

Comparative Functional HRM Practices in Nepalese Banking and Insurance Companies

Dr. Prakash Shrestha

Lecturer, Nepal Commerce Campus, Tribhuvan University, Nepal

Dr. Dilip Parajuli*

Associate Professor, Bhaktapur Multiple Campus, Tribhuvan University, Nepal

*E-mail of the corresponding author: dilipparajuli2020@gmail.com

Abstract

The main objective of this research is to examine the core aspects of the practices of functional human resource management (HRM) in Nepalese commercial banks and insurance companies. This research is focused on primary sources of data. Data was gathered from 10 commercial banks and 10 insurance companies of Nepal by creating a set of questionnaires and distributing these questionnaires to the officer-level employees of each of the commercial banks and insurance companies. The findings point out that there are significant differences between commercial banks and insurance companies in functional HRM practices in terms of employee selection and placement and in the management of pay & bonus schemes. Commercial banks are often found to typically have a higher level of HRM practices, while insurance companies have a lower level of HRM practices. There is a possibility of the mobility of human resources from insurance companies to commercial banks. Therefore, both commercial banks and insurance companies in Nepal must ensure that investment in their human resources and HRM practices definitely attract and retain competent people from the job market.

Keywords: Human resource management, Employees, Practices, Commercial banks, Insurance companies

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1. Introduction

Human resources work efficiently to achieve organizational goals, provide quality services, and produce goods to compete in national or international markets in order to earn a profit. They can provide a competitive advantage to companies (Shrestha, 2019). So, it is now commonly accepted that employees create an important source of competitive advantages for the companies (Barney, 1991, Pfeffer, 1994). Therefore, it is imperative for companies to pursue human resource management (HRM) practices that ensure the effective use of their human resources. Some previous HRM-related studies (e.g., Dyer and Reeves, 1995; Becker and Gerhart, 1996; Guest, 1997; Becker and Huselid, 1998) reported that higher results and outcomes can be obtained by the companies that match up to their HRM practices with the business strategy.

HRM activities are likely to create working conditions and environments in which workers are strongly devoted to the organization (have a positive attitude) and do their best to achieve the goals of the organization (Cherif, 2020). The practices of HRM have grown very popular over the past decades, and it has become a common characteristic for nearly all larger companies and many smaller ones in today's context. It is assumed that HRM is a source for competitive advantage and will influence the organizational results and performance in a positive direction. Nowadays, organizations, mainly of the service industry, need to ensure maximum utilization of their resources to their own advantage; a necessity for organizational survival in today's competitive and rapidly changing business world. Barney (1991) says that organizations can create and sustain a competitive position through the management of non-substitutable, rare, valuable, and inimitable internal resources.

HRM became a very crucial problem in Nepal with increased competition in the financial sector (Shrestha and Parajuli, 2020). In commercial banks and insurance companies employee turnover is normal. Thus, these organizations need to keep an eye open for successful HRM in this problem. Through applying HR policies and practices that focus on hiring, identifying, educating trained employees, and guiding their best efforts to cooperate within the organization's resource package, HRM practices may also create business organizations that are more intelligent, agile, and knowledgeable than their rivals (Quansah, 2013). Therefore, this study aims to explore the key dimensions of functional HRM practices in Nepalese commercial banks and insurance companies. It also aims to compare the functional HRM practices adopted by these commercial banks and insurance companies.

2. Literature Review

The secret to organizational success is human resources or employees (Shrestha, 2013, 2016). It is important for organizations to concentrate such human resources (Shrestha, 2020). According to Jackson and Schuler (1995), HRM practices can be almost everything coupled with the management of employment relations within an organization. They argued that HRM practices consist of that system, which attracts, develops, motivates, and

retains employees to ensure the effective implementation and the survival of the organization and its members. Mainly four main approaches can be found in the literature to develop HRM: “universal” or “best practice” approach (Huselid, 1995); strategic HRM practices approach (Delery & Doty, 1996); contingency approach (Dyer, 1985; Schuler, 1989); and configuration approach (Wright & McMahan, 1992 cited in Ling & Mohd, 2010). Many recent studies (e.g. Guest, 1999; 2003; Harel, 1999; Quansah, 2013; Mizanur, Mohammad, & Mohammad, 2013; Uma, Aurolipty, & Madhusmita, 2017; Alima & Faizuniah, 2018; Ana, Gisela, & Tatiane, 2019; Elrehail et al., 2019; Mohammed et al., 2019; Cherif, 2020) reported the importance of HRM practices for organizational success. The following Table (1) presents some of the key variables that are taken as the HRM practices:

