

HRM Practices And Employee Commitment In Banking: A Comprehensive Literature Review

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Abstract

Employee commitment is crucial for organizational success, particularly in service-oriented sectors like banking where customer satisfaction and organizational performance hinge on motivated and engaged employees. Human Resource Management (HRM) practices play a pivotal role in shaping employee commitment by fostering a supportive work environment, aligning employee goals with organizational objectives, and promoting job satisfaction. This comprehensive literature review examines the relationship between HRM practices and employee commitment within the banking sector. Drawing from a systematic review of academic literature, this paper synthesizes findings from studies investigating various HRM practices such as recruitment and selection, training and development, performance management, compensation and benefits, and employee relations. The review highlights how these practices influence different dimensions of employee commitment, including affective, normative, and continuance commitment.

Key themes explored include the impact of HRM practices on enhancing employee motivation, fostering organizational citizenship behaviors, and reducing turnover intentions. Moreover, the review identifies contextual factors and organizational strategies that moderate the relationship between HRM practices and employee commitment in banking institutions. The findings underscore the importance of strategic HRM interventions tailored to the unique challenges and opportunities within the banking sector. By understanding the mechanisms through which HRM practices influence employee commitment, organizations can formulate evidence-based strategies to cultivate a committed workforce, enhance service quality, and achieve sustainable competitive advantage.

Keywords – HRM Practices, Employee Commitment, Banking Sector, Human Resources, Organizational Performance

Introduction

Employee commitment stands as a cornerstone of organizational success, particularly within the dynamic and competitive landscape of the banking sector. As financial institutions navigate global markets and evolving customer demands, the role of Human Resource Management (HRM) practices in cultivating a committed workforce becomes increasingly vital. HRM practices encompass a spectrum of strategies and policies designed to attract, develop, motivate, and retain talented employees, thereby influencing their level of commitment to the organization.

In the context of banking, where service quality and customer satisfaction hinge on employee engagement, understanding the nexus between HRM practices and employee commitment is paramount. This comprehensive literature review seeks to explore and synthesize existing research on how HRM practices impact employee commitment within banking institutions. By examining empirical studies, theoretical frameworks, and best practices, this paper aims to elucidate the mechanisms through which HRM practices enhance employee motivation, foster loyalty, and mitigate turnover intentions.

The review will delve into key HRM practices such as recruitment and selection processes that ensure the right fit for organizational culture, training and development initiatives that enhance employee skills and competencies, performance management systems that align individual goals with organizational objectives, and compensation and benefits structures that reward and retain talent. Additionally, the review will scrutinize the role of employee relations strategies in promoting a positive work environment conducive to commitment and satisfaction.

Through this exploration, the paper intends to provide insights into how banking institutions can strategically leverage HRM practices to cultivate a committed workforce, enhance organizational performance, and achieve sustainable competitive advantage in a rapidly

changing industry landscape. By identifying gaps in the existing literature and proposing avenues for future research, the study aims to contribute to the ongoing discourse on HRM effectiveness and its impact on employee commitment within the banking sector.

Objectives of the study

- Conduct a comprehensive review of academic literature on HRM practices and their relationship with employee commitment specifically within the banking sector.
- Identify and analyze key HRM practices such as recruitment and selection, training and development, performance management, compensation and benefits, and employee relations that influence employee commitment in banking institutions.
- Explore different dimensions of employee commitment, including affective, normative, and continuance commitment, and their linkages with HRM practices in the banking sector.

Research Methodology

This study employs a systematic literature review methodology to investigate the relationship between Human Resource Management (HRM) practices and employee commitment within the banking sector. The research begins with the identification of relevant scholarly articles, books, reports, and other academic sources from databases such as Google Scholar, JSTOR, and Emerald Insight. Keywords including "HRM practices," "employee commitment," "banking sector," and variations thereof are used to conduct comprehensive searches.

Inclusion criteria for literature selection include studies published in peer-reviewed journals, empirical research focusing on HRM practices and employee commitment in banking, and studies conducted within the context of diverse geographical locations to ensure breadth and relevance. Articles are screened based on their relevance to the study's objectives, and duplicates or non-peer-reviewed sources are excluded.

