

## **Impact of Human Resource Practices on Employees Productivity A Comparative Study between Public and Private Banks in India**

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### **Abstract**

*The success of any organization depends on the ability of its human resource to utilize other resources such as capital, equipment and land for the achievement of organizational objectives. Human resource thus requires the necessary attention in order to achieve corporate objectives. Over recent years there has been an increasing interest in the field of human resource management. Currently, the literature encourages the consideration of human resources as strategic factors, not only because they play important role in strategy implementation, also because they are beginning to be reckoned as sources of sustainable competitive advantage. Relationships between human resource management and productivity have been studied from different perspectives. This study is an attempt to investigate the extent to which Banks differ on aspects of human resource management practices and their contribution in employees productivity.*

**Key words:** *Employees productivity, employees' performance, employees' creativity, organizational effectiveness.*

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## **1. INTRODUCTION**

An organization is made up of a number of people who strive to achieve the organization's goals. Human resources have a significant bearing on the profitability, efficiency and overall organizational effectiveness. Human beings differ from one another in their basic mental abilities, skills, approaches, qualifications and also behaviour which account for their complex behavior patterns and psychological makeup. Such difference gets multiplied when they interact with one another in a group or in an organization. This generates different styles of management, values, feelings, beliefs and opinions of the employees. They must be groomed in order to take risks, think innovatively, and handle new problems. In the competitive environment, employees of any business organization are the key factor for deciding the success of the firm.

It is understood that cooperative banks approach human resource management (HRM) from the wrong perspective and their financial performance suffers as a result. Instead of focusing on how to execute strategy through the performance of the employees in banks, the first priority is cost control and the focus often begins with the HR function. No organization can exist unless the human capital is of a quality capable of properly exploiting the material resources to generate surplus for survival, growth and diversification into new fields keeping in view the environment in which it operates. This is true of banking and marketing organizations, where physical capital is only a fraction of the total resources mobilized by the organization. These are service organizations where human capital makes the difference between success and failure.

World over, the technology driven channels such as, ATM, net banking and mobile banking have reduced walk-in-customers at the bank branches. However, in India, it is observed that the customers still find it difficult to use these technology based channels and they are more comfortable in traditional banking over the counter personally to ensure error - free and risk -free banking service. While struggling to provide better and efficient service at the counters, the staff is also confronted with various regulatory norms to mitigate risks in operations. This clearly establishes that employees of cooperative banks play a vital role in managing not only the 'transaction' of a customer but also future long-term relationship with them. There are several reasons for the new approaches to the management of staff. Firstly, infrastructural problems with growth in the bank and over staffing, secondly, the increasing competitive pressure in banking had led to greater attention to controlling labour costs and increasing labour productivity. Thirdly, the nature of change had moved the emphasis towards being a market-driven rather than an administratively driven organization and the importance of staff quality was being emphasized.

## **2. LITERATURE REVIEW**

Since the beginning of the 1980s, a vast literature has been developed calling for a more strategic role for human resources (**Guest, 1987; Miller, 1987; Armstrong, 1991**). A research is available on the impact of HR practices on perceived employee performance. **Huselid (1995)** took eleven human resource management practices which are personnel selection, labor management participation, incentive compensation, performance appraisal, grievance procedures, information sharing, job design, attitude assessment, recruitment efforts, promotion criteria and employee training. He found a significant relationship between high work practices such as compensation and employees outcomes.

**Barney (1991)** felt that firms could develop strategic capability and for attaining this, the strategic goal will be to create firms, which are more intelligent and flexible than their competitors. **Aurora and Malhotra (1997)** tried to give some idea about factors determining customer satisfaction, the level of customer satisfaction and some marketing strategies in both private and public sector banks in India. They have found six factors of customer satisfaction in public sector banks, viz., routine operations, price, situational, environmental, technology, and interactive. But in private sector banks, there exists seven factors in total, having staff factor as the first ranked and situational factor as the lowest ranked items. As compared to public sector, private sector bank customers' level of satisfaction is comparatively more. Proper training and development of bank staff, regular market survey, personalizing the service, efforts to avoid long queues in bank, and attractive environment in public sector bank. The uniqueness of HR requires a totally different type of attention from management. The HR function has the characteristics that provide the greatest challenges as well as opportunities.

