Factors Affecting the Recruitment and Selection Process of Private Commercial Banks in Bangladesh

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Abstract

There is a paramount importance of appropriateness in recruitment and selection for the desired performance of the private commercial banks in Bangladesh. It is the determinant of the performance of the banks that leads to the growth and development of the banks in future. However, this aspect of management is often ignored by HRM department of the banks. The directors of the banks are unable to come out from their circles like family, friends, and relatives in recruitment decision. The people involved in the process influence the whole process of recruitment and selection for their personal interest. Candidates' understanding and mindset for getting jobs sometimes create a kind of force that influences the process. People from the monitoring bank often create pressure on recruitment and selection process. External factors like political, economic, social, and legal also have strong influence on the selection process. As such, this study aims at identifying the factors affecting the recruitment and selection process of private sector commercial banks in Bangladesh. It includes the manpower planning and selection process of the banks that is most prominent and stable sector compared to other industrial sectors of Bangladesh. A number of factors affecting recruitment and selection process of the banks were identified through literature review. Multivariate analysis techniques such as, Factor Analysis and Multiple Regression Analysis were performed to identify the relationships between recruitment and selection process and the factors. Factor Analysis was conducted to identify the factors affecting the recruitment and selection process of the banks. Multiple Regression Analysis was performed to identify the relationship between the factors and recruitment and selection process. Results show that the factors including family pressure of the directors, interference of the people involved in the process, political interference, capability of the interviewer to design the tests, and candidates' perception regarding the possibility of getting job have significant influence on the recruitment and selection process in the private commercial banks of Bangladesh. It was concluded from the study that the factors affecting recruitment and selection process of the banks are unable to fulfill the gap between the qualifications of the candidates and the job requirements of the banks.

1. Background

There is a paramount importance of recruitment and selection in an organization's human resource planning and its competitive strength. Increasing flexibility in the labor market, recruitment is becoming more and more important in every business now a days. Competent human resources at the right positions in the organization are a vital resource. It can be a core competency for the organization in future. The prime objective of the recruitment and selection process is to obtain the number and quality of employees that can be selected in order to help the organization to achieve its goals and grow in future. As such, recruitment and selection helps to create a pool of prospective employees for the organization so that the management can select the right candidate for the right job from the pool. Recruitment serves as the first step in fulfilling the needs of organization for a competitive, motivated, and flexible human resource that can help achieve its objectives.
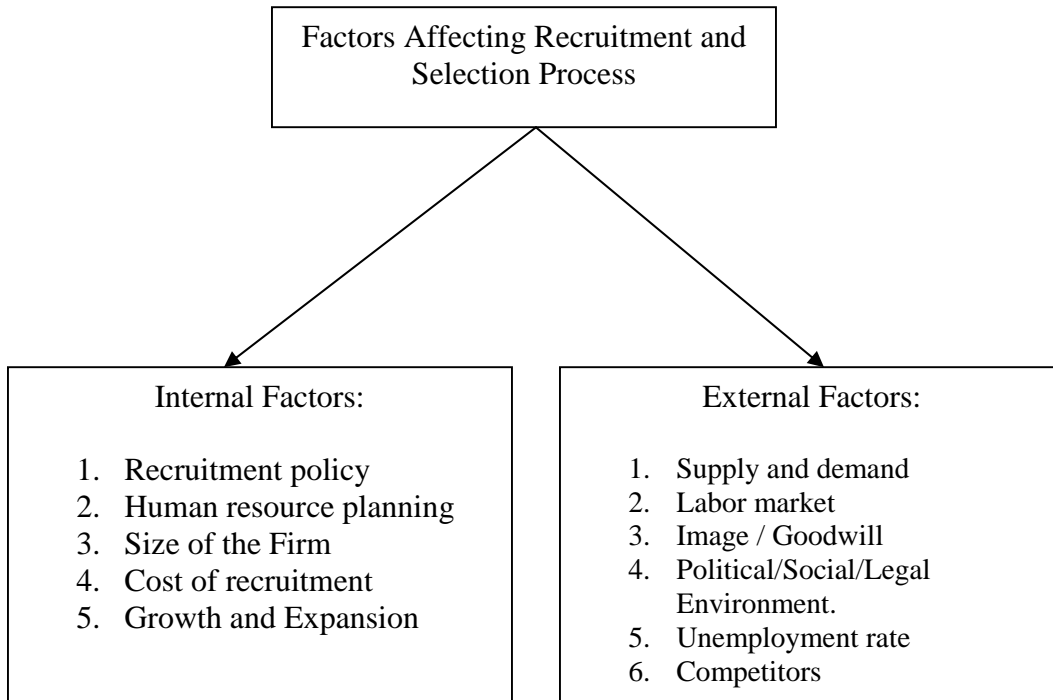
Bangladesh is a highly populous country of the world having about 150 million people. About one third of the total population is employed. The total labor force of the country was 53.70 million in 2009 with 2.70% growth rate a year on average. Among this population, unemployed population in 2009 was 2.70 million that is the increase of 28% over 2006 (Bangladesh Bureau of Statistics, 2009). However, the creation of job opportunities in different sectors is simply incompatible to this increase of unemployed people.

