

# Impact of Human Resource Practices on Organizational Commitment and Employee Retention - A Study in Private Sector Banks in Madurai District

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**Abstract:** Human resources are considered as a source of sustainable competitive advantage which plays a major role in achieving an innovative and high-quality performance in an organization. The Human Resource Management practices focuses on optimal utilization and management of their human resource effectively to achieve maximum output. The Indian banking sector has emerged as one of the strongest drivers of India's economic growth. Banking has become the backbone of Indian economy. The Indian banking industry has made outstanding advancement in last few years, even during the times when the rest of the world was struggling with financial meltdown. Today Indian Banking is at the crossroads of an invisible revolution. As the banking business strategies change from a worker-intensive to an automated information society, the workforce increasingly becomes more educated with higher professionalism and a decrease in organizational loyalty. High skilled workers want to work on projects that enhance their career, knowledge asset and future earning power. Consequently, when the employees get a good opportunity, they change from that job. On the other hand, employers struggle to retain their valuable employees due to a general shortage of experienced candidates and aggressive recruitment tactics by others in the highly competitive era. The high skilled worker identifies with a high skilled culture and helps the organization to stand out from others. Employee satisfaction improves morale in a business, which leads to increases in services and employee retention rates. Retaining employees is common to any industry including banking. This paper is aimed to study the impact of human resource practices on organizational commitment and employee retention in private sector banks in Madurai.

**Keywords:** Affective Commitment, Continuance Commitment, Normative Commitment

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## INTRODUCTION

Success in today's competitive market depends less on advantages associated with economies of scale, technology, patents but are more derived from organizational human resources and high involvement of human resource management practices. For an organization to be more effective it should have skillful and innovative employees to work and should also try to retain them. There is not a single HR Practice which a company aspires to retain its employees. There are different HR Practices which a company combines to manage its HR system. A company should always combine "Number of Best HR Practices" which they should implement for the survival and sustainability of the organization. "Best practices" in HR are subjective and transitory. They enhance internal capabilities of an organization to deal with current or future challenges to be faced by an organization. Good HR practices also energize people working in the organization. The commitment and motivation built through good HR practices can lead to hard work. The culture so built can help to create a sustainable and lasting capability of the organization to manage itself and not only cope with the external turbulence. Good employees are supposed to have such characteristics as high satisfaction with their jobs, high commitment towards the organization, high motivation to serve the public and strong intentions to work for the organization willingly and devotedly.

Human resource management practices is the management of people within the internal environment of organizations, comprises the activities, policies, and practices involved in planning, obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate numbers and skill mix of employees to achieve the organization's objectives. HR practices contribute to the organization's bottom line, areas such as recruitment, selection, training, development and performance appraisal which should be consistent, integrated and strategically focused. Firms need to build long-term commitment to retain their work force. Organizational commitment is the individual's psychological attachment to the organization. Higher is the rate of commitment, more is the attachment towards the organization. Commitment represents something beyond loyalty and involves an active relationship with the organization. Organizational commitment of employees can also be increased by committing the values of people first by giving them proper compensation, promotion, training, fringe benefits etc. Also by communicating and clarifying the mission, vision and objectives of the organization, comprehensive grievance procedure provide for extensive two way communication, support employee development, security etc. All these practices highlight the attractive features of the job for the career development of employees, which is reciprocated by commitment. Organizationally committed employees will usually have good attendance records, demonstrate a willing adherence to company policies, and have lower turnover rates which are directly related to employee's retention.

## STATEMENT OF THE PROBLEM

Employee turnover is a cause for concern when the best and brightest employees are leaving the organization for another, and there may be something that the business could do to retain those employees. With emergent workers being the newest category of worker, Organizations need to pay attention to retention of these highly skilled employees as they have a No-fear perspective on job change. As the business strategies change from a worker-intensive industrial society to an automated information society, the workforce increasingly becomes more educated with higher professionalism and a decrease in organizational loyalty. High skilled workers want to work on projects that enhance their career, knowledge asset and future earning power. Consequently, when the employees get a good opportunity, they abscond from that job. On the other hand, employers struggle to retain their valuable employees due to a general shortage of experienced candidates and aggressive recruitment tactics by others in the highly competitive era. The high skilled worker identifies with a high skilled culture and helps the organization to stand out from others. This results in fewer idle work hours, effective performance. Skilled workers are not threatened by obsolescence when new technology changes the method of services, as workers used to learning new skills consistently can adapt to changes in services. Employee satisfaction improves morale in a business, which leads to increases in services and employee retention rates. Retaining employees is common to any industry including banking. This paper is aimed to study the impact of human resource practices on organizational commitment and employee retention in private sector banks in Madurai.