The increased probability of having to manage in an international situation demands the conduct of more comparative HRM research (**Boxall, 1995; Brewster et al., 1996; Budhwar and Debrah, 2001; Budhwar and Sparrow, 2002**).

### **3. OBJECTIVES OF THE STUDY**

1. To identify the needs of employee through which they can work effectively.
2. To examine and compare the human resource practices followed by the banks in India.
3. To find out human resource practices contributing to employee productivity in these banks.
4. To find out the HR needs of Bank employee.

### **4. RESEARCH DESIGN**

The present study is based on primary data. The survey was carried out in the banks working in Purvanchal region of UP. For this purpose, various HR practices, which are perceived to affect the employee productivity has been identified and selected on the basis of their relevance to the banking sector.

#### **4.1. Sample**

For conducting this study 50 sample were drawn from each public & private sector banks, located in Purvanchal region of UP.

1. HDFC Bank
2. ICICI Bank
3. Punjab National Bank
4. Oriental Bank of Commerce.

#### **4.2. Procedure for data collection**

Each subject was approached individually and was assigned the questionnaire it was emphasized that the results of the study would be utilized only for research purpose. The 12 HR practices have been included and the employee productivity has been taken as dependent variable. The questions have been designed to facilitate the respondents to identify major strength and weakness of the banks. They were requested to answer all the statements honestly & truthfully & not to leave any questions or statement unanswered.

### 4.3. Research Instrument

Questionnaire is used as a research instrument. The respondents have been requested to use their best judgment on a 5 point Likert scale. 5 point scale indicated as 1. Strongly disagree, 2. Disagree 3. Neither agree nor disagree 4. Agree 5. Strongly agree. These points show the opinions of employees in regard to each question.

### 4.4. Tools

The data were analyzed through statistical package for social sciences (SPSS). The main tests conducted for the data analysis are mean, standard deviation, T- test and multiple regression tests is applied to test the significance of the results wherever it is considered to be necessary.

### 4.5. Hypothesis

Keeping in mind the above discussion this research or study is designed to test the following hypothesis:

H1: Employee's productivity affects organizational effectiveness.

H2: Employee's productivity leads to organizational effectiveness.

H3: Employee's performance factor affects organizational effectiveness.

### 4.6. Data Analysis and Results

In order to compare various Human Resource Practices among the respondents of two banks, various tests have been carried out in the present study. The following tables show all the factors statistically.

**Table-1:** Comparison of Various Factors among the Respondents of Banks

Factors	Bank 1 (N=50) (Private)		Bank 2 (N=50) (Public)		t Value
	Mean	SD	Mean	SD	
Manpower Planning	4.2	0.80	3.8	1.12	1.64
Recruitment and Selection	3.8	1.03	3.6	1.16	0.81
Motivation	4.1	0.80	3.6	0.89	2.78
Reward System	3.9	0.76	3.4	1.09	2.57
Training and Development	4.3	0.66	3.8	1.18	2.30
Team Building	3.8	0.91	3.9	0.89	-0.88
Employee Participation	4.2	0.94	3.5	0.99	3.81
Employee Behavior	4.4	0.50	3.1	0.94	8.61
Incentives	3.8	0.82	3.3	0.84	3.23
Employee Productivity	4.4	0.73	3.1	1.05	6.35
Creativity	3.7	0.90	3.4	1.16	1.07
Promotion	4.4	0.64	2.9	0.93	9.00

Table 1 provides the descriptive statistical information like mean, standard deviations and comparative analysis followed by both types of banks. It discusses that there is a significant difference between the banks. Both the public and private sector banks differ from each other in providing incentives, reward system and promotion. Employee motivation will ultimately increase the employee performance, employee participation, employee behavior and the employee productivity. Most important ingredient of Human Resource practices is reward system

and incentives, which at present does not have any linkage to skills and performance. Incentives are provided for motivation in some of the organizations. From the table it is clear that employee performance is directly influenced by their motivation. The outcomes of the training and development to any type of organization are increased productivity of employees. Promotion is also directly related to the employee productivity. And in the end all these factors will lead to make a positive affect over the organization.

