



## **EFFECT OF HRM PRACTICES ON ORGANIZATIONAL COMMITMENT: A REVIEW ON BANKING SECTOR**

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### **Abstract**

**The present study is carried out to comprehend the effect of HRM Practices in banking sector. This study is purely based on secondary data, reviewing the literatures related to HRM Practices, job satisfaction, organization climate, organization commitment in banks. The objective of the study focuses on understanding the effect of different HRM Practices pertained in banking organizations on employee commitment towards organization. The study results revealed that there is significant impact of HRM practices on organizational commitment of employee.**

**Key words: HRM Practices, organizational commitment, job satisfaction, banking industry.**

### **Introduction**

In organizations, human resources are one of the most important assets of an organization. In the competitive world, competitive advantage for the organization can be gained through Human resource. HRM practices has the ability to create firms that are more intelligent, flexible, and competent than their rivals through the application of policies and practices that concentrate on recruiting, selecting, training skilled employees and directing their best efforts to cooperate within the resource bundle of the organization. This HRM practices not only improves the ability of an employee's but also develop the commitment of the employee towards organization.

Commitment of the employee towards organization will have effect on individual (employee), organization performance and

development. Organizational commitment is of three types as given by **Meyer & Allen (1997)**: **emotional commitment** defined as "the positive emotional connection of the employees towards the organization"; **continuity commitment** as "the profit loss analysis of staying or going", and the **rule commitment** as "feeling of responsibility to stay in the organization because of moral reasons"

In services sector human resource plays a major role. Banking services lists top in supporting and participating the economic functions of any country. The effective functioning of the banking system, dependent on the efficiency, effectiveness and commitment of employee's in the banks. Commitment of an employee largely dependents on the HRM practices followed by the banks. Hence, it has becomes necessary to understand and evaluate the HRM practices of the banking industry. In this research paper, an attempt is made to summarise a review of literature on various studies conducted on the HRM practices followed in banking organizations.

### **Literature review**

**Akhtar shoaib et al. (2012)** conducted a study in banking sector to know the impact of organization culture on organizational commitment. In the dimension of employee demographical factors the study also investigated the effect of culture on commitment levels of the employees. "Culture" in this study is classified into four types i.e. clan culture, adhocracy culture, hierarchy culture, market culture. The outputs of the study found that clan culture has the most significant effect on organizational commitment of the employees in

the banks. It was also found that female employees were more inclined towards effective commitment impact than male.

**Hafiz (2017)** investigated the relationship between organizational commitment and employee performance in banking sector. This study found that all three elements (affective, continuance, normative) of organizational commitment are essential factors towards improvement of employee performance among bank employees. The results of the correlation between elements of organization commitment (affective, normative, and continual commitment) and employee performance are  $r=0.981, 0.932, 0.956$  respectively, showing positive high degree of relationship. So, the above all three factors supported for accomplishing the objectives of jobs because individual employees also having same goals and values.

**Khaliq et al. (2016)** made an attempt to know the factors affecting organizational commitment among bank officers in Pakistan. This study considered the following factors that affect the organizational of bank officers: rewards, supervisory support, career opportunities, work family support and favorable job conditions. The study results showed that all select variables are positively correlated. Career opportunities and job conditions are having high positive correlation with organizational commitment.

**Fatima bushra et al. (2011)** studied the relationship between transformational leadership, job satisfaction and organizational commitment of employees working in banking sector. The study said that the Commitment of an employee can be determined with the help of leadership skills. Transformational leadership also help employees to adopt for the changes that happen in the external environment by improving more creative and innovative ideas that helps to grow. The study found that managers of conventional bank at Lahore are not exercising transformational leadership. The results of this study concluded that if managers adopt transformational leadership behavior it achieves good job satisfaction and better commitment among the bank employees.

**Jyothsna& Kumar (2015)** provided empirical evidence regarding the factors of performance appraisal that influence organizational commitment and job satisfaction among the employees of India private sector bank. In this

research, job satisfaction was considered as dependent variable while elements of rater, elements of rate, environmental aspects, organizational commitment and organizational citizenship behavior were included as independent variables. Results of regression analysis highlighted that performance appraisal factors, organizational commitment and organizational citizenship behavior have a significant impact and positive impact on job satisfaction of employees in private banks in India.

