

## **Human Resource Practices Of Non-Banking Financial Companies and Their Effect on Job Satisfaction**

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**Abstract:** *Non-Banking Finance Companies are essential to the Indian Financial System because of the significant roles they play in nation building and financial inclusion. They complement the role of the banking sector in reaching out and extending credit facilities to the unbanked sections of society. Respectively, they always consider their employees as the backbone of their Companies and are aimed at providing employee satisfaction. However, developing an understanding of employees is a tough task for the Human Resource Department subjecting most of the NBFCs to higher attrition rates problems. Hence, this study has been undertaken among 450 respondents to identify and understand the human resource practices followed by the NBFC's and also find out the significant relationships between their various human resource practices and job satisfaction. Using stratified random sampling method, questionnaires were administered to collect data from 450 employees of leading Gold Loan NBFC's in Kerala State for this descriptive study. Research hypotheses were formulated and tested using correlation analyses. The results reveal that performance appraisal, motivation, employee engagement, recruitment and selection, training and development are positively related to job satisfaction. Finally, it is recommended that these human resource practices should be viewed as strategic functions of any organization.*

**Keywords:** *Non-Banking Finance Companies, Performance Appraisal, Motivation, Employee Engagement, Recruitment and Selection, Training and Development and Job Satisfaction.*

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### **I. INTRODUCTION**

Non-Banking Finance Companies (NBFCs) form a vital part of the Indian Financial System. They play a significant role in nation building and financial inclusion by complementing the role of the banking sector in reaching out and extending credit facilities to the unbanked sections of society. NBFCs have scripted a spectacular success story in the history of the Indian economy.

NBFCs being financial intermediaries are engaged in the activity of bringing the saving and the investing community together. In this role they are perceived to be playing a complimentary role to banks rather than competitors. NBFCs have also carved niche business areas for them within the financial sector space and are also popular for providing customized products like second hand vehicle financing, mostly at the doorstep of the customer.

Non-Banking Finance Companies as any other Companies have always considered their employees as the backbone of their Companies and they are aimed at providing employee satisfaction enabling them to deliver better results year over year. Some are also committed in providing their employees with ample opportunities to learn and advance in their career in their quest for having a satisfied work force.

Human Resource is concerned with the people dimension in an organization, hence the trend in organizations to re-designate Personnel Department into Human Resource Department. The functions undertaken by Human Resource Department are to recruit, select, train and develop employees for an organization. Today with companies having a global mix of employees, developing an understanding of employees is a tough task for the Human Resource Department. This affects employees' job satisfaction overtime.

#### **1.1 Statement of the Problem**

The tremendous growth of Indian Non-Banking Financial Industry has changed its face with a decreasing emphasis on human interventions. These days, improved technologies are being followed by the NBFCs for upgrading their work methods, work norms, technical and managerial skills and there is employees' adjustment to face the fast emerging challenges, both in the manufacturing and service sectors. In order to provide their customers more flexible and convenient services as well as to reduce servicing costs, NBFCs have

been investing huge amounts to computerize their branches and at the same time, are putting greater emphasis on the management of their human resources and training and development to achieve job satisfaction.

The need for sound and effective human resources management policies and practices as well as personal development is being felt strongly at every level. Human resource practices are evolving along with business expansion, with bigger NBFCs having better practices while the others are trying to catch up. Most of the NBFCs are facing higher attrition rates at field-level while the larger NBFCs are also facing attrition rates even at supervisory and high officials' levels. Some of the major reasons are transfer and posting policy, lack of career progression. Finally, the absence of the best human resource practices and job security are the biggest human resources challenges of the NBFCs in the modern era.

## **1.2 Research Objectives**

The objectives of the study are as follows;

1. To identify and understand the human resource practices followed by the NBFC's.
2. To find out the significant relationships between the various human resource practices followed by the NBFCs and Job Satisfaction.

## **II. LITERATURE REVIEW**

The following presents the literature on the human resource practices and Job Satisfaction followed by the Gold Loan NBFCs;

Performance appraisal can be defined as the formal assessment and rating of individuals by their managers (**Armstrong, 2012**). Performance Appraisal, according to **Jackson and Schuler (2003)** usually involves evaluating performance based on the judgements and opinions of subordinates, peers, supervisors, other managers and even workers themselves.

According to **Guay et al. (2010)**, motivation refers to the reasons underlying behavior. **Broussard and Garrison (2004)** broadly define motivation as the attribute that moves us to do or not to do something.