Banking sector is one of the largest sectors of employment in Bangladesh especially in private banks. There are 29 private commercial banks operating in the country. The names of the banks are: AB Bank Limited, Al-Arafa Islami Bank Ltd, Aziz Co-op Commerce & Finance Bank Ltd, Bangladesh Commerce Bank Ltd, Bank Asia Limited, Dhaka Bank Limited, Dutch-Bangla Bank Limited, Eastern Bank Limited, Exim Bank Limited, First Security Islami Bank Limited, IFIC Bank Limited, Islami Bank Bangladesh Limited, Jamuna Bank Limited, Mercantile Bank Limited, Mutual Trust Bank Limited, National Bank Limited, National Credit & Commerce Bank Ltd, One Bank Limited, Premier Bank Limited, Prime Bank Limited, Pubali Bank Limited, Shahjalal Bank Limited, Social Islami Bank Limited, South East Bank Limited, Standard Bank Limited, The Trust Bank Limited, United Commercial Bank Limited, The City Bank Limited and Uttara Bank Limited (http://www.bdgateway.org). In Bangladesh society, job in bank is acceptable and prestigious in terms of salary and job itself. As such, there is a very high pressure on the recruitment and selection process in these banks.

Recruitment and selection is very much important for any organization like bank as it determines the future performance of the people recruited and performance of the bank as well. Due to the pressure from the supply of unemployed people, recruitment and selection process is substantially influenced by the different actors and factors. The reason for this interference may be attributed by not only the inadequacy of the jobs but also the supply of graduates in the labor market. Observations show that this influence is 360 degree influence system. Sometimes, recruitment of people becomes ineffective and impossible to the HR people and they are hardly able to recruit right person for the right

job. The influencing factors may be classified into two types such as internal and external.

Figure 1 Factors Affecting Recruitment and Selection Process of the Organization[1]

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│  Factors Affecting Recruitment and │
│       Selection Process          │
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Internal Factors:	External Factors:
1. Recruitment policy 2. Human resource planning 3. Size of the Firm 4. Cost of recruitment 5. Growth and Expansion	1. Supply and demand 2. Labor market 3. Image / Goodwill 4. Political/Social/Legal Environment. 5. Unemployment rate 6. Competitors

The internal factors are mainly related to recruitment policy, human resource planning, size of the firm, cost of recruitment, and growth and expansion. The external factors are: supply and demand, labor market, image or goodwill, political/social/legal environment, unemployment rate, and competitors. As such, recruiter needs to be very much conscious and careful about the factors/actors that have potential influence on the recruitment and selection process. More specifically, top management or directors interference, recruiter or HR department people, control authority or Bangladesh Bank, political influence, quality of selection process, advertising or promotional effort of the bank, and candidates' perception regarding the job. Brooks, et.al., (2009) identified that the people differentiate between options more when they consider them simultaneously than when they view them separately. A number of factors induce them to differentiate in this regard which are broadly related to internal and external factors. The beliefs of the HR professionals also have influence on the recruitment and selection process. Study shows that the use of psychometric tests by practitioners is a function of many things: their education and experience, the country they work in, test publisher marketing, popular articles about testing, litigation, etc. As such, some tests remain very popular among practitioners despite being little used in research (Furnham, 2008).

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[1] Source: http://www.scribd.com/doc/12460528/Recruitment-Factors-at-Bank dated 15 September 2010

Recruitment policy of an organization specifies the specific objectives of recruitment and selection. It provides a framework for implementation of recruitment program in the organization by filling up vacancies with best qualified people. Effective human resource planning helps in determining the gaps present in the existing manpower resource of the organization. How many people will be recruited in what positions are also determines by the recruitment and selection process. The size of the firm is another important factor in the recruitment and selection process. Organization will think to employ more personnel if it plans to increase its operations and expand its business in order to handle the extended operations. Cost is another factor that has influence on the recruitment and selection process. As such, organizations try to employ the source of recruitment that incurs a lower cost of recruitment to the organization. For expanding decision of the organization, more people will be required to recruit in future.

