

HRM Practices and Employee Satisfaction in Nepalese Commercial Banks

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Abstract


This study examined the impact of human resource management practices on employee satisfaction in Nepalese commercial banks, focusing on training and development, performance appraisal, compensation, career planning, and decision-making practices. Employing a descriptive and causal-comparative research design, data was collected through structured questionnaires from 200 employees across 20 commercial banks in Pokhara Metropolitan City. Purposive sampling was used to target commercial banking employees, with responses analyzed using correlation and regression techniques. The findings indicate that employees have a positive perception toward different dimensions of human resource practices. Correlation analysis reveals strong interrelationships between HR practices, suggesting that improvements in one area are likely to benefit others. Regression analysis demonstrates a significant positive impact of employee involvement in decision-making, performance appraisal, and career development practices on employee satisfaction. This study concludes that enhancing decision-making, appraisal, and career development can improve employee satisfaction in Nepalese commercial banks.

Keywords: human resource practices, employee satisfaction, career development, commercial bank in Nepal

Introduction

Human Resources Management (HRM) is the process of developing, applying, and evaluating policies, procedures, methods, and programs relating to the employment, motivation, maintenance, and management of people in the organization (Armstrong, 2009). It involves strategic planning, attracting, motivating, and retaining qualified employees within an effective organizational structure, evolving from administrative tasks to proactive strategic initiatives in companies. HR functions focus on people and

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organizational structure which is crucial for organizational design, strategic goals and talent management where HRM strategy involves proactive suggestions for company success (Gutterman, 2023).

Human resource practices are considered a set of practices that are aimed at improving employee motivation, competence, and commitment. Human resource practices in commercial bank in Nepal are generally focused on attracting and retaining a talented and diverse workforce, while also ensuring compliance with labor law and regulations (Shah, 2024). These practices also promote a positive and productive working environment that is essential for the success of the bank. As a result, these HR practices are more focused on delivering superior business results and gaining a competitive advantage (Elrehail et al., 2019).

In this 21st century every organization wants to be competitive in their services by providing excellent service, productivity as well as service delivery. Satisfaction with employees' jobs and their performance are the only ways to achieve and maintain this position, while recruiting and retaining right people for the right job is the main key (Swanson, 2022). These include all financial institutions' employee treatment information and help employees recognize their culture of the company. Human resources are a company's competitive edge over rivals: they are used as a strategic tool to extend its market and market share due to employee's dedication. Organization's core competitiveness depends on the human resource plans and procedures and their employee work satisfaction (Kalyanamitra et al., 2020).

In Nepal, HRM practices have been undergoing a significant transformation, especially within the commercial banking sector. Traditional personnel management approaches are gradually being replaced by more structured and strategic HR policies (Pradhan, 2020). These include efforts to attract and retain diverse and competent talent, ensure compliance with labor laws, and cultivate a positive and productive work environment (Shah, 2024). Nepalese banks, particularly in the wake of mergers and acquisitions, have experienced rapid growth, prompting a reassessment of HR strategies to address emerging challenges such as employee dissatisfaction, limited career progression, and organizational behavior issues (Biswakarma, 2016; Subedi & Sthapit, 2020).

Several empirical studies shed light on the impact of HR practices on key outcomes. Pradhan (2020) explored the impact of HRM practices on behavioral outcomes and organizational performance in Nepalese banking sector. The study identified job design as the most sensitive factor influencing organizational performance, followed by employee participation and compensation systems. Recruitment, training, and career

planning also positively influenced behavioral outcomes and performance, albeit to a lesser extent. Similarly, Joshi (2024) studied HRM practices and their role in enhancing productivity in Nepalese commercial banks. The study highlighted effective recruitment, decision-making involvement, and performance appraisals significantly improved productivity. Palikhe and Thapa (2024) evaluated the impact of training on employee performance in Nepalese commercial banks and found that training methods such as job rotation, workshops, and case studies positively influenced performance. Chapagain (2011) found that employee participation significantly enhanced job satisfaction in Nepalese banks. It also highlighted that factors such as pay, benefits, work environment, relationships with managers, and fair treatment also influenced job satisfaction. Adhikari (2019) emphasized the influence of training, performance evaluation, and compensation on employee performance and found a positive influence. Similarly, Lama (2022) found core HR practices – such as recruitment, training, and performance appraisals – positively influenced employee satisfaction.