**Susi and Jawaharrani (2011)** explored work-place culture and work-life balance policies and practices followed in industries in order to promote employee engagement in their organizations to increase their employees' productivity and retain them. Work-life balance was key driver of employees' satisfaction. According to **Lawler and Worley (2006)** for a high-involvement work practice to be effective and for it to have a positive impact on employee engagement, employees must be given power.

According to **Costello (2006)** recruitment is described as the set of activities and processes used to legally obtain a sufficient number of qualified people at the right place and time so that the people and the organization can select each other in their own best short and long term interests. **Jovanovic (2004)** said recruitment is a process of attracting a pool of high quality applicants so as to select the best among them. For this reason, top performing companies devoted considerable resources and energy to creating high quality selection systems.

**Rizvi (2011)** expressed with citations that greater attention is paid to training related aspects because of rapid development of the human development theory. Investment in human capital is any activity, leading to the improvement in the worker' quality (productivity) therefore training is an important part of investment in human capital. According **Armstrong (2001)**, training is the systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job.

In conclusion, after the review of literature, the following factors have been selected for this study as HR practices of non-banking financial companies affecting employee job satisfaction;

- ❖ Performance Appraisal
- ❖ Motivation
- ❖ Employee Engagement
- ❖ Recruitment and Selection
- ❖ Training and Development

## **Hypotheses**

**H1:** Performance Appraisal practices in the organization are significantly related to Job Satisfaction.

**H2:** Motivation Practices in the organization are significantly related to Job Satisfaction.

**H3:** Employee Engagement practices in the organization are significantly related to Job Satisfaction.

**H4:** Recruitment and Selection practices in the organization are significantly related to Job Satisfaction.

**H5:** Training and Development practices in the organization are significantly related to Job Satisfaction.

**III. RESEARCH METHODS**

A quantitative approach is adopted in this research. The research study was conducted by using correlations to determine the direct relationships of the various HR practices followed by the NBFCs such as performance appraisal, motivation, employee engagement, recruitment and selection, training and development and their effects on employee job satisfaction.

Descriptive research design was adopted for this study. Primary data of HR practices of NBFC's were collected from the NBFC's of Kerala State and secondary data were collected from various research reports, annual reports, internet etc. In this research study, questionnaires were used for conducting the survey.

Questionnaire was framed with open-ended and closed-ended questions to gather the information from the respondents. Each respondent was asked to rate each item on some responses on the Likert scale scales. The survey was conducted in Kerala State and the data collected from 450 employees of leading Gold Loan NBFC's which are Muthoot Finance Limited, Manappuram Finance Limited and Muthoot Fincorp. The sample size was taken from the employees working in Gold Loan NBFCs at Kerala Branches using stratified random sampling. Total size of the population for the study was 9000 employees, out of which 600 questionnaires were distributed to the employees and 450 duly filled questionnaires were received for the study.

**IV. RESULTS AND DISCUSSION**

**4.1 H1: Performance Appraisal practices in the organization are significantly related to Job Satisfaction**

**Table 4.1: The Relationship between Performance Appraisal and Job Satisfaction**

**Correlations**

		Performance Appraisal	Job Satisfaction
Performance Appraisal	Pearson Correlation	1	.669**
	Sig. (2-tailed)		.000
	N	450	450
Job Satisfaction	Pearson Correlation	.669**	1
	Sig. (2-tailed)	.000	
	N	450	450

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 4.1 above shows the correlations between performance appraisal and job satisfaction. From the table, performance appraisal has a positive relationship with job satisfaction. This is so because the Pearson Correlation value,  $r = .669$  is significant at  $.000$  and  $.000$ , the  $p$  value is less than  $0.01$  (correlation is significant at the  $0.01$  level).

This therefore confirms that the performance appraisal practices in the organization are significantly related to job satisfaction. Hence, the alternate hypothesis is accepted. In conclusion, good performance appraisal practices in the organization will lead to job satisfaction of employees.

**4.2 H2: Motivation practices in the organization are significantly related to Job Satisfaction**

**Table 4.2: The Relationship between Motivation and Job Satisfaction**

**Correlations**

		Motivation	Job Satisfaction
Motivation	Pearson Correlation	1	.537**
	Sig. (2-tailed)		.000
	N	450	450
Job Satisfaction	Pearson Correlation	.537**	1
	Sig. (2-tailed)	.000	
	N	450	450

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Secondly, the correlations between motivation and job satisfaction are revealed from the above table. From the table, motivation has a positive relationship with job satisfaction. This is so because the Pearson Correlation value,  $r = .537$  is significant at .000 and .000, the  $p$  value is less than 0.01 (correlation is significant at the 0.01 level). Motivation practices in the organization are significantly related to job satisfaction. Hence, the alternate hypothesis is accepted.