Table 1: Variables of HRM practices

Researcher(s)/Date	Variables
Delaney, Lewin, & Ichniowski (1989)	Selection, performance appraisal, incentive, compensation, job design, grievance procedures, information sharing, attitude assessment, labor-management participation.
Huselid (1995)	Recruiting intensity, average training hours per year, and the criteria for the promotion.
Poole & Jenkins (1997)	Employee involvement, training and development, rewards and work practices
Laursen & Foss (2003); Shipton et al. (2005)	Encompassing performance appraisal, career management, reward system, training, and recruitment.
Qureshi, Tahir Hijazi, Syed Ramey, & Mohammad (2007)	Selection, performance appraisal, training, compensation system and employee participation.
Marchington & Wilkinson (2002); Foot & Hook (2005); Jackson, Schuler, & Werner (2009); Jaradat & Azaam, (2013)	Job analysis and design, recruitment process, selection and placement, training and development, performance appraisal.
Elrehail, et al. (2019)	Human resource planning, job analysis and design, employee performance appraisal, recruitment, selection and placement, compensation and reward, training and development.

Most of the previous researches reported more or less similar variables of HRM practices. However, we can find most of our organizations have focused on the “universal” or “best practice” approach. Many studies show that these “universal” or “best” HRM practices proposed by different scholars vary (Ferris, Hochwarter, Buckley, Harrell-Cook & Frink, 1999). For example, Delaney, Lewin, and Ichniowski (1989) utilized some of the “best” HRM practices, which are selection, performance appraisal, incentive, compensation, job design, grievance procedures, information sharing, attitude assessment, labor-management participation (Delaney et al., 1989 as cited in Ferris et al., 1999). Likewise, Huselid (1995) had added three more “best” HRM practices on top of Delaney et al. (1989) list that includes variables such as recruiting intensity, average training hours per year, and the criteria for the promotion. However, in this study employee selection & placement, training & development, performance appraisal & management, and management of pay and bonus schemes are taken into consideration as the key functional HRM practices.

3. Research Methods

3.1 Participants

This study is based on primary data. The data were collected through developing a set of questionnaires and distributing these questionnaires to the officer level employees of the 10 commercial banks and 10 insurance companies of Nepal. In total 300 questionnaires (15 in each of the selected 20 organizations) were administered. A total of 189 (63%) copies were returned and were utilized for the purpose of the study. The profile of respondents of the sampled organizations is presented in the following Table (2):

Table 2: Respondent's Profile of Selected Organizations (N=189)

S.N.	Selected organizations	Participants	Positions
1	Nepal Bank Ltd.	6.35%	Officers, Managers & Department Chiefs
2	Agriculture Development Bank Ltd.	6.35%	Officers, Managers & Department Chiefs
3	Nabil Bank Ltd.	5.29%	Officers and Managers
4	Nepal Investment Bank Ltd.	5.82%	Officer, Managers and Chiefs
5	Nepal SBI Bank Ltd.	12.70%	Officers, Managers, Chiefs, and Legal advisors
6	Everest Bank Ltd.	7.41%	Officers, Managers, and Chiefs
7	Bank of Kathmandu Ltd.	4.23%	Officers and Managers
8	Machhapuchhre Bank Ltd.	4.76%	Officers, Managers, and Chiefs
9	Kumari Bank Ltd.	5.82%	Officers, Managers, and Chiefs
10	Siddhartha Bank Ltd.	4.23%	Officers and Managers
11	Rastriya Beema Samsthan	5.29%	Officers and Managers
12	Nepal Insurance Company Ltd.	3.70%	Officers and Managers
13	National Insurance Company Ltd.	4.23%	Officers, Managers, and Chiefs
14	National Life Insurance Company Ltd.	3.17%	Officers and Managers
15	Premier Insurance Company (Nepal)	2.65%	Officers and Managers
16	Everest Insurance Company Ltd.	4.23%	Officers and Managers
17	Neco Insurance Ltd.	3.17%	Officers and Managers
18	Sagarmatha Insurance Company Ltd.	2.65%	Officers and Managers
19	Alliance Insurance Company Ltd	3.17%	Officers and Managers
20	NB Insurance Company Ltd.	4.76%	Officers and Managers

3.2 Measurement

A check-list scale of functional HRM practices developed by Wang and Zang (2005) was used in this study. Each practice item is scaled by 1-5 points to measure the degree of application. The functional HRM practices are categorized into four areas such as employee selection & placement, training & development, performance appraisal & management, and management of pay & bonus schemes.

3.3 Analysis tools

Simple descriptive statistics such as mean (average), standard deviation (S.D.), and percentage are used to analyze the data. Cronbach's alpha is used to analyze the reliability of the data.

3.4 Study variables of functional HRM practices

Table (3) presents the four-category list of study variables of functional HRM practices that are used in this study.

