

Impact of Training Practices on Employee Satisfaction and Retention in Public and Private Banks in Uttarakhand

Dr. Neetika Arora

Associate Professor, OIMT, HNBGU, Rishikesh, UK, India

Dr. Richa Arora

Assistant Professor, GRD, HNBGU, Dehradun, UK, India

Abstract

Human Resource Management believes that individuals in the organization have unlimited potentials for growth and development and that their potentials can be developed and multiplied through appropriate and systematic efforts. Creating the good opportunities and by providing the right type of climate in the organization, individuals can be helped to give full expression of their potentials, contributing to the achievement of the goals of the organization and thereby, ensuring optimization of human resources. Since many public and private banks are performing their functions in India, the present study tries to observe the impact of Training and Development, one of the effective and oldest human resource practice on Employee Satisfaction and Employee Retention in banks of Uttarakhand, a state of India. The study also tries to compare this impact among the branches of Public and Private Sector Banks. To carry this study two Public Sector banks - State Bank of India(SBI) and Punjab National Bank(PNB) and two Private Sector Banks- Housing Development Finance Corporation(HDFC) and Industrial Credit and Investment Corporation of India (ICICI) have been taken into consideration.

The study is a small contribution in highlighting the fact, through best possible use and application of Human Resource policies in banks, employees can be encouraged for better performance. Various programs are designed and conducted by the training centers in both public and private banks operating in India. Besides training programs on personal effectiveness guest speakers are also invited for leadership excellence and Art of Living. Training programs have a significant positive impact on the performance of bank employees, thus should be repeated at regular intervals for individuals to provide reinforcement of learning.

Key Words: Employee Retention, Employee Satisfaction, Training and Development.

1. Introduction

The Indian banking industry is a key driving force of the Indian economy and the most dominant segment of the financial sector. It is significantly different from that of other Asian nations because of the country's unique geographic, political, social, and economic characteristics. India has proved itself as one of the fastest growing economies in the world. The Indian banking sector was the backbone to the vibrating Indian economy every time a crisis was faced. It is growing and serving better to the employees as well as the customers. This is the reason why bank is just like a heart in the economic structure and the capital provided by it is like blood in it.

Public Sector Banks (PSBs): A Public Sector bank is one in which, the Government of India holds a majority stake (i.e. more than 50%). The shares of these banks are listed on stock exchanges. Since, it is the public decide on who runs the government; these banks that are fully/partially owned by the government are called public sector banks. It is as good as the government running the bank. Public sector banks are divided into two groups i.e. Nationalized Banks and State Bank of India and its associates. Among them, there are 19 nationalized banks and 8 State Bank of India associates. Public Sector Banks overlook 75% of deposits and 71% of advances in the banking industry (Chaudhary & Sharma 2011). They control commercial banking India and can be further classified into:

- 1) State Bank of India
- 2) Nationalized banks
- 3) Regional Rural Banks

Private Sector Banks: Private-sector banks in India represent part of the Indian banking sector that is made up of both private and public sector banks but the major part of stake are held by the private shareholders and not by the government. These banks came into existence to supplement the performance of Public sector banks and serve the needs of the economy better.

2. Review of Literature

C. Staikour et al (2007), conducted a study to examine the operating performance of the South Eastern European (SEE) banking industry over the period 1998-2003. They tried to explore the relationship between operating expenses of bank, market and country specific characteristics and found that operational performance is positively related to loan quality and the bank's market share and negatively related to liquidity, the loan ratio and bank's age.

Hyde et.al (2008), conducted a survey of HRD Climate in private sector banks. The authors selected the employees at managerial level from the Bank of Indore (MP). HRD climate survey of 38 items developed by Rao and Abraham was used in the study divided into three categories of General

Climate, OCTAPACE Culture and HRD Mechanism. The findings of the survey were quite positive as the total HRD climate; General climate and OCTAPACE Culture in private banks turn out to be highly positive. The study concluded by some suggestions to develop and maintain the good relations at work and supportive guidance should be provided by supervisors to their juniors in creating a healthy work environment which will help in development of workforce in an organized manner.

