

## **HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL COMMITMENT OF COMMERCIAL BANKS IN NAWALPUR**

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### **Abstract**

*Human resource management (HRM) is the practice of recruiting, hiring, deploying and managing an organization's employees. Organizational performance is the ability of an organization to reach its goals and optimize results. The aim of this study is to explore the perception of employees regarding HRM practices, the relationship between HRM practices and employee satisfaction. The study also aimed to find out the relationship between HRM practices and organizational commitment in Nepalese commercial banks in Nawalpur. The study was based on the quantitative research design and the participants in this study were the bank's employees' human resource management and their performance. The sample size for this study was maintained at 150 participants. To evaluate the phenomenon of the survey, a closed questionnaire was formulated. The results of this study indicated that recruitment and selection practices and organizational commitment are effective in Nepalese commercial banks. But training and development practice, compensation practice and performance appraisal practice is not so effective in Nepalese commercial banks.*

**Key words:** Employees Performance, Employees Satisfaction, HRM, Organizational Commitment, Training and Development,

### **Introduction**

The study of human resource management practices has been an important and critical area in management and organizational performance from last several years especially in the banking industry. Influence of human resource management practices on organizational performance has been an important area of research in past 25 years indicating positive relationship between HR practices and organizational performance (Quershi et al., 2007).

However, today's HRM focuses heavily on the organization's successful

outcomes through the integration of the various HR functions (Dany et al., 2008). Human resource determines an organization's success in overcoming major challenges facing executives today: "globalization, value chain for business competitiveness and HR services, change, attracting and retaining intellectual capital". Today's top performing banks pay extraordinary attention to managing effectively the HR dimensions which affect employee behaviors: morale, motivation, attitude, commitment, etc (Cadle & Yeates, 2008).

Human resource management for an organization is an essential asset. Today

the time has changed when managing HR practices was the responsibility of HR departments. Nowadays, performance enhancement is the responsibility of every manager in an organization. Therefore, while making strategic decisions on HR practices, it is imperative to involve line managers. In fact, the line managers are the real HR managers who are the most responsible for performance enhancement. HR departments heads and experts working in the departments have to understand this message to cooperate with the line management in the management of this valued resource to raise organizational performance (Adhikari, 2009).

Thus this study attempts to identify the impact of HRM practices and the organizational commitment in Nepalese commercial banks. On the basis of the literature review this study tries to link the various HRM practices and the organizational performance.

A firm's human resource management practices have an economically and statistically significant impact on the performance of the organization. It has significant impact on the employee satisfaction, organizational commitment etc. Though there are growing evidence showing an association between human resource management practices and firm performance (Becker and Gehart, 1996), with very few exceptions, the prior industry studies focus only on the manufacturing sector. Despite the fact that, most employees work in service producing industries (Bartel, 2004), the HRM environment can be even more important

determinant of productivity in service sector than the manufacturing sector in today's scenario. In regard to this, the study finds the impact of HRM practices on the organizational performance in the Nepalese commercial bank.

There is not sufficient study carried out to analyze the relationship between HRM practices and the organizational performance in context of Nawalpur using the recent data. To find out the relationship between HRM practices and organizational performance most of the studies have been conducted in the west such as on the domestic operation of US firms, with a smaller number of studies carried out in developing countries (Guest and Hoque, 1992). Numerous studies for e.g. (Singh, 2004), (Rathnawere, 2010), (Mudashiru et al., 2013) etc have shown the positive relationship between the HRM practices and the organizational performance. However, some studies (Guest, 1997) showed that it is important to examine HRM practices on organizational performance in a developing country. Previous studies in Nepal are quite limited in investigating HRM issues in banks. Furthermore, despite the abundance of the studies in the west which revealed the positive relationship between HRM practices and organizational performance (Drogr and Vickery, 1999) so far there is no consistent agreement on what to measure in regards to organizational performance (Becker and Gehart, 1996). This study seeks to find the issues of HRM practices that affect the organizational performance in Nepalese banking industry. Thus in Nepalese banking industry the component Performance appraisal system should be

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studied as HR practices bundle. Although there is relationship between performance appraisal and bank performance there is no such research has been undertaken till now so the study is significance in Nepal.