Table 3: Four-category of functional HRM practices

Category	Indicators
Employee selection and placement	Actions for adaptation of formal procedures
	Use of tests in personnel selection and placement
	Development of job descriptions for key positions
	Specific job requirements for applicants
Training and development	Specific orientation training programs
	Periodic training needs analysis
	Regular evaluations of training programs
	Evaluations on training results and outcomes
Performance appraisal and management	Regular performance appraisal activities
	Formal procedures and evaluation forms
	Tailor-made criteria for performance appraisal
	Specific rules for rewards by performance
Management of pay and bonus schemes	Specific pay link with performance
	Bonus link with monthly performance
	Pay link with company profits
	Bonus link with different position

4. Results and Findings

This section presents the empirical results and findings. The first section presents the results of descriptive statistics and the next section presents the results of comparative functional HRM practices in commercial banks and

insurance companies of Nepal.

4.1 Descriptive Statistics

The descriptive statistics for the study variables are tabulated as shown in Table (4).

Table 4: Mean, S.D. and Reliability Coefficients of Functional HRM Dimensions (N= 189)

HRM practices	Measures	Mean	S.D.	Reliability Coefficients
Employee selection and placement	Formal procedures, use of tests, job descriptions and requirements	3.62	0.97	0.87
Training and development	Orientation, needs analysis, programs design and evaluations	3.57	0.94	0.91
Performance appraisal and management	Regularity, formal forms, specific criteria, and specific rules	2.98	0.89	0.82
Management of pay and bonus schemes	Performance link, bonus system, profit-based, and team-based.	3.05	0.94	0.87

Note: Reliability is calculated according to the Alpha value of Cronbach. The Alpha value is greater than Sekaran's argument (Sekaran, 2006). Therefore, the procedures used to calculate these variables are reasonably accurate and have useful outcomes.

The level of functional HRM practices in terms of employee selection and placement (M=3.62, SD= 0.97) is relatively higher that is followed by training & development (M=3.57, SD=0.94). However, the level of HRM practices in terms of management of pay & bonus schemes (M=3.05, SD=0.94) and performance appraisal & management (M=2.98, SD=0.89) is considered moderate. Out of these four functional HRM practices, more focus is given to personnel selection and placement. On the other hand, the least focus is given to performance appraisal and management.

4.2 Comparative Functional HRM Practices

This section presents the comparative functional HRM practices in commercial banks and insurance companies of Nepal. The following Table (5) shows the differences in means:

Table 5: Descriptive Statistics of Functional HRM practices

HRM practices	Organizations				F
	Commercial Banks (N = 119)		Insurance Companies (N = 70)		
	Mean	S.D.	Mean	S.D.	
Employee selection and placement	3.71	0.82	3.47	0.91	4.41**
Training and development	3.61	1.08	3.49	0.89	10.12
Performance appraisal and management	3.03	0.78	2.89	1.53	5.72
Management of pay and bonus schemes	3.06	0.71	3.02	1.63	7.29**

Note: Significant at * $p < 0.05$, ** $p < 0.01$

The results show that there are significant differences in functional HRM practices between commercial banks and insurance companies. As we can see from the results, commercial banks have generally a higher level in HRM practice indicators whereas insurance companies have generally lower levels of HRM practices. Across the four functional HRM practices, however, significant differences are found only in employee selection and placement and management of pay & bonus schemes. There are no significant differences in the practice of training & development and performance appraisal & management in both commercial banks and insurance companies.

5. Discussion and Conclusion

This research gave an overview and discussion of functional HRM practices at Nepal's commercial banks and insurance companies. The results show that more emphasis is given to employee selection and placement out of the four functional HRM practices that are followed by pay & bonus systems management in our context. Nepalese commercial banks and insurance companies offer the least attention to performance appraisal and management. In fact, formal selection and placement procedures, use of tests, job descriptions, and requirements are top of the priority. Likewise, training and development in terms of orientation, needs analysis, programs design, and evaluations, and management of pay & bonus schemes in terms of performance link, bonus system, profit-based, and team-based schemes are also considered at some level whereas performance appraisal & management in terms of regularity, formal forms, specific criteria, and specific rules are not considered so much.

The findings also point out that there are significant differences between commercial banks and insurance companies in functional HRM practices in terms of employee selection and placement and in the management of pay & bonus schemes. Commercial banks are often found to typically have a higher level of HRM practices, while

insurance companies have a lower level of HRM practices. This means that there is a possibility of the mobility of human resources from insurance companies to commercial banks. In addition, insurance companies are more likely to produce more staff turnover, while commercial banks may be more likely to recruit talent and skilled workers from both insurance companies and the job market. Indeed, efficient human resource management generates and sustains competitive advantage and enhances organizational efficiency. This finding is steady with the conclusions of previous studies (e.g., Beckesr & Gerhart, 1996; Singh Narang & Sharma, 2014; Chopra, 2017; and Hamadamin & Atan, 2019). Therefore, both commercial banks and insurance companies in Nepal must ensure that investment in their human resources and HRM practices definitely attract and retain competent people from the job market.

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