Shikha Khera (2010), the study investigates the relationship between the human resource practices and employee productivity in the Indian banks. Respondents are varied in their perception on four practices, which are significantly different in all three banks, these are grievance redressal, quality of work life, compensation management and incentives. These are ought to vary as organizations change, their management's philosophy and priorities differ. However, in commercial banks the HR processes needs to be seriously looked into to make it an effective practice to enhance employee retention.

Malika and Ramesh (2010), conducted a study to measure the level of satisfaction among the employees of public and private banks in Cuddalore district of Tamilnadu and data was collected from 400 respondents of six banks. They examined that job satisfaction is highly correlated with organizational commitment, job involvement and organizational climate among public banks. The study compared the satisfaction level of the employees of both sectors and concluded that public banks' employees are more satisfied while private banks employees are seemed to be dissatisfied with their promotion policies, salary structure and job security. They observed to be overloaded with their work.

Joshya & Srilatha (2010), conducted a study on psychological contract violation and its impact on intention to quit by the employees of public sector and old generation private sector banks. They focused on employment relationships and found that new generation private sector banks and foreign banks offer productive job opportunities in terms of pay, perks and working environment to their employees resulting that the employees of these organizations are getting attracted to join these firms and may contemplate quitting or may actually quit these banks.. Therefore, attracting and retaining talent is another major issue for the banking industry in India

K. Karthikeyan et al. (2011), analyzed that Human Resource Management first serves the organizational interest and in that context, "Training is an Investment rather than a cost to the organization". As jobs have become more complex in the banking sector, the importance of employee training has increased. This study examines, when effectiveness of training increases it directly has a

positive influence on growth & result of the banks. In the banking sector, employee's behavior plays a vital role in improving the productivity of an organization.

Sopiah (2013), conducted a study on Syariah Banks in Malang Indonesia. The study analyzed that there is a significant positive impact of financial compensation on job satisfaction and employee performance. She explained "compensation is something that employees received as remuneration for their work". It is observed that financial compensation is much more important for the employees as it can directly fulfill their needs, especially the physiological needs. However, the employees must also hope that non-financial is also very essential for the employees especially for their career development.

3. Objectives of the study

This study focus on relationship between Training and Development practices and their outcomes of public and private sector banks in India. However there are number of factors which affect performance of banks but current study focus on training & development practices of Public and Private Sector banks in India. HR outcomes are influenced by the HR practices. Two HR outcomes such as employee satisfaction and employee retention are considered in this study.

The following listed objectives are identified to achieve through this research.

1. To examine the relationship between Training and Development practices and employee satisfaction in public and private sector banks in Uttarakhand.
2. To examine the relationship between Training and Development practices and employee retention in public and private sector banks in Uttarakhand
3. To compare the impact of the mentioned HR practice on Employee Satisfaction and Employee Retention in public and private sector banks in Uttarakhand.

4. Research Methodology

This study focuses on HRM practices and their effect on employee satisfaction and retention in public and private sector banks of Uttarakhand. Relatively, many researches have been done on HRM practices and their outcomes but very few studies have addressed HRM the impact of training and development on Employee Satisfaction and Retention of Public and Private sector banks in

Uttarakhand. Therefore to achieve research objectives, based on the facts mentioned above, the research attempts to find solution for:

1. How do training practices impact on employee satisfaction in public and private banks in Uttarakhand?
2. How do training practices impact on employee retention in public and private banks in Uttarakhand?
3. In which sector of Banks, Public or Private, the impact of training practices is higher?

The research is empirical in nature. It entails the various analysis of the data collected for the purpose of testing and consequently accepting or rejecting the stated hypothesis. A structured questionnaire was designed and distributed to the employees working in the selected banks to collect the primary data. It is designed to test the employees' perceptions about Training and Development practices and their impact on employee satisfaction and employee retention. A five point Likert scale has been used to measure the impact on outcomes. The scaling is 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree have been given in order to analyze the data. Ten statements related to Training and Development, ten statements related to employee satisfaction and ten statements related to employee retention are framed in the questionnaire to test the hypothesis of the study. Since many public and private banks are performing their functions in India but major four banks have been selected for the study. Two public sector banks viz: State Bank of India(SBI) and Punjab National Bank(PNB) and two private sector banks viz: Industrial Credit and Investment Corporation of India(ICICI) and Housing Development Finance Corporation(HDFC). have been considered as these banks are largest in terms of their total assets among all other public and private banks in India and offers a wide range of banking products. Area of focus of the study is Uttarakhand state of India. 300 employees have been contacted from Uttarakhand state and has been further divided equally between public and private sector i.e. 150 each. Convenience Stratified Sampling method is used in the study. The hypothesis framed is as follows:

Hypothesis

Providing Training and Development (T&D) for employees of public and private sector banks is positively related to higher Employee satisfaction (ES) and Employee Retention (ER) in private banks of Uttarakhand.

