

Human Resource Management Practices and Employee Satisfaction in Microfinance Banks in Nigeria

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Abstract

Purpose of the article: The role of microfinance banks (MFBs) in the growth and development of businesses in an emerging market such as Nigeria cannot be overemphasised. Implementing sound human resource practices can enable MFBs satisfy their employees and sustain competitive advantage.

Methodology/methods: A purposive sample of 60 senior employees of 10 microfinance banks in Nigeria was used for this study. All the 60 questionnaires were returned but 59 were found usable for the analysis, accounting for 98.3% response rate. In analyzing our data, Pearson correlation, ANOVA, and multiple regression techniques were used.

Scientific aim: The goal of this study is to investigate HRM practices and employee satisfaction in microfinance banks in Nigeria.

Findings: The result shows that a significant positive association exists between human resource planning, training and development, employee compensation and employee satisfaction. However, an insignificant positive relationship exists between work environment and employee satisfaction. Only three out of the four hypotheses are supported.

Conclusions: HRM practices are tools used by organisations to get the best out of their workers, thus, achieve superior business performance. The authors, therefore, recommend that organizations that want to remain competitive must ensure that various stakeholders are satisfied (including employees) by implementing a robust HRM practices.

Keywords: work environment, employee satisfaction, HRM practices, Microfinance banks

JEL Classification: L20, M10

Introduction

Microfinance banks (MFBs) play important role in economic growth and development in Nigeria. The financial services offered by MFBs include savings, current, and loans to individuals and small business in rural and urban areas of the country. Akangbe *et al.* (2012), pointed out that financial empowerment of rural areas is important for achieving sustainable economic growth and development. To cope with the dynamic, challenging, and competitive Nigerian business environment MFBs must adopt an innovative HRM practices that enhance employee satisfaction. HRM practices ensure MFBs achieve sustainable competitive advantage. Satisfied employees contribute towards achieving organisational objectives. Innovative HRM practices ensure employees are flexible and have the right skills to do their job. Barrows, Wesson (2000) posit that HRM practices enhance employee satisfaction and job security. A review of the literature show several studies on Human resource management practices within various contexts, employees are valuable assets to achieve organisational objectives (Senyucel, 2012; Mondy, Noe, 2005), managerial activities and task for developing and maintaining qualified workforce (Denisi, Griffin, 2009), policies and practices for dealing with management of human resource (Dessler, 2007), HRM practices is related to organisational commitment and organizational behavior (Pfeffer, Veiga, 1999; Dessler, 1999), HRM practices improve organisational effectiveness (Adeyeye, 2009), significant predictor of employee satisfaction (Rathanweera, 2010; Usha Priya, 2013), affective commitment (Yu, Egri 2005), commitment and retention (Rathanweera, 2010; Edgar, Greare 2005), employee job satisfaction, and organizational fairness (Edgar, Greare, 2005). Some other studies suggest that training and deve-

lopment (Kundu, 2003), compensation and reward (Milkovich, Newman, 2002), workforce planning and job analysis (Cascio, 2006; Dessler, 2003), recruitment and selection (Kulik, 2004), performance appraisal (Bernardin, Russel, 1993), quality of work life, employee diversity, employees attitude surveys (Armstrong, 2005; Bracken, 2000; Hayes, 1999), human resource information system (Wolfe, 1998) are essential HRM practices and important determinant of organisational performance. An employee may be satisfied with the monetary compensation and show dissatisfaction with other HRM practices such as managerial policies (Festinger, 1954; Adams, 1965). However, most studies on microfinance in Nigeria examine the entrepreneurial development and role of MFBs in SMEs financing (Ojo, 2009; Oni *et al.*, 2012). Very few studies have examine HRM practices, HR capabilities, and employee satisfaction in Nigerian companies. Several HRM practices models have been advanced such as The Fombrun, Tichy & Devana HRM Model, the Harvard HRM Model, the Guest HRM Model and the Warwick HRM Model (Bratton, Gold, 1999). Ahmed (1999) argues that The Guest HRM Model (Guest, 1997) is considered the best model among these four HRM models. This study use selected HRM practices as proposed by the Guest HRM practices model. In Nigeria, however, there is a research gap in this area, especially on microfinance banks. No study to best of the authors knowledge has empirically examined, though, HRM practices and employee satisfaction in microfinance banks in Nigeria. Thus, this study attempts to fill this gap by investigating the relationships between selected HRM practices (training and development, employee compensation, human resource planning, and work environment) and employee satisfaction in MFBs in Nigeria.

