

The Effect of Selected Human Resource Management Practices on Employees' Job Satisfaction in Ethiopian private Banks at Dessie town

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Abstract

This study is co-relational type of research design which is aimed to describe or ascertain if there are significant associations between selected HRM practices and employees' job satisfaction. The study result has implied that recruitment and selection is found to have moderate but positive correlation with employees' job satisfaction and the remaining, training and development, performance appraisal and compensation package found to have strong positive correlation with employees' job satisfaction. Moreover, the regression result shows that recruitment and selection, training and development, performance appraisal and compensation package have a significant positive impact on job satisfaction. Each HRM practices in the banks should be a source for employees' satisfaction and then employees will be loyal and willing to stay in those organizations (Banks) because, employees' satisfaction on the job will reduce absenteeism and turn over intentions in private banks.

Keywords: Human Resource Management Practices, Job Satisfaction, private Banks

1. Introduction

Human resource management is critical to the success of the organizations because human capital has certain qualities that make it valuable. In terms of business strategy, an organization can succeed if it has a sustainable competitive advantage which means better than competitors at something and can hold that advantage over a sustained period of time (Noe et al..., 2007).

Job satisfaction is a factor that would induce the employee to work in the long term position. Regardless of job satisfaction the organization or firm would confront with the cost of recruitment caused by turnover. (Hamdia Mudor & Phadett Tooksoon, 2011). According to Armstrong M.(2010) commitment, motivation and job satisfaction, either together or separately, will be higher when people positively experience the application of HR policies concerned with creating an able workforce, motivating valued behaviors and providing opportunities to participate. In Ethiopia, there are large numbers of employees working on private organizations and most of them are unsure about their satisfaction towards the HRM practices and with the job. Also it is difficult to get published researches that addressed the effect of human resource management practices on employees' job satisfaction in private

organizations. In private owned banks, the numbers of employees are not quite stable and some employees look on other sectors, with in an expectation of better HRM practices, nice work environment and high satisfaction from the job. Every individual employee wants satisfaction at job but organization is wasting its resources by focusing on wrong HR practices for employee job satisfaction (Muhammad Javed, 2012). Again due to lack of efficient HRM practices reduce employee's satisfaction towards their organization and ultimately that affects their commitment to the organization (Md. Tofael Hossain Majumder, 2012). In order to achieve the desired purpose and address the problem stated the following research questions were developed.

- Which selected human resource management practices affect employees' job satisfaction?
- How selected human resource management practices impact on employees' job satisfaction?
- In what ways do selected human resource management practices affect employees' job satisfaction?

The main objective of the study is to investigate the effect of selected human resource management practices on employees' job satisfaction.

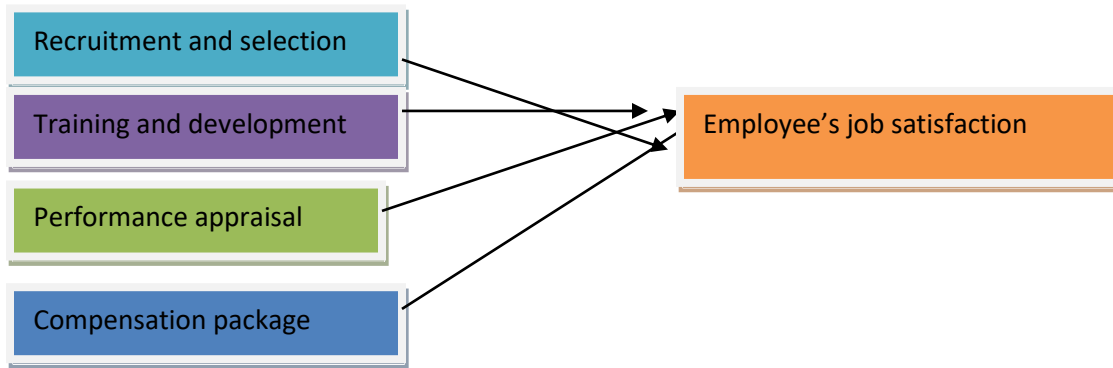
2. Theoretical insights and hypothesis development

HR practices and job satisfaction are studied widely in different parts of the world. As it is cited by Mir Mohammed Nurul Absar et al., (2010) it is assumed that HR practices are closely associated with job satisfaction Ting (1997). Because many scholars and practitioners believe that sound HR practices result in better level of job satisfaction which ultimately improves organizational performance (Appelbaum, Bailey, Berg and Kalleberg, 2000) which is cited on Mir Mohammed Nurul Absar et al., (2010).