Literature review

Every research method must include a review of relevant literature. It helps in reviewing and assessing prior work on the study topic. A great deal of writing has been produced on HRM

and HRD in general, as well as on these topics in the Indian and global contexts in particular. Reference books, case studies, research articles, empirical surveys, etc., have been contributed by several specialists in human resource management and administration. One can effectively comprehend the current hypotheses, ideas, and methods. It is the only method that may reveal the study area's void. The researcher has attempted to provide reviews of some comparable works on human resource practices in this chapter, recognising its importance and relevance for the study effort. It was determined to be both practical and efficient to choose a small number of writers whose works dealt with pertinent topics to the current study. The review has done a great job of shedding light on the study's theoretical and practical components. Therefore, the evaluated and presented works are those that were chosen. The researcher was able to analyse the data gathered from the field survey and develop some helpful findings and inferences with the aid of the reviews. What follows is a discussion of a few of the chosen broad studies that served as a foundation for further research:

In her doctoral dissertation, Mann (2009) examined the SSI programme in Punjab from every angle: hiring, screening, training, and compensation. For the investigation, a total of 429 units were selected as samples. She came to the conclusion that HRM staff need specialised training for the factory gate and agent-based selection and recruiting processes used by SSIs. Employees felt that salary policies varied between SSIs and that wage disputes were the root cause of tension in these companies, she said. She said that SSI should be more cognizant of HRM procedures and that its staff needed specialised training to enhance their abilities.

Human resource practices have a positive and significant relationship with employee perceived performance, according to Zulfqar Bowra and Kabir Niazi's (2011) research paper "Impact of human resource practices on employee perceived performance in banking sector of Pakistan." This finding highlights the critical importance of banks, both public and private, realising that HR practices impact employee performance and, by extension, the overall performance of the bank. A large body of literature identifies a plethora of HR organising techniques with substantial performance-influencing effects.

In terms of customer attention, top-down commitment, and human resource management procedures, private banks outperform public sector banks, according to research by Selvaraj (2009). In addition, there are notable differences between public and private sector banks in terms of the following: remuneration, working conditions, technology, career advancement chances, and job security. According to D'Souza (2002), public sector banks have lower pay disparities, more incentives for long-term employment, and a high base salary, while private sector banks have higher pay disparities, less incentives for long-term employment, and pay based on performance.

By positively impacting other related variables and leading to overall corporate performance, innovative HRM practices help organisations stay ahead of the competition (Tiwari Pankaj, et al., 2009). These practices include job satisfaction, financial performance, employee commitment, service quality, and competitive advantage.

According to Bowra and Sharif (2012), this research aims to investigate the nature and degree of the connection between HR procedures (such as salary, performance assessment, and promotion policies) and employees' perceptions of their own performance in Pakistan's banking industry. The purpose of this survey was to examine the effect of HR procedures on the perceived performance of 235 banking professionals via the use of a personally administered questionnaire. The link and its nature are determined by the use of multiple regression analysis and Spearman's correlation matrix. There is a positive and statistically significant association between HR procedures and how employees view their own performance, according to the findings of Spearman's correlation. Regression analysis shows that out of three HR practices, two are significant (performance assessment and promotion procedures) and one is not (compensation practices).

The findings of this research might also be useful for banking industry executives as they formulate or update their HR policies and procedures in pursuit of peak performance from their staff. In the Indian banking industry in the Tiruchirappalli District of southern India, Karthikeyan K et al. (2010) investigated the effects of training. The research includes both public and private sector banks, as chosen by the authors. Staff satisfaction with training

practices is high across both public and private banks in southern India, and training's efficacy can be gauged by looking at how employees feel about training inputs, the quality of training programmes, and how well they apply what they've learned on the job.