**Table-2: Multiple Regression Analysis Private Sector Bank [N = 50]**

Independent Variables	Dependent Variables: Employee Productivity		
	Beta	R square	t- value
Motivation	-.074	.006	-.51
Employee Participation	-.088	.008	-.61
Creativity	.180	.033	1.27
Promotion	.123	.089	.84
Training and Development	.072	.005	.50
Incentives	-.042	.002	-.29
Team Building	-.162	.026	-1.13
Employee Behavior	.053	.003	.36

Results of multiple regression analysis and independent variables (HR factors) with the dependent variables (Employee Productivity) for private banks are shown in table 2. From the table (private sector bank) we observe that all independent variables are positively related with employee productivity. Beta of several factors in the regression equation is statistically significant. Employee creativity ( Beta value = .180, t- value = 1.27 ) is highly significant contributor to the employee productivity and the second largest contributor is promotion ( Beta value = .123, t- value = .84 ) to the employee productivity and other Human Resource Practices shows negative sign like motivation ( Beta value = -.074, t- value = -.51), employee participation (Beta value = -.088, t- value = -.61), incentives (Beta value = -.042, t- value = -.29), team building (Beta value = -.162, t- value = -1.13) are affecting employees productivity.

**Table-3: Multiple Regression Analysis Public Sector Bank [N = 50].**

Independent Variables	Dependent Variables: Employee Productivity		
	Beta	R square	t- value
Motivation	-.153	.023	-1.07
Employee Participation	-.272	.074	-1.95
Creativity	.138	.019	.96
Promotion	-.203	.041	-1.43
Training and Development	-.098	.010	-.68
Incentives	.303	.092	2.19
Team Building	-.235	.055	-1.67
Employee Behavior	-.145	.021	-1.01

Table 3 shows the results for multiple regression analysis of the relationship between human resource practices and employee productivity of public sector bank. Results of multiple regression

analysis of Bank in the table indicate that out of eight HR practices affecting employee productivity like incentives (Beta value = .303, t- value = 2.19) has come as highly significant contributor and creativity (Beta value =.138, t- value = .96 ) has the second largest contributor to employee productivity. The other contributors to employee productivity in Bank are motivation (Beta value = -.153, t- value = -1.07), employee participation (Beta value = -.272, t- value = -1.95), promotion (Beta value = -.203, t- value = -1.43), training and development (Beta value = -.098, t- value = -.68), team building (Beta value = -.235, t- value = -1.67), employee behavior (Beta value = -.145, t- value = -1.01) shows the negative sign. The results signify that the employee participation necessary for the high performance of the firm.

## **5. CONCLUSION**

Human resource management in cooperative banks is more sensitive, personalized and cannot be managed through a set of predefined techniques. The HRM performance link that has been demonstrated in the Western hemisphere also exists in the Indian context. Five critical motivational issues in banking today are: (1) performance management, (2) equal pay demands for comparable worth, (3) training and development, (4) how to best motivate individuals, and (5) providing competitive compensation beyond the bounds of one's own industry. This study focused on employee productivity, HR practices and organizational effectiveness. The result of this study indicates significant relation of employee productivity with human resource practices including motivation, selection, training and development, promotion and incentives. Effective organization depends on having the right system of HR policies and practices in place to recruit, select, motivate, training and development, promote or send away employees. In private sector banks employee productivity is highly dependent on high motivating environment in the bank. In public sector banks, it perceives that all independent variables are essential for employee productivity. Banks are among the many organizations experimenting with alternative reward and benefit programs, including several innovative compensation plans. This paper concludes that HR practices implemented successfully, they could achieve the maximum contribution of their employees.

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