Training and development (T&D) was assessed using the ten questions. To conduct the analysis and to test this hypothesis, total scale scores were evaluated for employee satisfaction and

employee retention. Analysis of the questionnaires was dealt by using the correlation and regression models. The obtained total scale scores of employee satisfaction and retention were used as dependent variable while the independent variables were the training and development for conducting the analysis and to test the mentioned hypothesis.

5. Data Analysis and Interpretations

Table 5.1: Relationship of T&D with ES and ER in private banks of Uttarakhand

(Correlation analysis)

	T&D	ES	ER
T&D (Pearson Coefficient)	1	.738**	.682**
Sig. (2-tailed)		.004	.003
N	150	150	150

**Correlation is significant at the 0.05 level (2-tailed).

Source: calculated

A Pearson product-moment correlation coefficient was computed to assess the relationship between the training and development and employee satisfaction and retention in private banking sector of Uttarakhand. Hence, the results depicts that there is a positive correlation between the T&D and employee satisfaction and retention in private banking sector of Uttarakhand as $r = 0.738$ and $p = 0.004$ for employee satisfaction, while for employee retention $r = 0.682$ and $p = 0.003$. Therefore, significant increase in T&D in private banking sector of Uttarakhand is positively correlated with employee satisfaction and employee retention.

Table 5.2: Regression Model summary of T&D with ES and ER in private banks of Uttarakhand

Model	R	R square	Adjusted R square	Std. Error of Estimate
1	.738	0.545	0.540	0.122
2	.682	0.465	0.461	0.134

Dependent Variables: 1- ES Private Uttarakhand, 2-ER Private Uttarakhand

Source: calculated

Table 5.3: Coefficients; regression analysis of ES and ER on T&D in private banks of Uttarakhand

Variable	Employee satisfaction				Employee Retention			
	Beta	St. Error	t-statistics	Sig	Beta	St.error	t-statistics	Sig
T&D	0.738	.122	1.819	.004	.682	.134	1.537	.003

Dependent Variables: ES Private Uttarakhand, ER Private Uttarakhand

Source: calculated

The regression model of employee satisfaction and retention on T&D is:

$$ES = 0.262 + 0.222T\&D$$

$$ER = 0.318 + 0.206 T\&D$$

In table 5.2 and table 5.3 regression analysis was conducted with employee satisfaction and retention as dependent variable and training & development as independent variable. Results indicate that training and development accounts for 54% and 46.1% of variance on employee satisfaction and employee retention respectively, (adjusted R square = 0.540 and 0.461) with significant t values (1.819 & 1.537) in private banks of Uttarakhand. Beta value between T&D and ES in private banks of Uttarakhand is 0.738 which shows that training and development had 73.8 % impact on employee job satisfaction while for retention, it is .682. So the impact of training and development on employee retention is 68.2%.

Table 5.4: Relationship of T&D with ES & ER in public banks of Uttarakhand

(Correlation analysis)

	T&D	ES	ER
T&D(Pearson Coefficient)	1	.234**	.213**
Sig. (2-tailed)		.137	.143
N	150	150	150

** Correlation is significant at the 0.05 level (2-tailed)

Source: Calculated

A Pearson product-moment correlation coefficient was computed to assess the relationship between the training and development in public banking sector of Uttarakhand with employee satisfaction and employee retention. Hence, the results depicting that there is a positive correlation between the T&D in public banking sector of Uttarakhand with respect to employee satisfaction and employee retention as $r = 0.234$ and $p = 0.137$ for employee satisfaction, while the employee retention $r = 0.213$ and $p = 0.143$. Therefore, increase in T&D in public banking sector of Uttarakhand branch is positively correlated with employee satisfaction and employee retention.