Internationally, Marescaux et al. (2012) highlighted the mediating role of basic psychological needs between HR practices and outcomes. In their study HR practices such as career development, training, employee participation, developmental appraisal, and mentoring were linked to improved HRM outcomes. While Appiah et al. (2013) confirmed that job security and communication strategies significantly influence retention in Ghana's mining sector. Studies in South Asia and the Middle East further demonstrated the role of HRM in organizational effectiveness. Kalwar et al. (2023) illustrated how organizational culture mediates the effect of HR practices on performance in Pakistan's banking sector, while Zwateen et al. (2024) showed the contribution of performance evaluations and motivation to organizational learning in Jordan. Other studies, such as Quader (2024) and Saha (2024), underscore the importance of strategic HR investments in training and employee development in Bangladesh's private banking sector. However, findings are not always linear; Abunaila (2022) observed a negative impact of training on competitive advantage in Iraq's banking sector, suggesting the need for contextual customization of HR strategies.

Despite the volume of research, significant gaps remain – particularly in Nepal's regional contexts such as Pokhara Valley, a growing hub for commercial banking. Most existing studies offer generalized findings, with limited analysis specific to HR dimensions and their impact on employee satisfaction in commercial banks. Moreover, while factors like employee participation, job design, and compensation have been recognized as influential, little is known about how these interact in rapidly evolving banking environments. The negative correlation between employee empowerment and

organizational behavior reported by Subedi and Sthapit (2020) signals the need for careful strategy formulation and deeper investigation into HRM's nuanced impacts.

This study aims to fill these gaps by examining the nature and impact of selected HRM dimensions – including training, performance appraisal, compensation, career planning, and employee participation – on employee satisfaction in Nepalese commercial banks in Pokhara Valley. The findings are expected to provide contextual insights and practical recommendations for bank management, HR professionals, and policymakers, especially in developing economies.

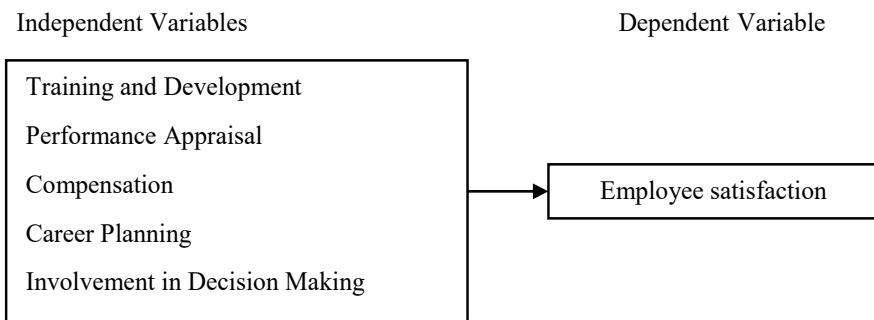
Methods

This study investigated the effect of HR practices on employee satisfaction in Nepalese commercial banks using descriptive and causal-comparative designs. For this study all the employees of commercial banks in Pokhara, Nepal is considered as population. Data was collected from 200 respondents across 20 commercial banks in Pokhara Valley purposively using structured questionnaires.

The structured questionnaire included personal details and Likert-scale questions related to HR practices and employee satisfaction. HR practices examined include training and development, performance appraisal, career planning and practices, involvement in decision-making, and compensation. Employee satisfaction has been used as the outcome of HR practices in this study (Figure 1). Using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), respondents were asked to indicate their perception on these HR outcomes. Responses were analyzed using correlation and regression analysis. Correlation measured relationships, and multiple regression analyzed HR practices' impact on outcomes.