Research by Khera (2010) sought to identify the most important HR practices that contribute to employee productivity and to what degree they varied among India's commercial banks. The research used employee productivity as its dependent variable and seventeen HR practices as its independent variables: workforce planning, hiring practices, motivation, performance management, reward system, training, career planning, innovation & creativity, team building, grievance redressal, quality of work life, employee engagement, accountability, compensation management, benefits and services, discipline, incentives. One public sector bank, one private sector bank, and one foreign sector bank in India made up the sample for the research. The findings indicate that training practices greatly enhance employee productivity. This is particularly true for foreign bank employees, who rank training as the most important human resource practice at their bank. In contrast, employees in private and public sectors prefer a highly motivating work environment and benefits package.

The human resource development techniques of Bank of Rajasthan and State Bank of Bikaner & Jaipur (SBBJ) were examined by Purohit (1992) in his PhD thesis. For this research, 130 bank officials made up the sample. He discovered that both of these Rajasthani banks had an encouraging environment for growth. The bank had seen the value in training programmes and put them into action. However, the mechanism for evaluating performance was only adequate. Workers with degrees in business were more likely to have negative things to say about the performance review process than those with degrees in the arts or sciences. Commercial banks also tended to use a dominating leadership style when it came to training and educating their staff.

He went on to say that these two financial institutions used the majority of HRD best practices. In his opinion, commercial banks should hire HRD specialists to help with HR development. The banks will be motivated to enhance their performance. Jammu (1994)

investigated the structure of the organisation and the administration of staff in the Punjab and Sind Bank. This included the following areas: hiring, placement, advancement, training, compensation, benefits, code of conduct, and the relationship between the employer and employee. He came to the conclusion that the bank's hiring practices and the specialised training it provided were well-received by the staff. But the bank's promotion programme was tainted by political interference, so the workers weren't happy with it. The training centres lacked the necessary equipment and the facilities were inadequate. The survey also found that workers were happy with the bank's pay scale and code and disciplinary policies.

In his doctoral dissertation, Kumar (1996) attempted to examine HRD practices in relation to various demographic variables, including gender, marital status, job title, level of education, number of years in the field, type of employment, and the role that various HRD subsystems played in HRD's overall development. To achieve this goal, a sample of 200 workers was chosen for the current research. He came to the conclusion that although training was provided to the majority of staff, factors like gender and age were not considered. There was a lack of consideration for workers' educational background and professional experience when making promotions and assigning responsibilities, which contributed to employee dissatisfaction with the promotion policy. The majority of employees were satisfied with the welfare facilities, performance appraisal system, and attitude towards management. He further concluded that recruitment was made according to the manpower requirement and that these variables were not considered at the time of recruitment.

Human resource development (HRD) themes such as recruiting, placement, training, promotion, wage pay, financial incentive, transfer, deputation, industrial relations, and political interference were extensively discussed in the study paper by Mahajan and Sharma (2005) on cooperative banks. In this investigation, a random sample of fifty workers was used. They came to the conclusion that the cooperative banks' approaches to HRD were lacking in quality. Regarding the HRD procedures used by these institutions, staff members were dissatisfied.

In an effort to analyse State Bank of India's HRD process, Sharma and Nayyar (2005) published a study article. The research provided a bird's-eye perspective of HRD policies, employee happiness, and the HRD environment at State Bank of India (SBI) in the Chandigarh circle, which includes the states of Haryana, Jammu & Kashmir, Punjab, and Himachal Pradesh. After comparing SBI to other commercial banks in India, he came to the conclusion that SBI has the most employees. The bank's training programme was well-designed, and customer service was top-notch. I was also pleased with the organization's environment, working conditions, and performance evaluation system.

Human resource development techniques have an impact on both personnel development and quality orientation in organisations. In their study article, Hassan et al. (2006) sought to assess this impact. For this study, researchers polled 229 workers from 8 different companies. The data was collected using a questionnaire that assessed a career system, a job planning system, a development system, and a self-renewal system. Findings showed that HR policies and procedures varied greatly among companies, and that the HR performance index as a whole was a strong predictor of not just company success but also staff retention and output. The research found that the learning and development system and the employee development system were the predictors of workers' satisfaction with the HRD atmosphere. Organisations with strong systems for evaluating and promoting employees' potential, as well as providing feedback on their performance and opportunities for professional growth, were shown to have higher levels of employee trust and satisfaction.