What perception of employees regarding existing HRM practices, relationship between HRM practices and employee satisfaction and HRM practice affects organizational commitment in Nepalese commercial banks are the major research questions of this study?

The main objectives of this study is to identify the human resource management practices and organizational performance of commercial banks in Nawalpur district.

### **Review of Literature**

Recruitment is the process of attracting pool of candidates for a vacant position. It is the process that involves the searching for and obtaining of qualified job candidates in such members that the organization can select the most appropriate person to fill its job needs (Schuler and Huber, 1993).

The study carried out by Singh (2004) concluded that there is a positive relationship between several HRM practices like selection, performance appraisal, training, compensation system, employee participation with firm performance. Out of these practices only training and compensation system had positive impact on firm performance and market performance of the firm.

The study conducted by Panday (2008) on employees in Nepalese banks still

perceive a significant positive relationship among the components such as personal benefits, career benefits and job-related benefits of training and components of commitment. In concern to this result the researcher also concluded that this study also examines the relationship among HRM practices variable.

Similarly, Deniz (2009) investigated the different aspects of organizational commitment and its determinants for Information Technology (IT) professionals. IT dependent companies should consider the determinants of organizational commitment and ensure that these issues are properly addressed in their human resource strategies.

The study based on a review and research agenda; impact of human resource practices on job satisfaction of employees in foreign and local banks of Pakistan. The study focused on impact of human resource practices like performance evaluation, promotion practices, and compensation practices, working environment and supervisory relationship on job satisfaction of employees in banking sector of Pakistan. The study was done on the basis of primary data collected from branches of Bank Alfalah, Habib Bank Ltd. and NIB bank in Lahore. By applying linear regression model, the study interpreted that there is a strong and positive relationship between the different human resource practices and job satisfaction of employees. The human resource practices like compensation, working environment and supervisory relationship showing 0 values of t-test level of significance shows that these variable

have significant impact on job satisfaction of employees in foreign and local banks of Pakistan but performance and promotion showing greater value than 0.05 level of significance shows that these two variables are not significant to the job satisfaction (Mehta, 2021).

The relationship between the HRM practices and the organizational performance was almost untouched by the other researchers in Nepal. Companies are therefore reluctant to invest in human resources (Adhikari and Muller, 2001). There are very few study conducted on finding the relationship between HRM practices (Recruitment and selection, Training and Development, Performance appraisal, Compensation, employee involvement) and organizational performance (Employee satisfaction, organizational commitment, ROA, ROE, EPS).

Independent Variables	Dependent Variables
<ul style="list-style-type: none"> <li>• Recruitment and Selection</li> <li>• Training and Development</li> <li>• Compensation Practices</li> <li>• Performance Appraisal</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Satisfaction</li> <li>• Organizational Commitment</li> </ul>

In the context of Nepal some efforts have been made to examine some of the issues associated with the view of managers and employee on HRM practices. But there are no any attempts so far to find out relationship between HRM practices and the organizational

performance in Nawalpur district. Hence the present study is an attempt to fill the gap taking the case of Nepal. This paper tries to examine the impact of HRM practices and the organizational performance of the Nepalese commercial banks.

### **Methodology-**

This study has employed descriptive research design to deal with the fundamental issues associated with the HRM practices and the organizational performance of Nepalese commercial bank. Descriptive research design attempts to obtain a complete and accurate description of a situation.