1. Review of literature

1.1 Theoretical framework

One of the proponents of the social exchange theory Emerson (1976) argues that social exchange involves a series of interactions that generate obligations. According to social exchange theory, as people associated and relate over time, they experience the need to reciprocate the support and assistance of the other person, called the norm of reciprocity (see Gouldner, 1960; Blau, 1983). People develop trust and loyalty when the norm of reciprocity is fulfilled in a relationship. Social Exchange theory suggest that when people play their part it lead to a mutually beneficial relationship. Individuals are more motivated to reciprocate a favor than most benefactors actually predict (Flynn, 2003). Social exchange theory has been used to explain the relationship between human resource management practice and performance. Piening *et al.* (2013) assert that organizations adopt a range of human resource practices, such as opportunities to contribute ideas, mentoring or support, suitable job design, constructive performance appraisal, and development programs to support employees. When these practices are adopted, employees feel they are supported and trusted by the organization. In return, these employees develop commitment to the organisation, which often lead to job satisfaction.

1.2 Human Resource Management

Practices and Employee satisfaction

Ijigu (2015), study the effect of HRM practices on employee satisfaction in Ethiopian public banks, the results of this study suggest that HRM practices mainly recruitment and selection, training and development, performance appraisal and compensation package are positively related to employee job satisfaction. Aswathappa (2008) argued that organisations should have better HR plans to motivate its employees. Masoodul *et al.* (2013) found that employee compensation

is the most important factor affecting satisfaction among employee of public banks in Punjab. Mir Mohammed *et al.* (2010) found that human resource planning (HRP), and training and development (TND) positively impact on job satisfaction. Usha Priya (2013) examined the impact of HRM practices on employee satisfaction. The result shows that training and development, and compensation and social benefits are positively related to employee satisfaction. Aswathappa (2008) found that employee compensation is an important factor why people work. He adds that satisfying employees' living status in the society, loyalty, and productivity are also influenced by employee compensation. Oyeniyi *et al.* (2014) examine the effect of HRM practices on job satisfaction of employees of selected banks in Nigeria. The results show that compensation practice, promotion practice, training practice and performance evaluation have a positive effect on job satisfaction among Nigerian banks staff but only supervisory role practice has an inverse effect on job satisfaction. The findings of the study by Rathaweera (2010) suggest that human resource management practices are significant predictors of employee satisfaction, commitment, and retention. Javed *et al.* (2012) examine the relationship between HRM practices and employee job satisfaction in the Public sector of Pakistan. The finding reveals that recognition and training and development are positively associated with employee job satisfaction, whereas, reward did not have a significant impact on employee job satisfaction. Kashfi *et al.* (2015) examined the effect of human resources planning on the satisfaction of Mellat Bank employees. The results indicate that there is a significant link between human resource planning and employee satisfaction. Rahman *et al.* (2013) in their study of 4 pharmaceutical companies in Bangladesh, found that employees are satisfied with the recruitment and selection, and training and development policy, whereas, employees are dissatisfied