**Didem pasaoglu(2015)**, conducted a study to analysis of the relationship between HRM practices and organizational commitment from a strategic perspectives in the banking industry. Choice, training, performance evaluation, rewards, information sharing, job security, and HRM system are the select HRM practices of this study. The results of correlation analysis raveled that all select HRM practices are positively correlated with organization commitment, the results for choice (0.66,  $p<0.01$ ) training (0.52,  $p<0.01$ ); performance evaluation (0.62,  $p<0.01$ ); promotion (0.58,  $p<0.01$ ); rewards (0.64,  $p<0.01$ ); information sharing (0.57,  $p<0.01$ ); job security (0.50 $p<0.01$ ) supported framed hypotheses. The overall results showed that there is a positive and meaningful relationship between HRMS and organizational commitment (0.71,  $p<0.01$ ). The study also found HRM practices systematically effects on organizational commitment in the banking industry.

**Edith W.M.Gathungu et.al (2015)** conducted a research to analyze the effect of promotion strategies on the organizational commitment of bank employees. The study mainly focused on-contract, permanent employees of organizational commitment. The results of the study revealed that both promotion and commitment doesn't have a strong relationship in commercial banking sector. The study also revealed that when employees move from contract to permanent their level of commitment is neutral. In promotion practice, those who are permanent have little interest in promotion to higher grade. The study concludes that promotion practices had little or no influence on the organizational commitment of bank employees.

**Maha Ahmed Zaki dajani (2015)** conducted a study to understand the impact of employee engagement on job performance and

organizational commitment in the banking sector. The key drivers influencing employee engagement are leadership, organizational justice, compensation, work policies and procedures, Training and development. The select all key drivers' factors are positively correlated to employee engagement, in turn these employee engagements create active job performance and organizational commitment of banking employees.

**Abeer Imam et.al (2014)** conducted a study to evaluate the impact of job satisfaction on organizational commitment in banking sector. The study results revealed that there exist a positive relationship between job satisfaction and organizational commitment among employees of banking sector in Pakistan.

**Mangaleswaran & P.T.Srinivasan(2012)** conducted a study to understand and compare the organizational commitment in India and Srilanka public sector banks. The results of the study showed that affective commitment of both the country employees are emotionally attached with the organization, continuance commitment is impressive on the both country employees; normative commitment shows that both country people have feeling of obligation to continue in the organization.

**Michel zitouni et al. (2011)** investigated the impact of HRM practices on the organizational commitment among employees in the banking sector. The study variables are competence development, fair rewards, information sharing correlated positively with affective commitment, fair reward, information sharing correlated positively with continuance commitment, information sharing only positively correlated with the normative commitment. Among all HRM practices some of HRM practices only i.e. competence development, rewards, and information sharing influence organizational commitment of employee in banking sector.

**Shruti Lamba &Nirmala choudhary (2013)** conducted a study on the impact on HRM

practices on organizational commitment. The results of the study showed that HRM practices such as training & development, compensation and welfare activities has significant effect on organizational commitment. HRM practices are playing a key role in improvement of employee satisfaction.

**Patiraj kumara & Bhanu priya(2017)** Conducted a study to understand organizational commitment by comparing public and private sector bank employees. This study was carried out by associating the managerial levels with the organizational commitment among bank employees. The study concluded that lower levels managers of banking sector have the lowest level of the organizational commitment among the top, middle and lower level of managers while the top level managers have the highest level of organizational commitment. The study results also showed that public sector bank employees are more committed than private sector bank employees. Because private sector employees are facing more stress in work environment, insecurity and harmful politics.