This study has used the primary data. The structured set of questionnaires was distributed to the employees of the sample banks and was collected. The primary data were used to extract the information from the employees regarding the perception of employees on the existing HRM practices in Nepalese commercial banks, impact of HRM practices in Nepalese banking sectors and identify the need for improving HRM practices in Nepalese commercial banks. There are 17 commercial banks are operating in Nawalpur district. All the employees of these banks are the population of this study. The data were collected from the 150 respondents of 17 different commercial banks in Nawalpur district randomly. The Cronbach's alpha coefficient for the 32 items is 0.943, suggesting that the items have relatively high internal consistency.

### **Result and Discussion**

On the statement recruitment and selection process is clear and well-defined 26.7% agreed to a great extent, 57.3% agreed to a considerable extent and 16% of the respondents are to some extent to this statement. The mean value for this statement is 4.11. The weighted average of recruitment and selection practice is 4.178 which is much more above than average and this indicates that recruitment and selection is effectively in Nepalese commercial banks in Nawalpur.

The weighted average mean for training and development is 3.42 which is slightly greater than average. This indicates training and development is not so much effectively followed in Nepalese commercial banks in Nawalpur district.

Likewise regarding compensation practices based on written policy and guidance 4% of the respondents think that commercial bank's compensation practices is based on written policy and guidance to a great extent, 49.3% think of a considerable extent, 46% of the respondents are in to some extent to this statement and 0.7% of the respondents think that Nepalese commercial bank's compensation practices is not based on written policy and guidance. The mean value for this statement is 3.57. The weighted average value of the compensation is 3.58 which reveals that employees are not much dissatisfied with the compensation of commercial banks in Nawalpur.

Similarly regarding the statement performance appraisal being conducted by trained supervisors 53.3% of the respondents are in to some extent to this statement, 40% of the respondents think of a considerable extent and 4% think that performance appraisal is being conducted by trained supervisors to a great extent of commercial banks in Nawalpur. The mean value for this statement is 3.45. The weighted average mean value for this variable is 3.535 which is just above the average. Hence commercial banks in Nawalpur need to make better performance appraisal practices.

Regarding the statement "I am satisfied with my job," 78.6% of the respondents feel that they are satisfied with their job. 15.3% of the respondents are neutral to these statement and 6% of the respondents disagree with the statement. The mean value for this statement is 3.84. The weighted mean value for this variable is 3.78. This table shows higher percentage of the respondents agree with the statement that they are satisfied with the recruitment and selection, training and development, performance appraisal, compensation, provided working environment and overall with their job.

The table 1 shows the correlation between dependent variable Employee Satisfaction (ES) and explanatory variable Recruitment and Selection (RS), Training and Development (TD), Compensation Practices (CP) and Performance Appraisal (PA).

Table 1  
Correlation matrix between HRM and employee satisfaction

Variables	ES	RS	TD	CP	PA
ES	1.000				
RS	.359**	1.000			
TD	.568**	.133*	1.000		
CP	.542**	.476**	.320**	1.000	
PA	.596**	.167**	.574**	.337**	1.000

Notes: \*\*. Correlation is significant at the 0.01 level (1-tailed).

\*: Correlation is significant at the 0.05 (1-tailed).

Table 1 represents the Kendall’s Tau correlation coefficient between the dependent variable employee satisfaction and various independent variables as recruitment and selection, training and development, compensation and performance appraisal. The Tau coefficient for the employee satisfaction and recruitment and selection is positive and significant at 1% level of significance, so it reveals that there is a positive association between employee satisfaction and recruitment and selection in banking sector. Likewise, the Tau coefficient between employee satisfaction and training and development is also positive and significant at 1% level of significance. This shows there is a positive association between employee satisfaction and training and development. There is also a positive and significant association between employee satisfaction and compensation practices. It is significant at 1% level of significance. The table also shows the positive association between employee satisfaction and performance appraisal. The Tau coefficient 0.596 is also significant at 1% level of significance. The table also reveals employee satisfaction have high

correlation with performance appraisal (0.596) and low with recruitment and selection (0.359). Since all the independent variable are positive and significant to dependent variable employee satisfaction. This indicates HRM practices in Nepalese commercial banks have very important role for employee satisfaction on their job.