Public sector banks were unable to fill open positions due to insufficient recruiting efforts, as detailed in a study by Mellacheruvu and Krishnamacharyulu (2008). These financial institutions had paid little attention to training. They also thought that the bank's performance review process may use some work to make it more objective and aligned with its goals. They also discovered that banks paid their workers less than other companies and that there was no correlation between a strict system of incentives and promotions and employee performance. Because of this, banks were unable to properly prepare for employee retention and succession. Additionally, they advocated for more independence for banks in hiring and

accelerated promotions for deserving workers. HRD programmes should be designed to foster a service culture by using a performance-based promotion and incentive system.

The perspective of workers in public and private sector banks with relation to training and development programme design, execution, and assessment was studied by Manjinder (2009). The study also compared training and development methodologies. The research relied on a representative sample of 150 workers. She came to the conclusion that training design was an area where public and private sector banks have concentrated, with this area being affected by factors such as internal mobility, technological advancements, and job requirements. She went on to say that the two kinds of banks have trained their staff using the finest practices available. A more diverse training programme should be implemented, she said. At regular intervals, all workers, regardless of rank, should be able to reap the advantages of these programmes, and these financial institutions should adopt the e-training idea.

Pathak Neetu surveyed 300 people working in the public sector and 300 people working in the private sector for their research. In the Purvanchal area, the survey was given to both general and supervisory/managerial level personnel at similar rates. Primary data alone formed the basis of the investigation. The research set out to analyse and determine the training programmes' efficacy. The results show that training programmes do a good job of enhancing knowledge, skills, and attitudes. They allow workers a chance to grow as individuals while also fostering team spirit, commitment to the job, and learning abilities. Technical and behavioural training, however, should take front stage. After a certain amount of time has passed, the training process may be assessed. Staff members will gain more if the programmes are longer and given more background information.

Public sector banks in India are facing a number of issues, according to research by Mellacheruvu Sujatha and Krishnamacharyulu. The study's primary aim was to analyse recommendations given by banking sector professionals. While highlighting HR issues in public sector banks, the study found that experts and a high-level HR committee with representation from the Indian Bankers Association, the Indian government, State Bank of

India, and other public sector banks had proposed solutions to the training gap. By implementing training and development programmes, the bank will be able to identify which skills are most important for its future success. The new reality and client expectations need training programmes that adapt to them.

A study by Trivedi Vikas (2008) compares and contrasts the HR policies and procedures of public and private banks, shedding light on the contrasting HR approaches used by the two types of financial institutions. He chose 123 bank workers from the public and private sectors to participate in his research. He has used a standardised questionnaire for this purpose. The author draws the conclusion that private sector bank personnel are motivated to achieve in their profession and are given the opportunity to do so. However, seniority and other factors determine an employee's hierarchical position and advancement opportunities in public sector banks. Training and retraining programmes that last a long time should be implemented by public sector banks, according to him. It is also important to improve public sector banks' training facilities.

Conclusion

The comprehensive literature review on HRM practices and employee commitment within the banking sector reveals significant insights into the multifaceted relationship between human resource management strategies and organizational outcomes. Throughout this study, we have explored a wide array of empirical studies, theoretical frameworks, and best practices that illuminate how HRM practices influence employee commitment across different dimensions— affective, normative, and continuance—in banking institutions. Key findings underscore the critical role of strategic HRM practices such as recruitment and selection, training and development, performance management, compensation and benefits, and employee relations in fostering employee engagement and commitment. These practices not only contribute to enhancing job satisfaction and organizational citizenship behaviors but also play a pivotal role in mitigating turnover intentions among banking professionals.

Moreover, the review highlights the contextual factors and organizational strategies that moderate the relationship between HRM practices and employee commitment. Factors such

as organizational culture, leadership styles, and external market dynamics influence the effectiveness of HRM interventions in nurturing a committed workforce within banking institutions. Despite the positive impact of HRM practices on employee commitment, challenges persist, including the need for alignment between HRM strategies and organizational goals, addressing diversity and inclusion issues, and adapting to technological advancements shaping the future of work in banking.

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