On the other hand, the availability of manpower both inside and outside the organization is an important determinant in the recruitment and selection process. Company depends upon internal sources if it has a demand for more professionals and there is limited supply in the market. In such situation, company should focus more on training and development of the employees. Employment conditions in the community where the organization is located influences the recruiting recruitment and selection process of the organization. Surplus manpower in the labor market assembles together when there is an advertisement given by a company. Company image and goodwill is another factor affect recruitment and selection process of the company. Government rules prohibiting discrimination in hiring and employment have direct impact on recruitment and selection process of the organization. The militancy of trade unions play important role in recruitment and selection process. There is often oversupply of qualified labor which in turn leads to unemployment if the company is unable to create new jobs. The recruitment policies of the competitors also affect the recruitment and selection process of the company.

Keeping this in mind, this study focuses on to exploring the factors affecting the recruitment and selection process of private commercial banks operating in Bangladesh.

2. Research Methods

This study attempts to identify the factors affecting the recruitment and selection process of private commercial banks in Bangladesh. To conduct the study, primary and secondary sources of information were used. Primary data was collected from the HR officials of the banks under study. One hundred forty five HR officials from 29 private commercial banks, five from each bank, were selected and interviewed as sample respondents. All respondent were officers in their designation. A survey has been conducted among the HR officials of the mentioned banks to collect information about the factors affecting recruitment and selection process with the help of a structured questionnaire.

A structured questionnaire in a 5-point scale was developed for the variables affecting recruitment and selection process of the private commercial banks. A five-point scale

ranging from 1 to 5 with 1 indicating strongly disagree and 5 indicating strongly agree was used in this regard.

This study identified items affect recruitment and selection process of bank through literature review and from the pilot survey. Ten HR managers were surveyed and the factors identified by them were included in the questionnaire. The variables affecting the recruitment and selection process of private commercial banks in Bangladesh are: recruitment policy, human resource planning, size of the firm, cost of recruitment, growth and expansion, supply and demand, labor market, image or goodwill, political/social/legal environment factor, unemployment rate of the country, competitors manpower need, top management or directors interference, recruiter or HR department people, control authority or Bangladesh Bank interference, quality of selection process, advertising or promotional effort of the bank, candidates' perception regarding the job, reference used by the candidate, experience of the candidate, educational qualifications, interview performance, and allegation / complain against the candidate. The dependent variable was identified as the overall response of the respondents.

The dependent variable is explained by recruitment and selection process of the banks. The survey has been conducted with the assistance of MBA students of East West University from January 2010 to July 2010. The interviewers were trained on the variables representing the questionnaire for data collection before starting interview.

Along with descriptive statistics, multivariate analysis techniques such as, Factor Analysis and Multiple Regression Analysis were used to analyze the relationships of the factors affecting the recruitment and selection process of the private commercial banks in Bangladesh. A Principal Factor Analysis with an orthogonal rotation (Varimax)[2] using the SPSS statistical package was performed on the survey data and was used to separate the factors.

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[2] Varimax rotation is an orthogonal rotation of the factor axes to maximize the variance of the squared loadings of a factor (column) on all the variables (rows) in a factor matrix, which has the effect of differentiating the original variables by extracted factor. Each factor will tend to have either large or small loadings of any particular variable. A varimax solution yields results which make it as easy as possible to identify each variable with a single factor. This is the most common rotation option.

3. Results and Discussions

Table 1 Communalities of the Items

	Extraction
1. Recruitment policy	.694
2. Human resource planning	.731
3. Size of the firm	.723
4. Cost of recruitment	.555
5. Growth and expansion	.622
6. Supply and demand	.566
7. Labor market condition	.454
8. Image or goodwill of the bank	.763
9. Political/social/legal environment factor	.519
10. Unemployment rate	.694
11. Competitors policy	.728
12. Top management or directors interference	.489
13. Recruiter or HR department people behavior	.592
14. Control authority or Bangladesh Bank interference	.522
15. Quality of selection process	.559
16. Advertising or promotional effort of the bank	.627
17. Candidates' perception regarding the job/position	.573
18. References used by the candidate	.498
19. Experience	.486
20. Educational qualifications	.589
21. Interview performance	.592
22. Allegation / complain against the candidate	.611

Extraction Method: Principal Component Analysis.