## OBJECTIVES OF THE STUDY

Following are the objectives of the study

1. To find out the factors influencing the respondents towards Organizational Commitment and Employee Retention
2. To study the relationship between Human Resource Practices, Organizational Commitment and Employee Retention.

## SCOPE OF THE STUDY

The present study encompasses two possible important inputs that influence Human Resource practices in the selected private sector banks in Madurai namely Organizational Commitment and Employee Retention. Further the study covers employees of Modern Private Sector Banks in Madurai as the technical, support staff, and maintenance personnel are inaccessible.

## HYPOTHESES

There is no significant relationship between Human Resources Practices and Organizational Commitment.

There is no significant relationship between Human Resource Practices, Organizational Commitment and Employee Retention.

## RESEARCH METHODOLOGY

The study is descriptive in nature and based on both primary data and secondary data. The Field of study is located in Madurai District Tamil Nadu. The primary data were collected through Interview Schedule designed for the study from the respondents. The Secondary data were collected through Company Records, Government Publication, and Library, Industry analyses offered by the Media, Website, Internet, Magazines and Journals. There are 11 Old Private Sector Banks and 7 Modern Private Sector Banks in the study area. Proportionate Random Sampling technique is adopted to select the sample. The entire population was divided into four strata. There are 208 staff working in the private sector banks in all the cadres put together. 19 staff from Axis bank, 55 staff from ICICI bank, 14 staff from IDBI bank and 32 staff from HDFC bank are included as sample respondents.

**TABLE: 1 SAMPLE SIZE**

Modern Private Banks	Number of Staff	
	Population	Sample
Axis Bank	32 (15.4%)	19 (15.4%)
ICICI Bank	96 (46.2%)	55 (46.2%)
IDBI Bank	24 (11.5%)	14 (11.5%)
HDFC Bank	56 (26.9%)	32 (26.9%)
	208	120

## REVIEW OF LITERATURE

**Angel and Perry** found that Reciprocity is a mechanism underlying commitment and employees will offer their commitment to the organization in reciprocation for the organization having fulfilled its psychological contract.

**Cheng, W L** elaborated his views in his challenging work for banks management is to encourage the employees to provide the better services in the regards of customer's expectations. It is the first and foremost responsibility of the human resource manager to keep the employees motivated and to do their best by retaining in the organization. Dissatisfaction of the employees with the working environment causes the poor performance which intern leads to the higher turnover in an organization.

**Fitz-Enz** concludes that employee retention is influenced by many factors training and development, recruitment and selection - which should be managed congruently, and it implies that both organizational factors and HR practices may influence retention of employees and their commitment.

**Huselid** found nearly one thousand firms, which invest in high performance HR management practices, including: comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training. These practices were found to have both an economically and statistically significant impact on employee turnover and productivity.

**Komal Khalid Bhatti** has shown that direct participation has effect on Organization commitment has significant and positive impact among Banking Sector Employees of U.S.A and Pakistan. The HRM practices were measured on a scale for recognition, competence development, fair rewards, and information sharing and study showed that competence development, fair rewards has impact of HRM practices on Organizational commitment and other factors doesn't show an impact on organizational

**Mushrush**, views that there are many potential causes for turnover; sometimes the causes are related to the HR practices of the organization and can be managed. These include such things as non-competitive compensation, high stress, working conditions, monotony, poor supervision, poor fit between the employee and the job, inadequate training, poor communications, and other organization practices.

**Ramlall**, found that Employee retention is an expensive proposition for companies and organizations. Direct costs include recruitment, selection, and training of new people. Indirect costs include such things as increased workloads and overtime expenses for coworkers, as well as reduced productivity associated with low employee morale. Taking into account both the direct and indirect costs of employee retention, the minimum cost equates to one year's pay and benefits and a maximum of two year's pay and benefits

**Yao & Wang** argues that all three types of organizational commitment are positively related to job satisfaction and negatively to employee's turnover intentions and behavior. However, several researchers have discovered that the best predictor of employee's attitudes, behavior and turnover intentions is the affective commitment.