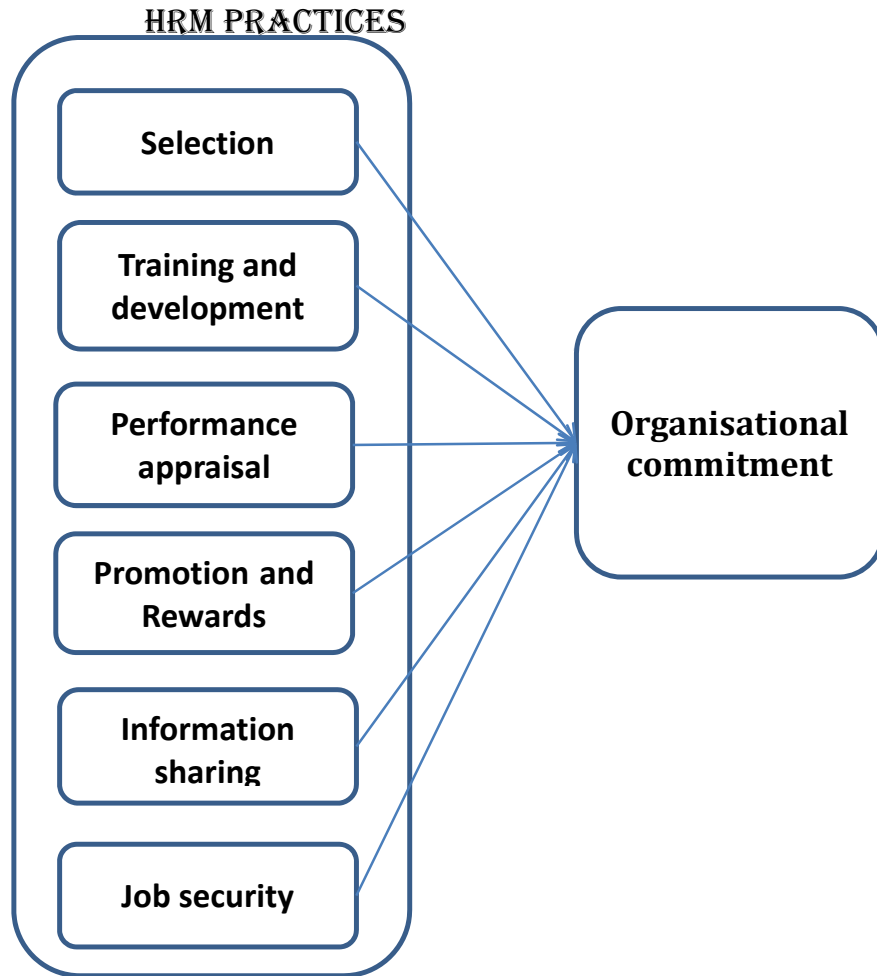
**T.Mangaleswaran & P.T Srinivasan (2015)** conducted a study to understand the effects of HRM practices on organizational commitment in public sector banks and considered as variables staffing, training, compensation, performance appraisal, employee relations. The results of the study found that above all HRM activities may not have same sort of effect. The study results showed that affective, continuance commitment were found low correlation with the some HRM practices. Finally the study found that HRM practices positively correlated with the organizational commitment.

#### **Objectives of the study**

- To study the Effect of HRM practices on organizational commitment of employees in banking sector.

**Table no 1: Table showing the Select HRM practices for the present study**

HRM practices	Source
<b>Selection practice</b>	Becker & Gerhart(1996), Appelbum(2000), Faheem Ghazanfar et.al (2012), shruti lamba & Nirmala chowdary(2013)
<b>Training and development</b>	Faheem Ghazanfar et.al (2012), shruti lamba & Nirmala chowdary(2013)
<b>Performance appraisal</b>	Latham and Smith (1990), Boxall and Purcell (2008), Faheem Ghazanfar(2012)
<b>Promotion and rewards</b>	Zaitouni M (2013), Fey et al.(2000), Judge & Khan(2005), shruti lamba & Nirmala chowdary(2013).
<b>Information sharing</b>	O'Neill and Adya (2007), Faheem Ghazanfar et.al (2012), Didem Paşaoğlu(2015).
<b>Job security</b>	Blau, 2001, Singh (2004), Faheem Ghazanfar et.al (2012), Didem Paşaoğlu(2015).



**Figure: 1 showing HRM practices association with organization commitment**

## HRM Factors affecting organization commitment

### 1. Selection influences on organizational commitment

Selection is the process of picking up individuals (out of the pool of job applicants) with requisite qualifications and competence to fill jobs in the organization. "Selection is the process of differentiating between applicants in order to identify and hire those with a greater likelihood of success in a job." The selection process that is significant and sometimes undervalued is the development of screening tools. The ultimate goal of selection is to hire the candidate who is the best possible match for the job duties and the culture of the company.

Scholars have elaborated the human resource systems in three ways, which are its common dimensions (Delery 1998; Appelbaum et al. 2000). The first one relates to level of investment in an organization's HR practices addressing the knowledge, skills and abilities of the organizations' employees. The practices included in this dimension are recruiting, training, and selection. The second set of practices relates to enhancing motivation and the level of effort in an organization's employee, ingenuity, and performance. The third and final set of practices looks after the level of investment in HR practices in an organization to create an environment where employees feel and participate in decision making with regard to their work and about the outcomes. These three dimensions of HR practices as a system can be expected to influence organizational commitment, with each of these dimensions having its own effect. One of the effects of these practices relates to hiring and selection measures used by the organizations to ensure highly competent employees feel that they are at the right place and are part of the organization's family; this will lead the employees to be more committed to the organization.

### 2. Training and development influences on organizational commitment

"Training & Development is any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge."

