks have moderate perception and clerical and sub staff revealed low perception. It can be inferred from the study that all officers in the public and private sector banks are moderately satisfied with the overall human resource management practices whereas clerical and sub staff have expressed very low satisfaction with the overall human resource management practices practiced by the banks. The study further revealed that the private sector banks provide better service quality when compared to public sector banks in the study area. The study further revealed that the private sector banks provide better service quality when compared to public sector banks in the study area. There is a significant association between human resource management practices and service quality dimensions such as tangibility, reliability, responsiveness, assurance, empathy and overall customer satisfaction. It is evident that all human resource management practices are highly contributing to the enhancement of customer satisfaction of the sample bank.

Keywords: HRM, HRM Practices, Level of HRM Practices and Effect of HRM Practices

I. INTRODUCTION

India has long been characterized by a dense network of financial institutions. Since independence in 1947, an active promotional role has been played by the Government, led by the Reserve Bank of India (RBI) in setting up financial institutions. Today, in addition to the RBI, the banking network includes commercial and cooperative banks, national and state level development banks, (Report) and a host of other non-banking financial institutions. India launched a programme of stabilization and structural reforms in 1991–1992 with the prime objective of improving the productivity and efficiency of the entire economic system and imparting greater competitive and structural flexibility. Reform of the financial sector constitutes a crucial component of India's programme towards economic liberalization.

The banking industry in India has undergone a radical change in the last two decades. When the 90s saw the

revamping of Banking industry and setting up of new generation private sector banks, the first decade of the (Bhaskara Rao, 2004) 21st century will proceed a little further. Now the banking has become too open and competitive. The basic focus and direction has changed from a level of moderate business to a maximum possible limit. Even the flow of business movement has changed from Customer's door step to bankers to Banker's to customers' doorstep. Earlier, a common man was able to open a bank account with some difficulty but now every day one finds a sales/marketing trainee of some private bank approaching a potential customer with a host of offers and requests him to be their customer. Earlier, no banker easily agreed to nurse a small customer more so a small borrower. Now every bank boasts of being a retail bank.

Today retail loans are sold and marketed like any other product (Haldirpur, 1998). Everything is now being sold under the umbrella of banking. Now banks are over enthusiastic to sell the so called third-party products to get a substantial amount of fee based income by using their banner and services through existing customer relationships. They sell both life insurance and non-life insurance products in the name of Bank-assurance.

They sell all mutual funds and issue credit cards. Bank's ATMs are now refilling mobile pre-paid cards of several companies. (Vanniarajan, 2007)Banks have created a separate department to handle utility bill payments. Banks offer online railway ticket booking through internet. Survival of the fittest is the order of the day. Customer service has become quite important in the present day situation as competition is increasing among the banks. Everyone is trying to woo the same customer. Retaining the existing customers and attracting new ones has become very difficult; more so for the public sector banks.

Public sector banks have their own limitations as they have to achieve twin objectives of profitability and social objectives. Again, the large numbers of branches enable them to fulfill the social objectives. But they may not be a viable proposition for running business.

On the other hand the new generation private sector banks with limited branches and heavy focus on urban markets face a limited area to operate.

Bankers are an integral part of the banking system. They are the bridge between the organization and the customers. They come into contact with the customers regularly and are in a better position to understand the expectations of the customers. As a service provider, their roles are quite important in changing the perception of customers. As indicated in different studies, the perception of quality of services and customer satisfaction depends on the banker. Service quality is meeting customers' needs matching to their expectations. The bankers are also responsible for lowering the cost of services and improving productivity.

Customer service has been described as 'the ultimate' tool to counter competition. Poor quality of service places the bank in a disadvantageous position and customers may shift to other competing banks. At this backdrop, the study of human resource management practices and customer satisfaction are quite important for formulating sound policies for the future. Therefore, in this study, an attempt has been made by the researcher to study the impact of human resource management practices on customer satisfaction in public and private sector banks.

II. METHODOLOGY

The present study has been conceptualized in order to analyze the relationship between human resource management practices and customer satisfaction in the select public and private sector banks. The study has made use of survey method of research to achieve the set objectives. The study was carried out Thanjavur District of Tamil Nadu. For the purpose of the analysis, the employees are classified as officers, clerical staff and sub staff. The branch managers and field officers and cash officers are considered as officers, clerks and recovery marketing officers are considered as clerical staff and messengers, sweepers and watchmen are viewed as sub staff.

Among the public sector banks functioning in Thanjavur district, Indian bank, Indian overseas bank, and State bank of India have played prominent role. Therefore, Indian bank, Indian overseas bank and state bank of India were selected for the study.

They have established 32, 39 and 18 branches respectively in the district. Similarly, there are 7 private sector banks operating in the district, of which, three banks viz., City Union Bank Ltd, ICICI Bank Ltd and ING Vysya Bank were selected for the study on the basis of number of branches. These three banks have 15, 05 and 4 branches respectively in the study area. All the selected banks have established branches in Thanjavur and Kumbakonam, therefore, these two main branches Thanjavur and Kumbakonam branches were purposively selected for the study.