## RESULTS AND DISCUSSION

The personal profile of Private sector bank employees is analyzed with the help of percentage analysis and the Impact of Human Resources Practices among selected private sector bank employees towards Organizational Commitment and Employee Retention is studied with the help of descriptive statistics and the results are presented below.

### DEMOGRAPHIC PROFILE

Out of 120 respondents, 92 are male and 28 are female, the age of 39 respondents ranges between 26 and 30, it is between 31 and 35 for 34 respondents, it ranges between 20 and 25 for 25 respondents and it is above 35 for 22 respondents. 71 respondents are post graduates and 49 respondents are graduates, Out of 120, 85 respondents have 6 to 10 years' experience, 14 have below 5 years' experience, 12 have 11 to 15 years' experience and 9 have 16-20 years' experience, 16 respondents are designated as Operation Managers, 15 respondents are Executive Officer, 13 respondents are Senior Officer, 12 are Chief Executive Officer, 11 are Junior Officer and 10 are designated as Deputy Manager

**TABLE: 2 DESCRIPTIVE STATISTICS FOR HR PRACTICES AND ORGANISATIONAL COMMITMENT**

S. No	Variables	Mean	Standard Deviation	Rank
1	Salary	4.3752	.34510	1
2	Working Environment	4.2033	.21277	2
3	Recruitment	3.8100	.24772	4
4	Selection	3.4330	.12380	9
5	Training & Development	3.6289	.19523	6
6	Team work	3.6116	.52556	7
7	Participation	3.4610	.39036	8
8	Leadership	4.0417	.36910	3
9	Organizational Commitment	3.7200	.24837	5

The high mean value of 4.3752 for salary indicates that Private Bank Employees consider salary as the main factor for Organizational Commitment. The mean Value of 4.2033 for the Working Environment indicates that employees lay more emphasis on the organizational environment. Leadership has the highest mean score of 4.0417; Whereas Selection has the lowest mean score of 3.4330.

The high score in the variable indicates that employee of various Private Banks perceive that their organizations follows Recruitment, Training and Development which enables them to perform effectively. A lower score in selection indicates that employees need perfect and effective selection process. It is further concluded that there is a significant relationship between Human Resources Practices and Organizational Commitment.

**TABLE: 3 FACTORS INFLUENCING ORGANISATIONAL COMMITMENT**

To find out the factors influencing the organizational commitment, all the statements are answered on a five-point qualitative scale (Strongly Agree, Agree, Neither Agree nor Disagree, Disagree, Strongly Disagree) values 5 through 1 respectively, so that higher values reflect a greater amount of worker commitment

S. No	Factors	SA	A	N	DA	SDA	Weighted Average	Rank
1	I feel that the job is interesting	125	-	84	36	49	2.133	5
2	I am proud to work for my team	5	40	63	90	43	2.625	3
3	I like to associate with my colleagues	-	4	120	120	19	2.133	5
4	Organization has a deal of personal meaning to me	-	-	75	112	39	2.05	7
5	Owe a great deal to my organization	5	140	6	114	25	2.458	4
6	Emotionally attached to this organization	5	140	30	88	30	3.041	2
7	I feel as if this organization's problems are my own	5	136	81	48	34	2.05	7
8	Part of the family at my organization	5	136	87	42	35	3.366	1

The researcher used frequencies to calculate Weighted Average. Most of the respondents gave I rank to "I feel like "part of the family" at my organization" with average score of 3.366 followed by "I feel "emotionally" attached to this organization" obtained II rank with an average score of 3.041, "I am proud to work for my team" got III rank with an average score 2.625 and "I owe a great deal to my organization" acquired IV rank with an average score of 2.458 followed by "I like to associate with my colleagues" and "I feel that the job is interesting" obtained V ranks with an average score 2.133.