The table 2 shows the correlation between dependent variable Organizational Commitment(OC)and explanatory variable Recruitment and Selection (RS), Training and Development (TD), Compensation Practices (CP) and Performance Appraisal (PA).

Table 2  
Correlation matrix between HRM and organizational commitment

	OC	RS	TD	CP	PA
OC	1.000				
RS	.540**	1.000			
TD	.286**	.133*	1.000		
CP	.496**	.476**	.320**	1.000	
PA	.314**	.167**	.574**	.337**	1.000

Notes: \*\*. Correlation is significant at the 0.01 level (1-tailed).

\*: Correlation is significant at the 0.05 (1-tailed).

This table 2 reveals the Kendall's correlation coefficient between the dependent variable organizational commitment and various independent variables. The table suggests that all the variables are positively correlated and significant at 1% level of significance. The Tau coefficient for the organizational commitment and recruitment and selection is positive and significance at 1% level, so it reveals that there is a positive association between organizational commitment and recruitment and selection in banking sector. The positive and significant Tau between organizational commitment and training and development also shows that there is a positive association between training and development and organizational commitment. There is also a positive and significance association between organizational commitment and performance appraisal. The table also shows the positive association between organizational commitment and performance appraisal. The Tau coefficient .314 is also significance at 1% level of significance. The table also reveals that organizational commitment have high correlation with recruitment and selection (0.540) and low correlation with training and development (0.286). Since all the independent variable have positive and significant relation with the dependent variable, this indicates that the variable recruitment and selection, training and development, compensation practices and performance appraisal are responsible for being employee committed to their organization and job in Nepalese commercial banks.

### **Conclusions**

The major conclusion of this study is recruitment and selection practices and organizational commitment are effective in Nepalese commercial banks. But training and development practice, compensation practice and performance appraisal practice is not so effective in Nepalese commercial banks. Employees think that if the Nepalese commercial banks have good HRM practices then it will increase employee's commitment towards their organization and job as well as employee satisfaction towards their job, which is consistent with Mehta, 2021. Most of the employees are satisfied with the recruitment and selection practices in Nepalese commercial banks. But they are not well satisfied with the training and development, compensation and performance appraisal practice. Hence Human Resource Management practices are still needed to be improved in Nepalese commercial banks.

Human resources in an organization are the most valuable resources because of their talents and energies that can contribute towards the achievement of the organization's mission, vision, strategy and goals. Human resource management practices have an economically and statistically significant impact on both intermediate employee outcomes and short and long term measure of corporate financial performance (Huselid, 1995). It is imperative for the management to reduce, to the minimum, the frequency at which employees, particularly those that are crucial to its operations leave the organization (Samuel and Chipunza, 2009).

The study also concludes that recruitment and selection, training and development, compensation practices and performance appraisal have major role for employee satisfaction and organizational commitment in Nepalese commercial banks. The study also shows recruitment and selection play major role for influencing financial performance in Nepalese commercial banks also consistent with Singh, 2004.

### **Implications**

HRM practices such as training and development, compensation practices and performance appraisal practices are not so much effective in Nepalese commercial banks. These variables have a low weighted average value. Thus in Nepalese commercial banks HRM practices variables should be improved in order to higher employee satisfaction,

higher organizational commitment.

Besides, this the performance appraisal systems should be based on the performance based grants. Employees should be appraised according to their observed job related behavior. Performance appraisal practices should be improved in Nepalese commercial banks by making it conducted by the trained supervisors. The findings of this study can play an important role in Nepalese financial institutions. These findings can assist in developing a set of HRM practices that can help the banks to raise the employee satisfaction and organizational commitment. The additional study is needed to authenticate the validity and reliability of the tools in Nepalese banks and financial institutions to assist in making a generalization that HRM practices positively impact on organizational and financial performance.

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