



## DIMENSIONS OF HR PRACTICES BY THE MANAGEMENT OF PUBLIC SECTOR BANK AND PRIVATE SECTOR BANKS – FACTOR ANALYSIS

Dr.D.Deepa \* Dr.J.Vijayadurai\*\*

\*Assistant Professor, Department of Management Studies, Madurai Kamaraj University, Madurai, India.

\*\*Associate Professor, Department of Management Studies, Madurai Kamaraj University, Madurai, India.

### Abstract

Banking sector as a financial intermediary plays a key in an economy, and it is considered very important sector of service industry due to their active role in customer dealing and financial handling. This is the reason we find to select an active service industry to study the impact of their internal marketing programmes mainly toward their market orientation practices and business performance. As there are different types of financial, commercial, non-commercial foreign banks etc., but our focus of the study is four leading commercial banks due to the main reasons: First, these banks are the largest sector of the financial service industry in India. Second, the banks are in direct contact with a large scale of common people, which makes them a more relevant context of study the application of particularly internal marketing programmes. This study focus on the dimensions of Human Resource practices by the management of public sector bank and private sector banks.

**Key words:** Banking, HR practices, Internal marketing

### INTRODUCTION

The competitive advantage of any business is achieved through various competitive strategies based on market researches. Usually the prime focus is placed on the core product / service offered. In case of service industry, a paradigm shift is required for formulating competitive strategies. The prime focus on Service is that employees would definitely give a remarkable push for any Service organization in achieving customer satisfaction and thereby its revenue growth and profitability. Investing in the employee to improve the service parallels making a direct investment in the improvement of the product. Even if the contact employee does not perform the service entirely, he/she may still personify the firm in the customers' eyes. Because the contact employees represent the organization and categorically influence customer satisfaction. They perform the role of marketers. They physically embody the products and are walking billboards from a promotional standpoint. Benjamin Schneider and David Bowen by their research with customers and employees in 28 different bank branches have shown that both a climate for service and a climate for employee well-being are highly correlated with overall customer perceptions of service quality. This is the high time to conduct research studies to enable the service organization management to 'introspect' the intensity of importance their service employees experience. To achieve long term profitability and high value customer base, service organizations need to evaluate their appraisal system, check 'employee-centric' quotient in their HR strategies ensure that customer satisfaction is achieved through employee satisfaction. Human resource strategies have to take a shift to a higher level and transform themselves as Internal Marketing strategies

### REVIEW OF LITERATURE

Vijaya Kamaswari and Nittala Rajyalakshmi examined that the relationship between satisfaction of employee with job, training and skill development a technique of conformity factor analysis along with SEM to find out the relationship between the internal marketing dimensions and employee job satisfaction. The measurement model reveal that the internal marketing dimensions have positive and significant relationship with employee job satisfaction. Bilal Jamil and Naistara Sarfaraz Raja in their study investigate the impact of three HRM practices namely compensation, performance evaluation and promotion practices on employee performance of both public and private sector organizations of Pakistan. Three hypotheses have been formulated with respect to previously discerned variables. Result indicates that compensation and performance evaluation practices are significantly and positively associated with employee performance of both public and private sector organization of Pakistan. On the other hand, promotions practices are found to be insignificantly associated with employee performance of both public and private sector organization. Margaleswara and Srinivasan found that the level of efficiency / productivity of this input get reflected in the quality of service offered the results show a number of similarities and differences in HRM system of Sri Lankan and Indian Public Sector banks. Umasankar and Ashok in their article have observed that there is no direct connectivity or linkage between the human resource practices and the financial performance of banks, but there has been a great deal of connectivity linkage between the employee perception on HR practices and individual productivity and performance. Ramakrishna, Kameswari, Giridhar Kumar and Krishnudu observed that the Human Resource Development department has to play more proactive role in shaping the employee to fight the challenges. The banks not only have to make plan and policies and devise strategies, the actual functionaries have to show competence and effectiveness in executing the social policies and strategies. In commercial organization like banks, HRD departments have the advantages of not being extensively burdened with day to day problems of running the banks or ensuring profitability of individual transactions. Zulfar Ahmad Bowra, Bilal Sharif, Affan Saced and Mohammad Kabir Nrazi indicated that the two

HR practices: Performance evaluations and Promotion practices are significant but the compensation practices are not significant. Moreover, this study provides help to top-management of banking sector to design a revise their HR policies and make practices to attain high employee performance. Atousa Farzad, Nasim Naharandi, Albert Carvara recommended that more attention be directed toward enhancing organizational commitment among personnel, with a focus on the effective criteria of internal marketing. Owing to the lack of similar experience, the research findings help manager in state owned banks network to adopt proper policies in this direction. Ann Bartel suggested that controls for unobserved branch and manger characteristics show a positive relationship between branch performance and employee satisfaction with the quality of performance evaluation, feedback and recognition at the branch the ‘incentives’ dimensions of a high performance work system.