In human resource management practices (HRMP), individuals most likely have a higher level of communication with co-workers, employees and outsiders of the organization; a greater involvement of in decision making process. It can be said that individuals give high value to these new opportunities, as result their overall job satisfaction might increase when an employee participates in decision-making, he or she can trust his or her supervisors; perceive his or her jobs as challenging and intrinsically rewarding . Trust and intrinsic rewards are in turn positively related to high organizational commitment and positive attitudes toward the job. Also, as one of the human resource management practices, job rotation might increase employee's job satisfaction by giving him/her a sense of belonging,

reducing boredom, and mastering his/her skills needed for promotions (Sarbapriya Ray and Ishita Aditya Ray, 2011).

The reviewed literature leads to formulate a research model. So, the conceptual framework of the study is:



After looking at the literatures, this research posits the following hypotheses and statistical research model:

H1: Recruitment and selection is significantly and positively related to employee job satisfaction.

H2: Training and Development is significantly and positively related to employee job satisfaction.

H3: Performance Appraisal is significantly and positively related to employee job satisfaction.

H4: Compensation Package is significantly and positively related to employee job satisfaction.

3. Methodology and Measures

The research design that is used for this study is a quantitative research design. The reason for choosing quantitative research design is due to the fact that it involves studies that make use of statistical analyses to obtain their findings. In addition, this study is a correlational type of research design which is aimed to describe or ascertain if there are significant associations between selected HRM practices and employees' job satisfaction. The independent variables of the study are: Recruitment and Selection, Training and Development, Performance appraisal and Compensation Package the dependent variable is Employees' Job Satisfaction.

The total employees in private banks are considering geographical restrictions, access to data, expected rate of return from the study and degree of literacy, the study is confined to employees and managers at the city who are at clerical position of the respective banks. Convenience sampling technique is used to select sample

from the target population. The main reason was banks were unable to provide name list of employees within an assumption to keep the confidentiality of the organization. The following formula is used to select the appropriate sample size based on 95% confidence level and 5% margin of error or level of precision.

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N-1) + z^2 \cdot p \cdot q}$$

Where,

p = sample proportion, q = 1 - p; z = the value of the standard variate at a given confidence

level and to be worked out from table showing area under Normal Curve; n = size of sample.

Source: C.R. Kothari (2004) **Given:** At 95% confidence level the value of Z= 1.96 P = the population proportion (assumed to be .50 since this would provide the maximum sample size). N = 2464 which is population size e = 0.05 which is acceptable sample error

$$n = \frac{1.69^2(0.5)(0.5).2464}{0.05^2(2464-1) + 1.69^2(0.5)(0.5)} = 332.46 \quad n \sim 333$$

So, based on the above formula a sample of 333 is selected from the target population and participated in the study which was a sample of both employees and managers. The sample size obtained is allocated to three banks proportional to their population size. A five point Likert Scale questionnaire is used to measure the variables of the study.

4. Results and analysis

The mean scores for recruitment and selection was greater than the rest four variables indicating that respondents are satisfied with the recruitment and selection practice. But the mean scores for the rest four variables are closer to three (3) indicating respondents are neutral or moderate in their satisfaction with the respective variables. The standard deviations for the five variables ranged from 0.71230 to 1.02899 indicating that the data were reasonably homogenous. The following table shows the mean score.

Table 4.1

| Statistics | Recruitment and selection | Training and development | Performance appraisal | Compensation package | Job satisfaction |
|---------------|---------------------------|--------------------------|-----------------------|----------------------|------------------|
| Mean | 3.9326 | 3.37813 | 3.1740 | 3.0832 | 3.3160 |
| St. deviation | 0.71230 | 0.89106 | 1.02899 | 0.98726 | 0.8477 |

Correlation Analysis

Despite the correlation coefficient of recruitment and selection is weaker compared with other variables, training and development, performance appraisal and compensation package all are found to be strongly and positively correlated with dependent variable job satisfaction. The value ($r = 0.365$) suggests that the strength of recruitment and selection is moderate but positively correlated with job satisfaction, ($r = 0.677$) shows that training and development is strongly and positively correlated with job satisfaction, ($r = 0.713$) shows that performance appraisal is strongly and positively correlated with job satisfaction and ($r = 0.802$) shows that compensation package is strongly and positively related with job satisfaction. The table below shows the correlation relation with job satisfaction.