Figure 1

Conceptual Framework



The following econometrics model equation is employed to test hypotheses that there is positive relationship between human resources practices and employee job satisfaction in Nepalese commercial banks.

$$ES = \beta_0 + \beta_1 TD + \beta_2 PA + \beta_3 CM + \beta_4 CP + \beta_5 IDM + e \dots \dots \dots (i)$$

Where,

- ES = Employee Satisfaction,
- TD = Training and Development
- PA = Performance Appraisal
- CM = Compensation
- CP = Career Planning
- IDM = Involvement in Decision Making
- β_0 = Intercept of the dependent variable
- e = error term and
- $\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are the beta coefficients of the explanatory variables to be estimated.

Results

Socio-Demographic Profile

This includes the gender, age, education, years of experience, and designation of the respondents. The percentage distribution of socio-demographic profile of students is given in Table 1.

Table1

Demographic Information

Group	N	Percent	Group	N	Percent
Gender			Experience		
Male	103	51.50	Less than 1 year	16	8.00
Female	96	48.00	1-5 year	128	64.00
Other	1	0.50	6-10 year	48	24.00
Age			11-15 year	7	3.50
20-29 Years	142	71.00	15 above	1	0.50
30-39 Years	57	28.50	Designation		
50 above	1	0.50	Trainee Assistant	9	4.50
Education			Assistant	36	18.00
Intermediate	3	1.50	Senior assistant	109	54.50
Bachelor	80	40.00	Officer	22	11.00
Masters	117	58.50	Manager	24	12.00

Note. N = 200.

Among 200 respondents, 51.50 percent are male, 48 percent females, and 0.5 percent identified as "Other." Most respondents (71 percent) are aged 20-29 years, with 28.5 percent aged 30-39 years and 0.5 percent above 50 years. 1.5 percent have an intermediate degree, 40 percent have bachelor's, and the rest have master's degree qualification. 64 percent have 1-5 years of experience, followed by 24 percent with 6-10 years. 54.5 percent of the respondents work as senior assistants, 18 percent are assistants, 12 percent are managers, and smaller proportions in other roles. This demographic highlights a young, highly educated, and mid-experienced employees of the banks have been included as respondents of this study.

Table 2

Perception Towards Training and Development

Statements	Mean	SD
The design of the training is according to the need assessment of the employee.	3.66	0.797
Training has improved my performance.	3.88	0.860
Training and development have helped me to foster my career development.	3.75	0.861
The contents of the training and programs are always relevant to changing the need of my job.	2.50	1.173
Total	3.44	0.9227

Table 2 evaluates the perception towards training effectiveness. Training design aligns moderately with the needs of the employees (mean 3.66), and it is perceived to significantly enhance performance (3.88) and career development (3.75). However, training content relevance to evolving job needs is rated low (2.50). Overall, the training's effectiveness is moderate (mean 3.44), with variability in responses (SD 0.9227).

Table 3

Perception Towards Performance Appraisal

Statements	Mean	SD
The evaluation reflects the quality of my performance.	3.64	0.820
Performance appraisal has helped me to identify my strengths and weakness.	3.57	0.916
Performance appraisal has helped me to strengthen my job skills.	3.55	0.955
I receive necessary training if there is performance deficiency.	3.23	0.940
Total	3.497	0.907

Table 3 assesses perceptions towards performance appraisal. Evaluations moderately reflect performance quality (mean 3.64) and help identify strengths and weaknesses (3.57) and improve job skills (3.55). Training for performance deficiencies is also rated moderately (3.23). Overall, performance appraisal effectiveness is moderate (mean 3.497), with consistent responses (SD 0.907).

Table 4

Perception Towards Compensation Practices

Statements	Mean	SD
I am satisfied with the salary I am receiving.	3.13	1.019
Compensation at our organization is fair and equitable.	3.17	0.869
Bank has favorable incentive practices to encourage me to achieve organizational goals.	3.26	0.904
Our organization effectively recognizes and rewards outstanding performance.	3.24	1.004
Our compensation packages are competitive compared to other companies in the industry.	3.31	1.019
Total	4.02	0.963

Table 4 evaluates the perception of the respondents towards compensation practices. Salary satisfaction (mean 3.13) and perceived fairness (3.17) are rated low. Incentive practices (3.26), performance recognition (3.24), and competitiveness of compensation (3.31) receive moderate ratings. Overall, compensation satisfaction is high (mean 4.02), with notable variability in responses (SD 0.963), indicating room for improvement in compensation strategies.