As many as 468 employees are working in the selected branches of public sector banks, of which 149 are officers, 233 are clerical staff and 86 are sub staff. Likewise, 149

employees are working in selected branches of private sector banks; they include 50 officers, 72 clerical staff and 27 sub staff. As per the sample size determination formula the required total sample size is 237, which constitutes 38 per cent of the total population. Therefore, 38 per cent from each category is drawn on the basis of stratified random sampling method. In Thanjavur and Kumbakonam branches, there are 15,975 and 14,257 customers State Bank of India. Indian bank has 11287 and 9876 customers and Indian overseas bank has 10584 and 8965 customers. In the same branches of ICICI bank there are 12,257 and 13,250 customers. City union bank has 5432 and 4829 customers; ING Vysya Bank has 3257 and 2863 customers. As per the sample size determination formula, the required sample size of the customers is 384. (Dutta and Dutta, 2009).

To carry out the study in a meaningful manner, an adequate amount of data and information were required. The data were collected both from the primary and secondary sources. An in-depth study of sample organization was made through collecting primary data and information by administering the questionnaires, a questionnaire was administered on the sample respondents to collect the required data for analyzing the human resource management practices and customer satisfaction. The sources for secondary data were literature available in libraries in the form of books, journals and magazines. Besides the above mentioned literature, annual reports and published and unpublished documents of the sample units were also referred to.

III. RESULTS AND DISCUSSION

A. Overall Perception about Human Resource Management: The overall perception of the employees about the (Armstrong, 2006) human resource management practices of the study units is analyzed in table I.

TABLE I OVERALL PERCEPTION ABOUT HUMAN RESOURCE MANAGEMENT

Category	Public Sector Banks		Private Sector Banks		Combined	
	Mean score	Mean score (%)	Mean score	Mean score (%)	Mean score	Mean score (%)
Officers	438.38	50.68	463.73	53.61	444.72	51.41
Clerical staff	315.66	36.49	324.18	37.48	317.65	36.72
Sub staff	222.67	25.74	227.09	26.25	223.70	25.86
Average	337.60	39.03	348.83	40.33	340.28	39.34

Source: Primary data

Table I shows the overall perception of the respondents about human resource management practices of the public and private sector banks in the study area. The average mean score obtained by the respondents in respect of overall human resource management practices was 39.34 percent. The officers have obtained the mean score of 51.41 percent and clerical staff and sub staff have secured 36.72 percent and 25.86 percent. Among the respondents in the public sector banks, officers have secured the mean score of 50.68

percent, clerical and sub staffs have acquired the mean score of 36.49 percent and 25.74 percent. In the case of private sector banks, the officers have got the mean score of 53.61 percent, which is higher than that of the mean score obtained by the officers in public sector banks. The clerical staff and sub staff have secured the mean score of 37.48 percent and 26.25 percent. It is understood from the table that the clerical and sub staff have more or less similar perception about the overall human resources management

practices. It is inferred from the table that in public and private sector banks officers have high degree of perception about overall human resource management as compared to clerical and sub staff.

B. Level of Satisfaction: The level of satisfaction of the employees about overall human resource management practices of the public and private sector banks in the study area is shown in table II.

TABLE II OVERALL HUMAN RESOURCE MANAGEMENT PRACTICES

Category	No. of Respondents								
	Public Sector Banks			Private Sector Banks			Combined		
	Low	Moderate	High	Low	Moderate	High	Low	Moderate	High
Officers (N= 57+19)	15 (26.32)	30 (52.63)	12 (21.05)	04 (21.05)	12 (63.16)	03 (15.79)	19 (25.00)	42 (55.26)	15 (19.74)
Clerical staff (N=89+27)	57 (64.04)	23 (25.84)	09 (10.11)	17 (62.96)	06 (22.22)	04 (14.81)	72 (62.07)	32 (27.59)	12 (10.34)
Sub staff (N=33+10)	26 (78.79)	04 (12.12)	03 (0.09)	07 (70.00)	02 (20.00)	01 (10.00)	33 (76.74)	06 (13.95)	04 (09.30)

Source: Primary data

Note: Figure in the bracket is percentage to total

Table II revealed that both in public and private sector banks combined together, the officers have moderate perception, clerical and sub staff has low perception about overall human resource management practices of the banks. Similarly, officers in public and private sector banks have moderate perception and clerical and sub staff revealed low perception. It can be inferred from the table that all officers in the (Mayer, 2002) public and private sector banks are moderately satisfied with the overall human resource management practices whereas clerical and sub staff have expressed very low satisfaction with the overall human resource management practices practiced by the banks.

C. Descriptive Statistics-Overall Human Resource Management Practices: In order to analyze whether there is any significant relationship between the perception of the public and private sector banks respondents, a null hypothesis is framed and tested with the help of t-test.

1. Null Hypothesis: The respondents in the public and private sector banks have similar perception about overall human resource management practices.