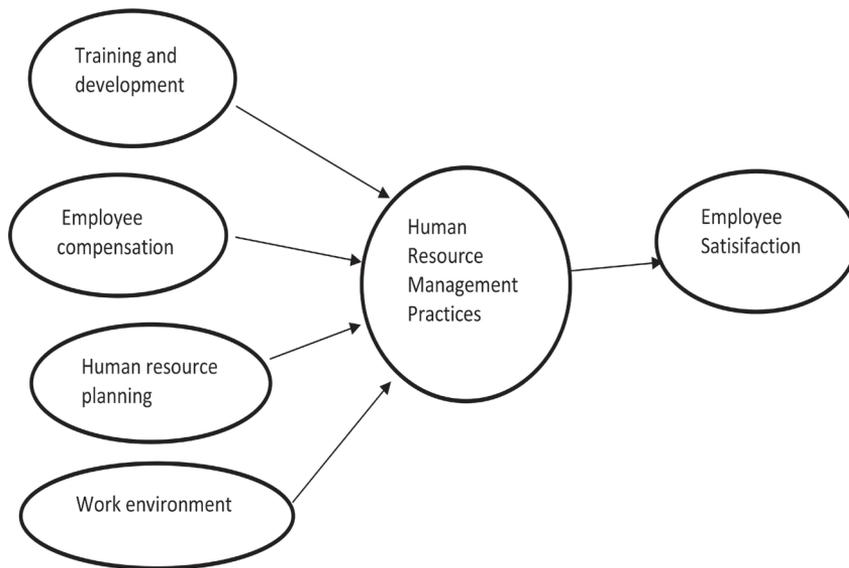


Figure 1. HRM Practices- Employee satisfaction link model. Source: Authors own study.

with the working environment, performance appraisal, human resource planning, compensation policy, and industrial relations. According to Bockerman and Ilmakunnas (2006), working conditions is working environment provided to employees by the organisation such as the degree of safety, amenities, health, well-being, *etc.* Bockerman and Ilmakunnas (2006) add that unfavorable working conditions affect employee job satisfaction negatively. Garcia (2005) posits that training and development have a significant positive impact on employees' job satisfaction. Similarly, Thang, Buyens (2008) argues that training and development lead to superior knowledge, skills, abilities, attitudes, and behavior of employees that impact on performance positively. Nassazi (2013) suggest that training is considered important in developing intellectual capacity through building employees competencies. According to Kennedy (2009), training and development ensures that competent people available to fill vacant positions at all levels of the organisation. Authors argue that training and development enable organisations adapt to changing environmental conditions

through increasing employee efficiency and job satisfaction. Base on literature, authors argue that the HRM practices will be positively associated with employee satisfaction in MFBs in Nigeria.

Conceptual model

The model in Figure 1, is proposed for the measurement of the variables in this study. The direct relationships between the dependent variable (employee satisfaction) and the four dimensions of the human resource management practices (training and development, employee compensation, human resource planning and work environment) the independent variables.

Hypotheses

- H1:** Training and development is positively related to employee satisfaction.
- H2:** Employee compensation is positively associated with employee satisfaction.
- H3:** There is a significant positive relationship between human resource planning and employee satisfaction.
- H4:** Work environment is positively related to employee satisfaction.

Model Specification

$$\begin{aligned} EMPYSAT = & \beta_0 + \beta_1 TDEV + \\ & + \beta_2 EMPYCOMP + \\ & + \beta_3 HRP + \beta_4 WOKENV + \varepsilon. \end{aligned} \quad (1)$$

β_0 is the constant term and
 $\beta_1 - \beta_4$ is the coefficient of the function; this means that if β_0 coefficient is negative, the predictor or independent variable affects dependent variable negatively,
 ε is the error term. EMPYSAT measures employee satisfaction, TDEV measure training and development, HRP measure human resource planning and WOKENV measure work environment

2. Methodology

2.1 Sample and procedure

This study use a survey correlational research design. The survey was done between October 2016 and January 2017. Leedy, Ormrod (2005), notes that purposive sampling is meant for a particular purpose, where people are chosen who are relevant to the research topic and who the researcher believes can provide the best information to achieve the objectives of the study. In the light of this conclusion, a purposive sample of 60 senior employees of 10 microfinance banks in Nigeria was used for this study. The MFBs were selected base on their financial performance. All the 60 questionnaires were returned but 59 were found usable for the analysis, accounting for 98.3% response rate. According to Bollen (1989), a number of observations equal to at least five times the number of variables in the model must be present. 60 observations could be considered adequate for a model consisting of 5 constructs. Thus, a sample size of 59 is considered appropriate for this study.

2.2 Measurement of variables

The measure used in this study were all adapted from previous studies on the subject in order to ensure their reliability and content validity. The measures for training and work environment and employee compensation were adapted from Demo *et al.* (2012). The measure for employee satisfaction was adapted from Peltier, Dahl (2009). For human resource planning authors adapted the measure proposed by AL-Qudah *et al.* (2014). The details of the measures used in this study are presented in Attachment 1.