The recent literature studies, training are evaluated in the basis of its relation to

organizational commitment. Many studies show that with training, an increase in the employee's level of organizational commitment has been observed. Employees start to expect that they will be provided training opportunities with the thought that they will show organizational commitment in return for the trust that a verbal psychological contract has been signed between them and the organization Bartlett (2001). **Huadong Yang & Karin Sanders (2012)** analysed the connections between employee's perceptions of training, in terms of perceived training related benefits, perceived supervisor support for training, and perceived access to training and their three types of organizational commitment continuance, affective, and normative. The results showed that employee's perceptions of training were related to their commitment to the organization.

### 3. Performance appraisal influences on organizational commitment:

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal helps supervisors to assess the work performance of their subordinates. Performance appraisal helps to assess the training and development needs of employees. Performance appraisal provides grounds for employees to correct their mistakes, and it also provides proper guidance and criticism for employee's development. Performance appraisal provides reward for better performance. Performance appraisal helps to improve the communication system of the organization.

**M.G. Shahnawaz & Rakesh C. Juyal (2006)** found that performance appraisal is the significant predictor of organizational commitment. It has both administrative as well as individual development inclination and organization's sincerity towards performance appraisal helps in enhancing commitment and trust among employees. **Munir Salleh, Aziz Amin, Shaladin Mudal & Muhammad Abi Sofian Abdul Halim (2013)** concluded that perceived fairness of performance appraisal has a positive influence on the employee commitment towards organization through the mediating factor of satisfaction. HR practices has noticed that HR practices that evaluate performance has positively influenced the

improvement of employee skills and expertise. The number of studies supporting the argument that individual performance depends on skill, motivation and opportunity have dramatically increased in time. According to social exchange theory, investing in the wishes of employees will cause the workplace behavior of the employees to be more positive in any organization **Cropanzano and Mitchell (2005)**.

#### **4. Rewards and promotion influences on organizational commitment**

Highlighting internal career opportunities relating to promotion are likely to produce a sense of justice and fairness among employees, which will result in enhanced commitment level **Fey et al. (2000)**. The focus on the provision of fair and equitable chances of getting promotion also helps firms not only to retain highly skilled employees but also to increase their commitment level. **Landsman** concluded that the belief of employees about the fairness in the distribution of rewards and punishments leads to higher commitment of employees with the organization. **Aktar et al (2012)** has defined rewards as one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality, further improve employee performance and organizational commitment.

#### **5. Information sharing influences on organizational commitment**

Information sharing play a key role in the organizations, efficient information sharing is practiced between employees with responsibility and teamwork principles, a corporate concept of responsibility and mutual cooperation will develop. **Wasko and Faraj (2005)**. In which information sharing is in practice employees will be more loyal to those organizations **Wasko and Faraj (2005)** Information sharing is practiced effectively among employees on the bases of responsibility and teamwork, this will result in a sense of an obligation and reciprocity towards the organization as a whole.

#### **6. Job security influences on organizational commitment**

Job Security is the presumption or confidence of an employee that he will not lose his current job he is holding to. High level job security indicates that the employees will not lose their jobs in the near future. Job security is

more of a perception; it is intangible thing which we cannot look at but we feel it. Job security will be different in different professions and industries. The job security affects employees' performance in a company. The employee with low job security always feels under threat regarding his job and the employee could not work to his full potential. Often then threat faced by such employees will also be transferred to other employees in the company.

**Chang (2005)** view that job security is a practice through which the organization conveys the message of commitment to the employees, and expects in return that the employees will respond through displaying their commitment to the organization. Job security increases the organizational commitment of the employees (**Meyer & Smith, 2000**). According to Meyer & Smith argument job security is a practice used by any organization to convey a message of commitment to the employees, and in return, expect them to show the organization commitment.

#### **Limitations of the study**

A number of studies have been reported in the literature regarding the Impact of HRM practices on organizational commitment in the banking sector, but an exhaustive study still needs to be conducted with special reference for establishing a proper relationship between HRM practices and organizational commitment. The present study purely depends on secondary data only.

#### **Conclusion**

The primary objective of the study is to find out the impact of the HRM practices on organizational commitment. It can be noted that from the above discussion, HRM practices in the banking sector are used from the past few decades; it is now been increasingly perceived by the bankers that HRM practices play a strategic role in change and growth of organizations. In this context, banking organization have initiated various HRM practices to address various issues in the spheres of selection, training & development, performance appraisal systems, job security, promotion & rewards policies and technological advances. From the previous research studies it is observe that all the HRM practices are positively correlated with the organizational commitment. It can be concluded

from this research that the select HRM practices have effect on employees towards attaining organizational commitment in banking sector.

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