Table 5 examines career advancement perceptions of the respondents. Promotion commitment (mean 3.67), job rotation (3.79), and recognition of high performers (3.50) are moderately rated. Satisfaction with work-life balance is low (3.19). A structured career path is moderately rated (3.36). Overall, career advancement satisfaction is moderate (mean 3.502), with consistent responses (SD 0.9022).

Table 5*Perception Towards Career Planning Practices*

Statements	Mean	SD
Promotion has increased my commitment towards organization.	3.67	0.800
Job rotation opportunities are available for employees to gain diverse experience.	3.79	0.911
High performing employees are recognized and rewarded with career advancement opportunities.	3.50	0.924
I am satisfied with my current work life balance in relation to my career progress.	3.19	0.946
There is a structured career path for promotion at my organization.	3.36	0.930
Total	3.502	0.9022

Table 6 evaluates the perception of the respondents towards employee involvement in decision-making. Opinions being valued (mean 3.21), fairness in decisions (3.36), consultation before work-related decisions (3.26), and participation in decisions (3.33) are all rated moderately. Overall, decision-making inclusiveness and fairness are moderately perceived (mean 3.29), with responses showing minimal variability (SD 0.863).

Table 6*Perception Towards Employee Involvement in Decision Making*

Statements	Mean	SD
I feel that my opinions are valued in the decision-making process at my organization.	3.21	0.866
I feel that decision is made fairly in my organization.	3.36	0.803
I am often consulted before decisions that affect my work are made.	3.26	0.864
Employees are asked by superiors to participate in related decisions.	3.33	0.920
Total	3.29	0.863

Table 7 assesses the perception of the respondents towards employee satisfaction with various organizational practices. Training and development (mean 3.49), career development (3.49), and involvement in decision-making (3.50) receive moderate satisfaction. Performance appraisal (3.18) and compensation practices (3.27) are rated

low. Overall, satisfaction with organizational practices is moderate (mean 3.386), with consistent responses (SD 0.8972).

Table 7

Perception towards Employee Satisfaction

Statements	Mean	SD
I am satisfied with the training and development practices.	3.49	0.851
I am satisfied with performance appraisal practices.	3.18	1.023
I am satisfied with the compensation practices.	3.27	0.934
I am satisfied with career development practices.	3.49	0.851
I am satisfied with the employee involvement in decision-making practices.	3.50	0.827
Total	3.386	0.8972

Correlation Analysis

Correlation analysis shows the relationship of training and development, performance appraisal, compensation, career practices and employee involvement in decision making practices employee job satisfaction.

Table 8

Bivariate Pearson Correlation Coefficients

Variables	TD	PA	CS	CPS	EDM	EMP
TD	1					
PA	0.586**	1				
CM	0.292**	0.507**	1			
CP	0.419**	0.573**	0.627**	1		
IDM	0.313**	0.500**	0.669**	0.637**	1	
ES	0.449**	0.609**	0.591**	0.703**	0.659**	1

*p < 0.01. (2-tailed).

The correlation matrix (Table 8) shows a significant positive relationship between all variables at the 0.01 level, indicating that improvements in one area are likely to relate to improvements in others. Similarly, the correlation of employee satisfaction with other study variables also lies in moderate level (0.449 to 0.703). It also suggests that the improvement in those constructs help in increasing employee satisfaction in commercial banks in Nepal.

Regression Analysis

Result of regression analysis taking employee satisfaction as criterion variable is presented in Table 9. The value of adjusted R² is found 0.616 means that the model is able to define 61.60 percent of variation on employee satisfaction.