Training and development. Give new and old employees the skills, abilities and knowledge they need to effectively and efficiently do their jobs. Employees can get these skills on the job and off the job when they are not at work. Training and development improves the skills and abilities of employees. According to Dessler (2006) training are methods that are applied to provide the new employees with the skills needed to perform their jobs. Ivancevich (2001) notes that development activities help an individual make positive contributions to the organizations. Authors use 6 items to measure the construct of training and development. 5 point Likert scale ranging from 1 “strongly disagree” to 5 “strongly agree” was used.

Employee compensation. Williams (2005) pointed out that all forms of pay or rewards that organisation give to employees for doing their jobs are referred to as compensation and benefits. Arguably, salaries, commissions, bonus and other non cash benefits are important reason why people work. Hackett, McDermott (1999) assert that compensation is the activity of human resource management function through which employees get every type of reward for performing the tasks assigned to them. Employee compensation depend on factors such as experience, skills, performance, and seniority. 5 items were used to measure the construct of training and development. A 5-point Likert scale ranging from 1 “strongly disagree” to 5 “strongly agree” was used.

Human resource planning is important in identifying and forecasting effective workforce with proper skills and knowledge needed to achieve organisational objectives. Boxall, Steenveld (1999) suggest that a well-structured and carefully performed human resource system can improve firm's profitability and enhance its competitive advantage. Human resources planning ensures a firm has skilled and experience employees at all times. Authors use 6 items to measure the construct of human resource planning. 5 point Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree" was used.

Work environment refers to the working conditions of an organization. Arguably, a conducive work environment can improve firm performance. The working conditions are conducive when organisation provides their employees a safe and healthy environment, basic benefits, facilities and physical conditions like good lightings, ventilation etc. Organisations are expected to provide safe and healthy working environment to the employees, protect them from alcohol and drug/substance abuse, smoking, stress, and burnout. According to Mondy, Noe (2005) safety is protecting employees from injuries caused by work related accidents, and health is keeping employees free from physical or emotional illness. We use 6 items to measure the construct of work environment. 5 point Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree" was used.

Employee satisfaction measure the degree to which employees are happy with their jobs. Moyes *et al.* (2008) assert that employee satisfaction describe how pleased an employee is with his or her position of employment. Employee satisfaction is a comprehensive term that comprises job satisfaction of employees and their overall satisfaction with companies policies and procedures. Authors use 4 items to measure employee satisfaction. 5 point Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree" was used.

2.3 Statistical analysis

SPSS 17 (statistical package for the social sciences software) statistical software is employed in the analyses conducted. Regression and Pearson correlation matrix could reveal the strength of association and relationship among the variables. Thus, the adoption of pearson correlation and regression techniques for testing the relationships and hypotheses in this study Pearson correlation, ANOVA, and regression analyses techniques were used in examining the nature of the relationships of particular variables and hypotheses testing.

3. Results and Discussion

For tables 1–4 showing the results of the analyses conducted see Attachment 2. The regression and ANOVA results of the model are presented in Tables 1 and 2 the $R^2 = 0.334$ show that HRM practices account for 33.4% variation in employee satisfaction. The full model containing all predictors were statistically significant at 5% because the p-value of 0.000^a is less than the significance level of 0.05. According to Field (2009), Durbin-Watson values under 1 or more than 3 is a course for concern. Thus, Durbin-Watson value of 1.883 suggests that there is no autocorrelation in our model. Coefficient results presented in table 3, indicate that employee compensation with a beta of (0.375), and training and development with a beta of (0.363) are statistically significant and strong predictors of satisfaction of employees of MFBs in Nigeria. Employee compensation and training and development are major factors of employee satisfaction. The correlation results presented in table 4, shows weak positive relationship for human resource planning (0.282), employee compensation (0.372), and work environment (0.198), whereas training and development has a moderate positive relationship (0.413). From these results, the authors conclude that