### OBJECTIVE OF THE STUDY

- To study the dimensions of HR practices by the management of public sector bank and private sector banks

### METHODOLOGY

The applied research design of the present study is purely descriptive in nature because of the following reasons namely it has its own confined objectives and also predetermined methodology. The present study is completely based on the primary data. The secondary data collected form the books, journals and magazines were used to write the conceptual framework of the study and also the review of literature. The primary data are collected with the help of structured questionnaire. The questionnaire had been prepared on the basis of the objectives of the study. The questionnaire includes various dimensions of HR practices by the management of public sector bank and private sector bank. Total of 560 respondents, 15 managers, 50 employees and 75 customers in each of four banks, that is, 60 managers, 200 employees and 300 customers were randomly selected for primary data collection.

### RESULTS AND DISCUSSION

**Interpretation of the dimensions of HR Practices on Employees’ Performance by the Management of Public and Private Sector banks**

**Table-1, Measures of Sampling Inadequacies**

Measures		Estimated Value
Kaiser-Meyer Oklin Measure of Sampling Adequacy		0.6873
Bartlett’s Test of Sphercity	Appropriate Chi-Square	2524.27
	Degrees of Freedom	397
	Significance	0.0000

From Table-1 it has been observed that the Bartlett’s test was significant with  $P=0.000$ , being less than 0.05. Sampling adequacy measured using the Kaiser-Mayer Oklin (KMO) of 0.6873 was taken as acceptable. Thus the factor analysis may be considered an appropriate technique for analysing the data. Factor analysis was done with 63 variables (item) by orthogonal varimax rotation for HR practices by management of public sector bank and private sector banks. The rotated factor matrix for the variables relating to HR practices by the management of public and private sector banks in the study is given in Table. Table gives the loadings received by the factors under F1, F2, F3, F4 and F5 for public and private sector banks.

**Table -2, Rotated Factor Matrix for HR Practices on Employees’ Performance by Management of Public and Private Sector Banks**

Sl. No.	Variables	Rotated Factor Loading					$h^2$
		F1	F2	F3	F4	F5	
1.	Our recruitment strategies are in ways that attract potential long-term employees	0.7432	0.0016	0.0161	0.0072	0.2132	0.6294
2.	We interview multiple employees for every position	0.7014	0.2101	0.0101	0.0162	0.1047	0.5916
3.	Qualification standards are at par with our competitors	0.6412	0.3147	0.0911	0.1071	0.2716	0.7046
4.	Our screening method tests the service competencies	0.5617	0.3017	0.1071	0.2711	0.1072	0.6410

5.	Our screening method tests the “service inclination”	0.5121	0.3214	0.2716	0.1712	0.1016	0.5199
6.	Traditional employment interviews	0.5072	0.3172	0.2101	0.1672	0.0972	0.4986
7.	Career and advancement opportunities for employees is wider and incentives are attractive	0.1171	0.7831	0.2101	0.1971	0.1016	0.6335
8.	Periodic training in the necessary technical skills and knowledge is given through formal education and on the job training	0.2716	0.7912	0.0791	0.2711	0.3213	0.7920
9.	Training in interactive skills is given to the employees focusing to provide courteous, responsive & empathetic service	0.3016	0.7671	0.1671	0.1012	0.2116	0.5926
10.	Investment in training has been increasing every year	0.1014	0.7172	0.1812	0.0016	0.0107	0.6501
11.	We make sure that the training fits our big goals & strategies	0.1012	0.6611	0.2123	0.1012	0.1147	0.4270
12.	Our employees are given the desire, skills, tools & authority to serve the customers	0.0096	0.6501	0.2912	0.1011	0.0912	0.5274
13.	Employees are rewarded for the right decision to recover on the spot when things go wrong.	0.0921	0.6421	0.2516	0.2161	0.1716	0.4111
14.	Our organization is characterized by flexibility, quick decisions & authority given to front-line people	0.1121	0.5842	0.2412	0.2712	0.2016	0.5383
15.	Service blue prints are used to illustrate for employees	0.3012	0.5721	0.1127	0.3142	0.2013	0.5116
16.	Team goals are set and team rewards are given	0.2013	0.5512	0.2016	0.3117	0.1011	0.4896
17.	Inter departmental teams are functioning in our organization	0.2731	0.5271	0.0101	0.2612	0.2147	0.5991
18.	Measurement of reward internal service through internal customer service audit and internal service guarantee	0.0171	0.0098	0.6611	0.1136	0.3141	0.5418
19.	Employees are provided with required supportive technology & equipment	0.3121	0.1072	0.5971	0.2472	0.2171	0.4799
20.	Internal process & procedures are designed with customer value and customer satisfaction in mind	0.1127	0.3912	0.5147	0.2363	0.0117	0.6272
21.	Company’s vision is communicated to employees frequently and that it is communicated by top managers, often by the CEO	0.2671	0.4011	0.3121	0.8791	0.3111	0.7929
22.	We conduct periodic internal marketing research to assess employee satisfaction & needs	0.2312	0.3711	0.1141	0.8612	0.1071	0.4852
23.	Initiatives to benefit our employees	0.1014	0.3172	0.6812	0.8216	0.0107	0.6501
24.	Employee assistance programme	0.1012	0.0611	0.6123	0.8112	0.1147	0.4270
25.	Child care resource & referral service	0.0096	0.3101	0.5912	0.8011	0.0912	0.5274
26.	Health care & dependent care reimbursement plans	0.0921	0.1121	0.5516	0.7961	0.1716	0.4111
27.	Family leave	0.1121	0.3142	0.5412	0.7712	0.2016	0.5383
28.	Family sick days	0.3012	0.1121	0.5127	0.7642	0.2013	0.5116
29.	Flexible returns	0.2013	0.2712	0.5016	0.7517	0.1011	0.4896
30.	Improved part-time employee benefits	0.2731	0.1271	0.0101	0.7412	0.2147	0.5991