TABLE III DESCRIPTIVE STATISTICS-OVERALL HUMAN RESOURCE MANAGEMENT PRACTICES

Category	Count	Mean	S.D	t-value	Result
Officers and Clerical staff	76	25.33	14.57	0.68	Not significant
	116	38.67	30.55		
Officers and sub staff	76	25.33	14.57	0.87	Not significant
	43	14.33	16.20		
Clerical staff and sub staff	116	116	38.67	1.22	Not significant
	43	14.33	16.20		

Source: computed by the researcher

Table III revealed that the calculated t-value is less than that of the table value of 2.78 and 4.60 at 5 percent and 1 percent level of significance. Hence, the null hypothesis is accepted. It can be inferred that there is no significant difference between level of perception about overall human resource management practices among employees in the public and private sector banks. It implies that the employees in the public and private sector banks have similar perception about overall human resource management practices.

D. Demographic Variables and Level of Satisfaction: To find out whether there is any significant difference between individual demographic variables such as sex, age, educational qualification, designation, experience and income of the respondents and their level of satisfaction, a null hypothesis is framed and tested with the help of ANOVA test.

1. Null Hypothesis: There is no significant difference between individual demographic variables and the level of perception about overall human resource management practices of the public and private sector banks. The result is given in Table IV.

The result of the ANOVA test revealed that there is no significant difference between sex and level of perception, age and level of perception, educational qualification and level of perception, experience and level of perception about overall human resource management practices.

E. Effect of HRM Practices on Customer Satisfaction: The multiple regression analysis was used to assess the effect of HRM practices on customer satisfactions on each dimension of service quality of which the result is depicted in table V.

TABLE IV ANOVA TEST

Demographic variable and level of perception		SS	df	MS	F	Result
Sex and level of perception	Between sample	280.17	1	280.17	0.432	Not significant
	Within sample	2592.67	4	648.17		
	Total	2872.83	5			
Age and level of perception	Between sample	549.56	2	274.78	0.928	Not significant
	Within sample	1777.33	6	296.22		
	Total	2326.88	8			
Educational qualifications and level of perception	Between sample	2737.55	2	1368.78	2.727	Not significant
	Within sample	3011.33	6	501.89		
	Total	5748.89	8			
Experience and level of perception	Between sample	1192.66	2	596.33	1.337	Not significant
	Within sample	2675.33	6	445.88		
	Total	3868.00	8			
Income and level of perception	Between sample	80.250	3	26.75	0.165	Not significant
	Within sample	1290.67	8	161.33		
	Total	1370.92	11			

1. Null Hypothesis: HRM practices (B., 2002) will be positively related to customer satisfactions.

TABLE V THE COEFFICIENT VALUES OF MULTIPLE REGRESSION ANALYSIS

Variables	Coefficient	t-values	R ²
HRM practices and tangibility	0.22	2.23*	0.04
HRM practices and reliability	0.75	11.22**	0.57
HRM practices and responsiveness	0.61	7.6**	0.43
HRM practices and Assurance	0.29	3.00**	0.08
HRM practices and empathy	0.42	4.58**	0.18
HRM practices and overall customer satisfaction	0.60	7.42**	0.36

*Significant at 1% level ** Significant at both 1% and 5% level

The above table V depicts that there is a significant association between human resource management practices and service quality dimensions such as tangibility, reliability, responsiveness, assurance, empathy and overall customer satisfaction. It is evident that all human resource management practices are highly contributing to the enhancement of customer satisfaction of the sample bank.

IV. CONCLUSION

To conclude, the study revealed that both in public and private sector banks combined together, the officers have moderate perception, clerical and sub staff has low perception about overall human resource management practices of the banks. Similarly, officers in public and private sector banks have moderate perception and clerical and sub staff revealed low perception. It can be inferred from the study that all officers in the public and private sector banks are moderately satisfied with the overall

human resource management practices whereas clerical and sub staff have expressed very low satisfaction with the overall human resource management practices practiced by the banks. The study further revealed that the private sector banks provide better service quality when compared to public sector banks in the study area. There is a significant association between human resource management practices and service quality dimensions such as tangibility, reliability, responsiveness, assurance, empathy and overall customer satisfaction. It is evident that all human resource management practices are highly contributing to the enhancement of customer satisfaction of the sample bank.

Human resource management has a multifaceted impact on the performance of other functional areas of banks. In this light, Human resource management can make a significant contribution to the effective marketing management process of the firm through which customer satisfaction is intended. Human resource management strategies make a significant impact on customer satisfaction in the banking industry. Successful implementation of these Human resource strategies can enhance a sort of behavior and performance in employees which is resulting in customer satisfaction. The understanding of the HRM in the banking industry by the management can contribute to the sustainable growth in them through enhancing the satisfaction of their customers.

The Indian banking industry is standing at an important cross-road. There are critical choices should be made and initiatives must be taken to enhance its performance. The time is ripe for leaving the old baggage and taking bold measures. These measures would determine the future path of Indian banks and it would ensure them to continue to retain their position of pre-eminence in the banking space on the other hand if they fail to take timely steps it would result in yielding the pressure from their peers in the foreign

banks. Considering the importance that banks have in the nation-building process, the choices made now could have a bearing on the economic future of the country and on the lives of crores of people of India, many of whom are yet to be touched by the formal financial system.

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