H1, training and development are positively related to employee satisfaction is supported, because the p-value of 0.001 is less than the significance level of 0.05. This suggests that MFBs have robust training programmes that focus on giving employees the right skills and competencies to do their job. We posit that organisations with employees that have the right skills and competencies will perform than those that do not give attention to training and development. Human resource capability can be a source of sustainable competitive advantage. This result is consistent with the findings of (Mir Mohammed Nurul Absar *et al.*, 2010; Ijigu, 2015; Usha Priya, 2013; Javed *et al.*, 2012; Garcia, 2005) that training and development have a significant positive impact on employees satisfaction. Similarly, the result indicates that the relationship between human resource planning with a p-value (0.030), employee compensation with p-value (0.004) and employee satisfaction is statistically significant, hence, authors, therefore, conclude that **H2**, employee compensation is positively associated with employee satisfaction is supported. This result is in consonance with the findings of (Oyeniyi *et al.*, 2014; Ijigu, 2015; Masoodul *et al.*, 2013; Aswathappa, 2008) that compensation is positively related to employees satisfaction, but negates the findings of (Javed *et al.*, 2012; Rahman *et al.*, 2013) that compensation is not positively related to employee satisfaction. **H3**, There is a significant positive relationship between human resource planning and employee satisfaction is supported. This result is consistent with the findings (Kashfi *et al.*, 2015) that human resource planning has a significant positive relationship with employee satisfaction, but negates the findings of (Rahman *et al.*, 2013) that employees are dissatisfied with human resource planning. However, **H4**, work environment is positively related to employee satisfaction is not supported because the p-value (0.133) is greater than the 0.05 level of significance. This finding is consistent with

the results of (Rahman *et al.*, 2013). The findings from this study indicate that HRM practices (human resource planning, training and development, employee compensation, and work environment has a positive relationship with employee satisfaction). Although, the relationship between work environment and employee satisfaction is not statistically significant.

4. Conclusion

The study examine the association between selected HRM practices and employee satisfaction in microfinance banks in Nigeria. MFBs banks contribute to the growth and development of businesses in both developed and emerging markets. MFBs need satisfied employees to meet and exceed the expectation of divergent stakeholders. Adopting comprehensive HRM practices is necessary for employee satisfaction in MFBs banks in Nigeria. The results show that HRM practices has positive impact on employee satisfaction in MFBs operating in Nigeria. This means that, training and development, employee compensation, HRP and work environment are important to keep employees satisfied and happy with their jobs. Employee satisfaction could improve productivity, profitability and reduce employee turnover. This study has important theoretical and managerial implications for business executives and human resource practitioners, with reference to the emerging market. This study contributes to existing knowledge in the field of human resource management research, by exploring the connection between HRM practices and employee satisfaction in MFBs. First of such attempt in the Nigerian context. The findings from this study provides a better insight on the HRM practices that predicts employee satisfaction. Secondly, insight from this study will enable policy makers, business executives, and HR managers implement HR strategy that can

improve employee satisfaction and enhance business performance. Furthermore, MFBs to achieve superior performance should focus on implementing HRM practices which would enable them satisfied their employees. They should invest in training programmes (seminars, conferences), and provide basic benefits (healthcare, transportation assistance) to their workers. Results of this study can be use for decision-making in MFBs, other companies and public sector in Nigeria and Other countries. The authors, therefore, recommend that organisations that want to remain competitive must ensure that various stakeholders are satisfied (including employees) by implementing a robust HRM practices. The limitations of this study are identified so that the findings can be interpreted correctly within the context of the study. The limitation of the study covers areas such as the population, sample, methodology and data. Only 10 microfinance banks in Nigeria and a sample size of 59 were used for this

study. Thus, one reason the researcher may not be able to generalize the results to all the MFBs within the country. Despite the limitation described above, the applicability of this study adds to the literature as it relates to the HRM research from both theoretical and practical point of view. This study could be further developed by including more dimensions of HRM practices such as recruitment and selection, performance appraisal, industrial relations. The sample size could also be increased as this could give a better representation of MFBs in Nigeria. Further study could be extended to other sectors of the economy like insurance, manufacturing and oil and gas.

Acknowledgment

The article received support from the Internal Grant Agency of FBE MENDELU (2017).

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Received: 23. 2. 2017

Reviewed: 26. 4. 2017

Accepted: 24. 5. 2017

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ATTACHMENT 1.