31.	Jobs sharing flexi place, flexi time (or) any other workplace flexibility initiates	0.0171	0.0098	0.1011	0.7336	0.3141	0.5418
32.	Customer satisfaction in every service encounter is our goal	0.3121	0.1072	0.0671	0.7172	0.2171	0.4799
33.	Our performance appraisal has shifted from total emphasis on productivity data and hard numbers to qualitative assessment	0.1127	0.3912	0.3147	0.6863	0.0117	0.6272
34.	We have reward system for employees based on customer satisfaction	0.1014	0.3172	0.6812	0.6716	0.0107	0.6501
35.	Service behaviours that increase customer retention are recognized and rewarded	0.1012	0.0611	0.6123	0.6612	0.1147	0.4270
36.	Employees have learned over time how they need to perform within the old structures of reward system and hence change is difficult	0.0096	0.3101	0.5912	0.6411	0.0912	0.5274
37.	The degree of qualitative aspect in your performance appraisal system is very high	0.0921	0.1121	0.5516	0.6361	0.1716	0.4111
38.	The productivity rate is excellent	0.1121	0.3142	0.5412	0.6112	0.2016	0.5383
39.	The customer retention rate is excellent	0.3012	0.1121	0.5127	0.6032	0.2013	0.5116
40.	The customer satisfaction level upto the mark	0.2013	0.2712	0.5016	0.5917	0.1011	0.4896
41.	The employee retention rate remarkable	0.2731	0.1271	0.0101	0.5712	0.2147	0.5991
42.	The Company has adopted the idea that employees are also customers of the organization and that basic marketing strategies are directed at them	0.0171	0.0098	0.1011	0.5616	0.3141	0.5418
43.	Treat employee as customer	0.3121	0.1072	0.0671	0.5472	0.2171	0.4799
44.	Use employee input and a fact-based approach for decision making in the design and implementation of human resources policies, program & process.	0.1127	0.3912	0.3147	0.5363	0.0117	0.6272
45.	Measuring employee satisfaction and trying to continuously improve the workplace environment	0.2671	0.4011	0.3121	0.5191	0.3111	0.7929
46.	Bench mark & incorporate best practices	0.2312	0.3711	0.1141	0.5012	0.1071	0.4852
47.	Our 'service culture' focuses on a culture where an appreciation for good service exists, where giving good services to internal as well as external customers is considered a natural way of life & one of the most important norms by everyone	0.1014	0.3172	0.6812	0.0016	0.7807	0.6501
48.	We focus on attracting maximally homogeneous groups of customer through careful positions & segmentation strategies	0.1012	0.0611	0.6123	0.1012	0.7667	0.4270
49.	Compatible customers are grouped together physically so that the segments are less likely to interact directly with each other	0.0096	0.3101	0.5912	0.1011	0.7512	0.5274
50.	Employees are trained to deserve customer-to-customer interactions & to be sensitive to potential conflicts	0.0921	0.1121	0.5516	0.2161	0.7416	0.4111
51.	Employees are trained to recognize opportunities to foster positive encounters among customers in certain types of service environments	0.1121	0.3142	0.5412	0.2712	0.7216	0.5383
52.	Customers are clearly educated about the benefits of self-service technologies	0.3012	0.1121	0.5127	0.3142	0.7013	0.5116