**4.3 H3: Employee Engagement practices in the organization are significantly related to Job Satisfaction**

**Table 4.3: The Relationship between Employee Engagement and Job Satisfaction**

**Correlations**

		Employee Engagement	Job Satisfaction
Employee Engagement	Pearson Correlation	1	.495**
	Sig. (2-tailed)		.000
	N	450	450
Job Satisfaction	Pearson Correlation	.495**	1
	Sig. (2-tailed)	.000	
	N	450	450

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Thirdly, the correlations between employee engagement and job satisfaction are also depicted on table 4.3 above. From the table, employee engagement has a positive relationship with job satisfaction. This is so because the Pearson Correlation value,  $r = .495$  is significant at .000 and .000, the  $p$  value is less than 0.01 (correlation is significant at the 0.01 level). Employee engagement practices in the organization are significantly related to job satisfaction. In conclusion, the alternate hypothesis is accepted.

**4.4 H4: Recruitment and Selection practices in the organization are significantly related to Job Satisfaction**

**Table 4.4: The Relationship between Recruitment and Selection and Job Satisfaction**

**Correlations**

		Recruitment and Selection	Job Satisfaction
Recruitment and Selection	Pearson Correlation	1	.676**
	Sig. (2-tailed)		.000
	N	450	450
Job Satisfaction	Pearson Correlation	.676**	1
	Sig. (2-tailed)	.000	
	N	450	450

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Furthermore, the correlations between recruitment and selection and job satisfaction are indicated from the above table. From the table, recruitment and selection has a positive relationship with job satisfaction. This is because the Pearson Correlation value,  $r = .676$  is significant at .000 and .000, the  $p$  value is less than 0.01 (correlation is significant at the 0.01 level). Recruitment and selection practices in the organization are significantly related to job satisfaction. Hence, the alternate hypothesis is accepted.

**4.5 H5: Training and Development practices in the organization are significantly related to Job Satisfaction**

**Table 4.5: The Relationship between Training and Development and Job Satisfaction Correlations**

		Training and Development	Job Satisfaction
Training and Development	Pearson Correlation	1	.706**
	Sig. (2-tailed)		.000
	N	450	450
Job Satisfaction	Pearson Correlation	.706**	1
	Sig. (2-tailed)	.000	
	N	450	450

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Finally, the table above represents the correlations between training and development and job satisfaction. From the table, training and development also has a positive relationship with job satisfaction. This is because the Pearson Correlation value,  $r = .706$  is significant at  $.000$  and  $.000$ , the  $p$  value is less than  $0.01$  (correlation is significant at the  $0.01$  level). Training and development practices in the organization are significantly related to job satisfaction. Hence, the alternate hypothesis is accepted.

## V. CONCLUSION

In conclusion, this study has added to literature by revealing through the results that performance appraisal, motivation, employee engagement, recruitment and selection, training and development are positively related to job satisfaction in the organization using Non-Banking Finance Companies (NBFCs). This shows the important roles human resource practices play in the success of the organization. As the success of any organization largely depends on the quality of its human resources and the degree to which they are satisfied, there is the need for the effective management of human resources regardless of the size and or the nature of the organization.

### 5.1 Managerial Implications

- ❖ Human resource practices, including performance appraisal, motivation, employee engagement, recruitment and selection, training and development should be viewed as strategic functions of any organization.
- ❖ Motivated and engaged employees are more likely to work for many years for their organization since their job satisfaction levels are higher. It is therefore suggested that Non-Banking Finance Companies should institute more internal motivation drivers for employees to be positively engaged always.
- ❖ Training and development programmes and performance appraisals should be conducted as frequent as possible in the organization. This will help enable the organization to know the performances of employees and those who may require training and development to have the right skills to be identified accordingly.

### 5.2 Limitations

The conclusions are subjective and cannot be taken as universally applicable. Moreover, the reliance of the data from the respondents who have answered the questions is subjected to their personal views and opinions. The delimitations of the questionnaire are equally applicable to the present study as well. The sample size is roughly 10% of the defined population. The time and cost constraints have prevented the researcher in taking sample on a large scale

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