Table 4.2

| | Recruitment and selection | Job satisfaction |
|---|---------------------------|------------------|
| Recruitment and selection Pearson Correlation | 1 | .365** |
| Sig(1-tailed) | 257 | 000 |
| N | | 257 |
| Job satisfaction Pearson Correlation | .365** | 1 |
| Sig(1-tailed) | 000 | |
| N | 257 | 257 |

** . Correlation is significant at the 0.01 level (1- tailed).

Regression Analysis

Results of linear regression analysis indicated that 13% variance in employee job satisfaction is explained by recruitment and selection, which is evident by the value of $R = 0.365$ $F = 39.247$ at $p < 0.01$ illustrates the model's goodness of fit, the regression result also confirms that recruitment and selection is a significant predictor of job satisfaction ($Beta = 0.365$, $t = 6.265$, $p < 0.01$).

Thus, the null hypothesis is rejected and the alternative hypothesis that 'Recruitment and selection is significantly and positively related to employee job satisfaction' is failed to reject.

Results of linear regression analysis indicated that 45.6% variance in employee job satisfaction is explained by training and development, which is evident by the value of $R = 0.677$ $F = 215.942$ at $p < 0.01$ illustrates the model's goodness of fit, the

regression result also confirms that training and development is a significant predictor of job satisfaction (Beta= 0.677, t= 14.695, p<0.01).

Thus, the null hypothesis is rejected and the alternative hypothesis that ‘Training and Development is significantly and positively related to employee job satisfaction’ is failed to reject.

Results of linear regression analysis indicated that 50.6% variance in employee job satisfaction is explained by performance appraisal, which is evident by the value of R=0.713 F=263.064 at p<0.01 illustrates the model’s goodness of fit, the regression result also confirms that performance appraisal is a significant predictor of job satisfaction (Beta= 0.713, t= 16.219, p<0.01).

Thus, the null hypothesis is rejected and the alternative hypothesis that ‘Performance Appraisal is significantly and positively related to employee job satisfaction’ is failed to reject.

Results of linear regression analysis indicated that 64.2% variance in employee job satisfaction is explained by compensation package, which is evident by the value of R=0.802 F=460.094 at p<0.01 illustrates the model’s goodness of fit, the regression result also confirms that compensation package is a significant predictor of job satisfaction (Beta= 0.802, t= 21.450, p<0.01).

Thus, the null hypothesis is rejected and the alternative hypothesis that ‘Compensation Package is significantly and positively related to employee job satisfaction’ is failed to reject. The following table shows the regression analysis

Table 4.3

| Model | R | R – square | Adjusted R square | Std error of the estimate |
|-------|-------------------|------------|-------------------|---------------------------|
| 1 | .365 ^a | .133 | .130 | .79077 |

Anova

| Model | Sum of squares | Df | Mean square | F | Sig |
|--------------|----------------|-----|-------------|--------|-------------------|
| 1 regression | 24.542 | 1 | 24.542 | 39.247 | .000 ^a |
| Residual | 159.455 | 255 | .625 | | |
| Total | 183.997 | 256 | | | |

5. Discussion and conclusion

The results of this study revealed that bundles of HRM practices mainly recruitment and selection, training and development, performance appraisal and compensation

package are positively related to employee job satisfaction. This result is consistent with Mir Mohammed Nurul Absar et al., (2010) and Rathnaweera (2010). This means that effective HRM practices lead to employee satisfaction. The overall goal and objectives of the banks would be achieved if and only if employees are satisfied with the job. This will be achieved through by each HRM practices in the banks should be a source for employees satisfaction and then employees will be loyal and willing to stay in that organizations (Banks) because, job satisfaction of employees will reduce absenteeism and turn over intentions in private banks. Moreover, the need and expectations of employees' also play a vital role in increasing employees' satisfaction through by implementing two way communications and then by continually evaluating the human resource management practices of the banks as well.

As a recommendation private banks should revise and make an adjustment on certain rules and procedures that hinders the employees not to perform with their maximum effort since it has an effect on employees' level of satisfaction. It is recommended that the management of respective private banks should be able to increase the level of commitment in banks by increasing satisfaction with the specified HRM practices. Each private bank has to create a link between the recruitment and selection practices and employees job satisfaction by preparing job descriptions and specifications; deciding terms and conditions of employment; reviewing and evaluating alternative sources of applicants, inside and outside the banks and should take other necessary measurements as well.

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