53.	The self-service technology used is user-friendly & reliable	0.2013	0.2712	0.5016	0.3117	0.6911	0.4896
54.	The delivery system should be isolated as much as possible from customer inputs in order to reduce	0.2731	0.1271	0.0101	0.6612	0.6647	0.5991
55.	The service can be delivered most efficiently if customers are truly reviewed as partial employees	0.0171	0.0098	0.1011	0.6136	0.6440	0.5418
56.	Customers are encouraged to take responsibility & participate in service delivery by identifying and satisfying their own needs	0.3121	0.1072	0.0671	0.5472	0.6371	0.4799
57.	Customers understand their roles & how they are expected to perform	0.1127	0.3912	0.3147	0.5363	0.6217	0.6272
58.	Customers are able to perform as expected	0.2671	0.4011	0.3121	0.5191	0.6111	0.7929
59.	There are valued rewards for customers performing as expected	0.2312	0.3711	0.1141	0.5012	0.6071	0.4852
60.	We clearly communicated to customers their expected roles & responsibilities in advertising personal selling & others	0.1014	0.3172	0.6812	0.0016	0.5807	0.6501
61.	We offer customer orientation programmes to assist customers in understanding their roles	0.1012	0.0611	0.6123	0.1012	0.5647	0.4270
62.	Customer education is done through written literature	0.0096	0.3101	0.5912	0.1011	0.5312	0.5274
63.	Customers are rewarded for performing their service roles effectively & participate actively	0.0921	0.1121	0.5516	0.2161	0.5116	0.4111
	Percentage Variance explained	3.7603	3.8016	3.6545	3.4365		

Note: The principal factors method with orthogonal varimax rotation is used to extract factors.

From Table-2, the rotated factor loadings for the sixty three statements (variables) of HR practices on employees' performance by the management of public and private sector banks are observed. It is clear from Table 2 that all the sixty three statements have been extracted into seven factors namely F1, F2, F3, F4 and F5. The factors with identified new names which relate to the performance of employees in determining perceived service quality in public and private sector banks are discussed below: **Factor I (F1)** Our recruitment strategies are in ways that attract potential long-term employees (0.7432) and Traditional employment interviews (0.5072). These are the items with high loadings on factor I. The above items refer to criteria in which the customers select the bank hence the factor I is characterised as **"Hire the right people"**. **Factor II (F2)** In the second factor, Career and advancement opportunities for employees is wider and incentives are attractive (0.7831) and Inter departmental teams are functioning in our organization (0.5271) has the highest significant positive loadings. As the above items refer to the interest rates charged upon the deposits and loans, factor II is named as **"Develop people to deliver service quality"**. **Factor III (F3)** Measurement of reward internal service through internal customer service audit and internal service guarantee (0.6611) and internal process and procedures are designed with customer value and customer satisfaction in mind (0.5147) has the highest significant positive loadings. As the above item relates to the loans borrowed by the customers from the bank, factor III is named as **"Provide needed support systems"**. **Factor IV (F4)** In the fourth factor, Company's vision is communicated to employees frequently and that it is communicated by top managers, often by the CEO (0.8791) and bench mark and incorporate best practices (0.5012) have the highest factor loadings. As the above items are related to repayment method adopted or given to the customers by banks hence, factor IV is characterised as **"Retain the best people"**. **Factor V (F5)** In the fifth factor, Our 'service culture' focuses on a culture where an appreciation for good service exists, where giving good services to internal as well as external customers is considered a natural way of life and one of the most important norms by everyone (0.7807) and Customers are rewarded for performing their service roles effectively & participate actively (0.5116) have the highest loadings. As the above variables relate to the non-material services by the bank given to the customers, factor V is characterised as **"Service Culture and Importance of Customers in Service delivery"**.

## CONCLUSION

It is clearly evident from the result of the study that the statements, Our recruitment strategies are in ways that attract potential long-term employees with a factor loading of 0.7432, Career advancement opportunities for employees are wider and incentives are attractive and it is high with factor loadings 0.7831, Measurement of reward internal service through internal customer service audit and internal service guarantee is more easy with factor loadings 0.6611, Company's vision is communicated to employees frequently and that it is communicated by top managers, often by the CEO with factor loading 0.8791, Our 'service culture' focuses on a culture where an appreciation for good service exists, where giving good services to internal as well as external customers is considered a natural way of life and one of the most important norms by everyone with factor loading 0.7801 are the statements with highest factor loading under the dimensions namely, hire the right people (F1), develop people to deliver service quality (F2), provide needed support systems, (F3), retain the best people (F4) and service culture and importance of customers in service delivery respectively. So, these are the identified dimensions (factors) which are related to the 'customer orientation' of employees in determining perceived service quality.

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