Table 2 Total Variance Explained by the Factors

	Initial Eigenvalues		
Factors	Total	% of Variance	Cumulative %
Recruitment policy and HR planning	6.134	27.880	27.880
Unemployment rate	2.254	10.245	38.125
Quality of selection process and advertisement	1.420	6.455	44.580
Job perception and reference	1.219	5.543	50.122
Experience and Educational Qualifications	1.152	5.237	55.359
Interview performance	1.008	4.582	59.941

Extraction Method: Principal Component Analysis.

Table 3 Rotated Component Matrix(a): Factor Loadings

Items	Factors					
	1	2	3	4	5	6
1. Recruitment policy	.767	.052	.233	.153	.138	.076
2. Human resource planning	.726	-.045	.064	.057	-.084	.103

3. Size of the firm	.698	.114	-.001	.277	-.009	.121
4. Cost of recruitment	.692	.011	.179	.163	.245	-.158
5. Growth and expansion	.672	.083	-.129	-.066	-.093	.033
6. Supply and demand	.630	-.009	.410	-.036	.167	.367
7. Labor market condition	.594	.161	-.168	.507	-.004	.170
8. Image or goodwill of the bank	.535	-.184	.100	.059	.443	.209
9. Political/social/legal environment factor	.532	.006	.186	.273	.354	-.050
10. Unemployment rate	.142	.761	-.076	.140	.005	.056
11. Competitors policy	.012	.630	.005	.082	.092	.272
12. Top management or directors interference	-.011	.576	.346	.004	.240	-.225
13. Recruiter or HR department people behavior	.169	.488	.184	.067	.035	.465
14. Control authority or Bangladesh Bank interference	.136	-.462	.252	.379	.062	-.103
15. Quality of selection process	.119	.106	.855	-.007	-.041	-.065
16. Advertising or promotional effort of the bank	.128	-.393	.520	.284	-.025	.257
17. Candidates' perception regarding the job/position	.067	.008	.014	.760	.025	.097
18. References used by the candidate	.265	.198	.100	.554	.248	.100
19. Experience	-.064	.234	-.171	.095	.796	-.008
20. Educational qualifications	.480	.012	.306	.104	.569	.253
21. Interview performance	.061	.161	-.112	.150	.012	.739
22. Allegation / complain against the candidate	.472	.034	.217	.034	.264	.473

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 11 iterations.

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.652(a)	.426	.409	.85774

a Predictors: (Constant), REGR factor score   6 for analysis 1 , REGR factor score   2 for analysis 1 , REGR factor score   3 for analysis 1 , REGR factor score   4 for analysis 1 , REGR factor score   5 for analysis 1 , REGR factor score   1 for analysis 1

Table 5 ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.829	6	18.805	25.560	.000(a)
	Residual	152.292	207	.736		
	Total	265.121	213			

a Predictors: (Constant), REGR factor score   6 for analysis 1 , REGR factor score   2 for analysis 1 , REGR factor score   3 for analysis 1 , REGR factor score   4 for analysis 1 , REGR factor score   5 for analysis 1 , REGR factor score   1 for analysis 1

b Dependent Variable: Overall

Table 6 Coefficients(a)

Factors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.529	.059		60.169	.000
Recruitment policy and HR planning	.642	.059	.573	10.864	.000*
Unemployment rate	.118	.059	.106	2.019	.045*
Quality of selection process and advertisement	.126	.059	.112	2.128	.034*
Job perception and reference	.165	.059	.148	2.811	.005*
Experience and Educational Qualifications	*.058*	*.060*	*.051*	*.966*	*.335*
Interview performance	.252	.059	.224	4.257	.000*

a Dependent Variable: Overall
* Significant at 5% level of significance

4. Conclusions and Recommendations

5. References

1. Brooks, E. M., Guidroz, M. A., & Chakrabarti, M., (2009), Distinction Bias in Applicant Reactions to Using Diversity Information in Selection, *International Journal of Selection and Assessment*, Vol. 17 (4): 377-390.
2. Furnham, A., (2008), HR Professionals' Beliefs About, and Knowledge of, Assessment Techniques and Psychometric Tests, *International Journal of Selection and Assessment*, Vol. 16 (3): 299-305.