**TABLE: 4 FACTORS INFLUENCING EMPLOYEE RETENTION**

S. No	Factors	SA	A	N	DA	SDA	Weighted Average	Rank
1	Right now staying with my organization is necessity	5	8	165	74	25	2.141	7
2	Very hard for me to leave my organization	35	196	9	64	29	2.475	5
3	I have very few options to consider for leaving this organization	-	16	51	28	85	2.633	4
4	I would feel guilty if I leave my organization now	10-	-	78	106	39	2.9	3
5	Scarcity of other job opportunity	5	12	87	64	55	2.05	8
6	I have a sense of obligation	10	8	45	82	60	3.166	1
7	Even if I get the better job, I do not feel to leave my organization	0	8	99	90	40	3.108	2
8	My life would be disturbed if I decided to leave this organization	20	64	177	30	26	2.408	6

Most of the respondents gave I rank to “I would not leave my organization right now because I have a sense of obligation to its people” with an average score of 3.166 followed by “Even if I get the better job, I do not feel that it would be right to leave my organization now” obtained II rank with an average score of 3.108, “I would feel guilty if I leave my organization now” got III rank with an average score 2.9 and “I feel that I have very few options to consider for leaving this organization” acquired IV rank with an average score of 2.633 followed by “It would be very hard for me to leave my organization right now, even if I wanted to do” obtained V rank with an average score of 2.475

#### **RELATIONSHIP BETWEEN HUMAN RESOURCE PRACTICES, ORGANISATIONAL COMMITMENT, EMPLOYEE RETENTION AND ORGANISATIONAL PRACTICES**

It is observed through primary data collected from the interview schedule with the help of structured questions. Human Resources Practices includes 8 segments and each segment has 5 questions. Organisational Commitment and Employee Retention have 8 questions for each segment with 5 point scale. That is strongly agree, agree, neutral, disagree, strongly disagree.

To analyze the relationship, score is given to each scale such as 5, 4,3,2,1 and weighted mean is calculated and ranks are given as per the score. Scores are given as 5- Strongly Agree, 4- Agree, 3- Neutral, 2- Disagree, 1- Strongly Disagree. Correlation between sets of data is a measure of how well they are related. The most common measure of correlation in stats is the Pearson Correlation. The full name is the Pearson Product Moment Correlation or PPMC. It shows the linear relationship between two sets of data. In simple terms, two letters are used to represent the Pearson correlation: Greek letter rho ( $\rho$ ) for a population and the letter “r” for a sample.

### Possible Values for the Pearson Correlation

The results will be between -1 and 1. It varies rarely between 0, -1 or 1. A gets a number somewhere in between those values. The closer the value of r gets to zero, the greater the High correlation:

**TABLE: 5 PEARSON INTER CORRELATIONS AMONG INTRINSIC ORGANISATIONAL PRACTICES, HR PRACTICES, ORGANISATIONAL COMMITMENT AND EMPLOYEE RETENTION**

Variables	Organizational Practices	HR Practices	Organizational Commitment	Employee Retention
Organizational Practices	1			
HR Practices	0.379	1		
Organizational Commitment	0.375	0.424	1	
Employee Retention	0.369	0.274	0.422	1

A significant positive relation can be found in employee retention and Organizational Commitment and Organizational practices and Human Resources Practices ( $r= 0.369$ ,  $P \leq 0.01$ ) and it is concluded that there is medium correlation between variables.

## SUGGESTIONS

Following suggestions are recommended based on the observation of the study.

- ✓ Salary plays a key role in the commitment among employees. When the employees are given fair remuneration, it will ultimately bring a cordial relationship between the employer and employee.
- ✓ A number of recent studies have highlighted the rewards-retention link. The result reveals that if employees in the bank are given a good working environment, they show high organizational commitment and ultimately it brings stability among the employees.
- ✓ The working environment of the bank does not include only the infrastructure, but also the modern tool, technology and machinery. If the employee feels that the new technology and machinery improve his productivity, then loyalty towards the bank increases.
- ✓ Human Resources Practices are considered an important phenomenon to improve the employees' commitment to the organization. And committed employees are expected less likely to leave the organization, resulting in the reduction of recruitment and selection expenditures.

## CONCLUSION

The result of the study reveals that employees who are selected according to the job requirement have more organizational commitment, ultimately helping in employee retention. The concept of organizational fit identifies convergent goals and values between the employees and the organization as an important predictor of affective commitment. The propensity to leave the organization is always dependent upon the level of satisfaction and the personality of the employees. So, while selecting the employees, not only values, education and experience should be considered, but also the personality of the employees must be carefully measured. If the employees are given training from time to time, then it will create a feeling of belonging in the employee. The above findings suggest that employees remain in the organization when they feel that they are being valued and their participation in decision making is recognized by the organization.

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