Table 9

Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-0.031	0.211		-0.149	0.882
TD	0.100	0.062	0.089	1.607	0.110
PA	0.189	0.063	0.189	2.979	0.003
CM	0.072	0.061	0.077	1.191	0.235
CP	0.363	0.071	0.337	5.138	<0.001
IDM	0.276	0.067	0.269	4.136	<0.001
R = .785, R ² = .616, Adjusted R ² = .606, F-stat = 62.207, F-sig = .000					

The F-Stat 62.207, with a p-value of less than 0.001, indicates that the overall model is statistically significant. It indicates that at least one independent variable has significant impact on the dependent variable.

On the other hand, it is found that the performance appraisal ($\beta = 0.189$, $p = 0.003$), career planning system ($\beta = 0.363$, $p < 0.001$), and employee involvement in decision-making ($\beta = 0.276$, $p < 0.001$) significantly predict employee job satisfaction. In contrast. However, training and development, and compensation practices do not have a significant impact on job satisfaction. These findings suggest that enhancing decision-making, appraisal, and career development can improve employee satisfaction.

Discussion

This study found that performance appraisal, career planning, and employee involvement significantly and positively influence employee job satisfaction. In contrast, training and development and compensation did not show statistically significant effects on satisfaction, despite being positively correlated with other HR practices. These findings are partially consistent with previous research. For instance, Adhikari (2019) and Lama (2022) both emphasized the positive influence of performance appraisal and career development on employee satisfaction in Nepalese banks. The results of this study affirm

this, showing that career planning ($\beta = 0.363$, $p < 0.001$) is the strongest predictor of job satisfaction, followed by employee involvement ($\beta = 0.276$, $p < 0.001$) and performance appraisal ($\beta = 0.189$, $p = 0.003$). This supports the finding of Pradhan (2020), who also highlighted job design and participation as major contributors to organizational performance and behavioral outcomes.

The significance of employee involvement in decision-making echoes the findings of Chapagain (2011), who found that participation significantly enhanced job satisfaction. The finding is also consistent with Kalwar et al. (2023) and Zwateen et al. (2024), both of whom emphasized the importance of fostering inclusive and participative cultures to boost organizational learning and performance.

Surprisingly, training and development did not have a statistically significant impact on employee satisfaction in this study ($\beta = 0.100$, $p = 0.110$). This contrasts with the findings of Saha (2024), Joshi (2024), and Palikhe and Thapa (2024), who all observed a positive relationship between training practices and both satisfaction and performance. One possible reason could be the perceived quality or relevance of training programs in the surveyed banks. As Abunaila (2022) observed in Iraqi context, training can have a limited or even negative effect if it lacks alignment with employee needs or job roles. This suggests that while training is widely recognized as important, its design and delivery may determine its effectiveness.

Similarly, compensation did not significantly affect satisfaction in this study ($\beta = 0.072$, $p = 0.235$), which diverges from the conclusions of Quader (2024) and Appiah et al. (2013). In those studies, dissatisfaction with pay and rewards was a key reason for turnover and low satisfaction. A possible reason for this discrepancy could be the contextual differences in expectations or non-monetary factors – such as recognition, growth opportunities, and participation – are more valued by employees in this setting, diminishing the relative importance of compensation.

Overall, this study adds localized insights to the broader discourse on HRM in developing economies. It emphasizes that while general best practices may exist, context-specific factors – such as regional economic conditions, organizational culture, and employee expectations – profoundly shape the effectiveness of HR interventions.

Conclusion

This study examined the impact of HR practices—training and development, performance appraisal, compensation, career practices, and employee involvement in decision-making—on employee satisfaction in Nepalese commercial banks in Pokhara Valley. The findings highlighted that while training and compensation practices are

moderately rated, they do not significantly influence job satisfaction. In contrast, performance appraisal, career planning, and employee involvement in decision-making show significant positive impacts, demonstrating their critical role in fostering employee satisfaction. The correlation analysis also revealed strong interrelationships among HR practices. These results underscore the importance of strategic focus on performance appraisal, career development, and inclusive decision-making to improve employee satisfaction in Nepalese banking industry.

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