Table 5.5: Regression Model summary of T&D with ES and ER in public banks of Uttarakhand

Model	R	R square	Adjusted R square	Std. Error of Estimate
T&D (Constant)				
1	.234	0.055	0.048	10.6
2	.213	0.045	0.038	8.69

Dependent Variables: 1- ES Public Uttarakhand, 2-ER Public Uttarakhand

Source: calculated

Table 5.6: Coefficients; regression analysis of ES and ER on T&D in public banks of Uttarakhand

Variable	Employee satisfaction				Employee Retention			
	Beta	St. Error	t-statistics	Sig	Beta	St.error	t-statistics	Sig
T&D	0.234	.134	1.50	.137	.213	.109	1.366	.143

Dependent Variables: ES Public Uttarakhand, ER Public Uttarakhand

Source: calculated

The regression model of employee satisfaction and retention on T&D is:

$$ES = 0.215 + 0.201T\&D$$

$$ER = 0.227 + 0.149T\&D$$

Regression analysis was conducted in table 5.5 and table 5.6 with employee satisfaction and retention as dependent variable and training & development as independent variable. Results indicate

that training and development accounts for 4.8% and 3.8% of variance on employee satisfaction and employee retention respectively, (adjusted R square = 0.048 and 0.038) with significant t values (1.50 and 1.366) in public banks of Uttarakhand. Beta value between T&D and ES in public banks of Uttarakhand is 0.234 which shows that training and development had 23.4% impact on employee's job satisfaction while for retention, it is 0.213. So the impact of training and development on employee retention is 21.3%.

Hypothesis Testing

Table 5.7: Comparing ES and ER between public and private sector banks in Uttarakhand with respect to T&D Statistics

	Public Banks Uttarakhand	Private Banks Uttarakhand
N	150	150
Mean	128	106
Std. Deviation	53.1	36.2
Coefficient of Variations	41.5%	34.2%

Source: calculated

The coefficients of variations in public and private banks are 41.5% and 34.2% respectively. As the coefficient of variations is lower in private banks of Uttarakhand, it is concluded that training and development is more efficient in satisfying and retaining employees in private sector banks of Uttarakhand than in public sector banks. Thus it is accepted that providing training for employees of public and private sector banks is positively related to higher employee satisfaction and employee retention in Uttarakhand and it is more well-organized in private sector.

6. Discussions and Conclusions

The government of India is continuously increasing their investments in training to upgrade the skills of employees. Banks are also focusing on giving training to its employees for their development like IT. T&D has become a major part of employee retention & service enhancement programs. The survey reveals that for reaching the objective of knowledge economy in the banks, the lifelong learning concept has been applied to its workforce. If the training is good then the employees will contribute their maximum for the achievement of the organizational objectives. The present research indicates that training and development has a positive and significant impact on employee satisfaction and retention in the selected branches of SBI, PNB, ICICI and HDFC.

Analysis through coefficient of variance in the study further reveals that private banks' employees are more satisfied with their training programs in comparison to the employees of public sector banks in Uttarakhand as there is lot more of scope for improvement in public banks. During the last ten years, modern banking is getting increasingly complex and skill intensive. In the face of competition, many PSBs are coming out with a variety of customized and sophisticated products. The growing share of economic output in the banking sector is turning to be knowledge and information-intensive. This in itself is placing a high premium on the continued upgrading of skills and competencies of the employees. Although PSBs have made some good beginning in orienting their staff to sales and service, they still have to go a long way. The survey found that most of the banks have their own training institute and infrastructure but still the system is, however, not ample to meet the current day requirements especially to the staff working in rural and semi-urban areas, which are deprived of receiving the benefit. The workmen staff constitutes 63% of the total workforce and only about 30% are today benefited from the training system. The present training efforts are also not adequately directed towards the career development of the employees as they do not get enough opportunities to develop their skills and become more innovative and creative. However, there is a lack of supervisory support among the bank employees and need assessment before training is also weak. Public and private banks are need to take some essential steps in making training and development more effective for the employees in order to enhance the productivity and customer satisfaction to meet the present challenges in India.

Future Scope of the Study

1. The same type of study may be taken up in other public and private banks as well as in foreign banks.
2. This study could be done by using some other human resource practices like recruitment and selection, performance appraisal etc in order to get clearer picture of the important performance determinants.
3. The research may be extended for executive levels not included in this study that constitute decisive manpower in the banking sector.
4. The same type of study may be taken up in other states of India.

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