Questionnaire adapted from (Demo *et al.*, 2012; Peltier and Dahl, 2009; AL-Qudah *et al.*, 2014)

	SA	A	U	D	SD
Training and development					
1. I can use knowledge and behaviors learned in training at work.					
2. The organisation I work for helps me develop the skills I need for the successful accomplishment of my duties (<i>e.g.</i> , training, conferences, <i>etc.</i>)					
3. The organisation I work for invests in my development and education promoting my personal and professional growth in a broad manner, <i>etc.</i>					
4. In the organisation where I work, training is evaluated by participants.					
5. The organisation I work for stimulates learning and application of knowledge.					
6. In the organisation where I work, training needs are identified periodically.					
Employee compensation					
1. In the organisation where I work, I get incentives such as promotions, awards, bonuses, <i>etc.</i>					
2. In the organisation where I work, my salary is influenced by my results.					
3. The organisation I work for offers me a salary that is compatible with my skills, training, and education.					
4. The organisation I work for remunerates me according to the remuneration offered at either the public or private marketplace levels.					
5. The organisation I work for considers the expectations and suggestions of its employees when designing a system of employee rewards.					
Human Resource Planning					
1. Human resources planning at my organisation aims to achieve adaptation with the changes in the external environment.					
2. Human resources management in my organisation is committed to planning for the human resources.					
3. My organisation plans for the human resources to develop their vision and strategic objectives.					
4. There is clarity in the objectives and plans of the human resources in my organisation.					
5. I have a clear understanding of the development of human resources plans.					
6. My organisation allows the staff in planning the human resources.					
Work environment					
1. The organisation I work for provides basic benefits (<i>e.g.</i> healthcare, transportation assistance, food aid, <i>etc.</i>).					
2. The organisation I work for has programs or processes that help employees cope with incidents and prevent workplace accidents.					
3. The organisation I work for is concerned with the safety of their Employees by having access control of people who enter the company building/facilities.					
4. The organisation I work for provides additional Benefits (<i>e.g.</i> , membership in gyms, country clubs, <i>etc.</i>).					
5. The facilities and physical condition (lighting, ventilation, noise and temperature) of the organisation I work for are ergonomic, comfortable, and appropriate.					
6. The organisation I work for is concerned with my health and quality of life.					
Employee satisfaction					
1. I would recommend employment here.					
2. I am proud to work for this organisation.					
3. Often leave work with feeling of satisfaction.					
4. Have considered leaving during past 6 months.					

ATTACHMENT 2.

Table 1. Regression result HRM Practices and Employee satisfaction.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1.	0.578 ^a	0.334	0.285	0.28337	1.883

Source: Authors own study.

^aPredictors: (Constant), work environment, Employee compensation, training and development, Human resource planning.

^bDependent Variable: employee satisfaction.

Table 2. ANOVA HRM Practices and Employee satisfaction.

Model		Sum of Squares	df	Mean Square	F	Sig.
1.	Regression	2.179	4	0.545	6.784	0.000 ^a
	Residual	4.336	54	0.080		
	Total	6.515	58			

Source: Authors own study.

^aPredictors: (Constant), work environment, Employee compensation, Training and development, Human resource planning.

^bDependent Variable: employee satisfaction.

Table 3. Coefficients HRM practices and Employee satisfaction.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.427	0.136		3.134	0.003		
Human resource planning	0.047	0.087	0.066	0.538	0.593	0.815	1.227
Training and development	0.258	0.087	0.363	2,984	0.004	0.835	1.198
Employee compensation	0.226	0.068	0.375	3.329	0.002	0.972	1.029
Work environment	0.089	0.076	0.134	1.167	0.248	0.929	1.076

Source: Authors own study

^aDependent Variable: Employee satisfaction

Table 4. Correlations result HRM Practices and Employee satisfaction.

		Employee satisfaction	Human resource planning	Training and development	Employee compensation	Work environment
Employee satisfaction	Pearson Correlation	1	0.282*	0.413**	0.372**	0.198
	Sig. (2-tailed)		0.030	0.001	0.004	0.133
	N	59	59	59	59	59

Source: Authors own study.

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

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

