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The role of HRM practices on organizational commitment

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Abstract

The aim of the study was to examine the influence of HRM practices (such as selection, training and development, performance appraisal, performance-related reward, communication, and empowerment) on organizational commitment. The quantitative approach was used in this study. The population has considered 2,251 (two thousand two hundred fifty-one) officer-level employees of Nepalese public financial institutions. Purposive sampling was used to select officer-level employees. Sample size was 340 officer-level employees. Structural equation model was used to analyze the data. The results disclosed that organizational commitment was positively and significantly impacted by HRM practices. Training and development and performance appraisal had a positive and significant effect on organizational commitment. Selection, performance-related reward, communication, and empowerment insignificantly influenced organizational commitment. HRM practices are satisfactorily used in Nepalese public financial institutions, thus improving organizational commitment.

Keywords: HRM Practices, Organizational Commitment, Nepalese Public Financial Institutions

Introduction

Human resource management refers to the organization's functions that emphasize recruitment, management, and suggesting a direction to the people in the organization. It is the effective and efficient deployment of human resources to accomplish organizational objectives (Opatha, 2010) [49]. Human resource management practices assist managers in achieving organizational goals through practical management work and people in organizations (Boxall & Purcell, 2003; Guest, 2011) [16, 32]. Ivancevich *et al.* (2013) [35] defined commitment as a feeling of identification, involvement, and loyalty expressed by the employee toward the organization. The willingness of employees to support the organization in accomplishing its objectives is referred to as organizational commitment (Cherif, 2020) [19]. The appropriate HRM practices in the organization can encourage organizational commitment (Nawal *et al.*, 2021; Tashtoush & Eyupoglu, 2020; Li *et al.*, 2020; Tabouli *et al.*, 2016; Aladwan *et al.*, 2015; Obeidat *et al.*, 2014; Ko & Smith-Walter, 2013; Guchait & Cho, 2010) [46, 60, 40, 59, 4, 48, 39, 31]. Effective selection practices, as an important part of the organization, can enrich organizational commitment (Ko & Smith-Walter, 2013; Chew *et al.*, 2005) [39, 20]. The impartiality training and development practices can enhance organizational commitment (Aboramadan *et al.*, 2020; Sittisom, 2020; Kadiresan *et al.*, 2015; Aladwan *et al.*, 2015; Peter & Eunice, 2014; Ko & Smith-Walter, 2013) [4, 39, 1, 56, 38, 50]. The equality performance appraisal practices in the organization can encourage organizational commitment (Aboramadan *et al.*, 2020; Sittisom, 2020; Peter & Eunice, 2014; Juhdi *et al.*, 2013) [1, 56, 50, 36]. Effective performance-related reward practices in the organization can inspire organizational commitment (Suifan, 2015; Ko & Smith-Walter, 2013) [39, 58]. Dynamic communication practices can enrich organizational commitment (Peter & Eunice, 2014; Ko & Smith-Walter, 2013; Boon & Arumugan, 2006) [39, 50, 13]. Transparent empowerment practices in the organization can improve organizational commitment (AlKahtani *et al.*, 2021; Ko & Smith-Walter, 2013; Gardner *et al.*, 2001) [39, 5, 27]. Selection, training and development, performance appraisal, performance-related reward, communication, and empowerment are used as HRM practices in the Nepalese public financial institutions (Basnet *et al.*, 2024) [11].

Organizational commitment is improved by appropriate TQM practices in the manufacturing industry in Nepal (Basnet, 2019) ^[10]. Productivity is enhanced by fair HRM practices in service sector institutions in Nepal (Pradhan *et al.*, 2023) ^[51]. Thus, did the HRM practices examine organizational commitment in Nepalese public financial Institutions?

Literature of Review

HRM Practices and Organizational Commitment

HRM practices describe a system of employee behavior that inspires, satisfies, and commits workers to putting in more effort to support the firm in reaching its objectives (Mira *et al.*, 2019; Cherif, 2020) ^[19, 44]. HRM practices give emphasis to development, equity, and recognition, which positively affect organizational commitment (Meyer *et al.*, 2002) ^[42]. Social exchange theory theorizes that associations, comprising those between employees and organizations, are built on reciprocal exchanges (Blau, 1964) ^[12]. HRM practices play a pivotal role in augmenting organizational commitment by employing employees' attitudes and behaviors. The social exchange theory has been used to conceptualize the effect of HRM practices on employees' work attitudes and behaviors (Gould-Williams, 2007; Snape & Redman, 2010; Ko & Smith-Walter, 2013) ^[39, 29, 57]. HRM practices positively and significantly affected organizational commitment (Nawal *et al.*, 2021; Tashtoush & Eyupoglu, 2020; Li *et al.*, 2020; Tabouli *et al.*, 2016; Aladwan *et al.*, 2015; Obeidat *et al.*, 2014; Ko & Smith-Walter, 2013; Guchait & Cho, 2010) ^[46, 60, 40, 59, 4, 48, 39, 31]. Organizational commitment and HRM practices have a favorable correlation (Cherif, 2020) ^[19]. Employee commitment was not significantly impacted by HRM practices (Alkhamis, 2024) ^[6]. HRM practices had a positive and significant effect on productivity in service sector institutions in Nepal (Pradhan *et al.*, 2023) ^[51]. Consequently, the first hypothesis was developed.

H₁: HRM practices have a positive impact on organizational commitment.

Selection and Organizational Commitment

Selection is the process of choosing candidates with qualifications that match the organization's requirements to occupy the vacant positions in a firm (Dessler & Tan, 2009) ^[22]. Selection refers to the process of using specific tools to choose from a group of people who are most suitable for the job (Bratton & Gold, 2017) ^[17]. Selection positively and significantly influenced organizational commitment (Ko & Smith-Walter, 2013; Chew *et al.*, 2005) ^[39, 20]. Hiring practices had an insignificant impact on organizational commitment (Shahnawaz & Juyal, 2006) ^[54]. Therefore, the second hypothesis was estimated.

H₂: Selection has a positive influence on organizational commitment.

Training and Development and Organizational Commitment

Training and development build the capacity of workers to improve their future and current abilities, knowledge, and skills (Quartey, 2012) ^[52]. McGunnigle and Jameson (2000) ^[41] defined training and development as assistance in developing the employees' corporate culture and values. Training and development positively and significantly influenced organizational commitment (Aboramadan *et al.*,

2020; Sittisom, 2020; Aladwan *et al.*, 2015; Kadiresan *et al.*, 2015; Peter & Eunice, 2014; Ko & Smith-Walter, 2013) ^[4, 39, 1, 56, 38, 50]. Training and development had an insignificant influence on organizational commitment (Edralin, 2008) ^[25]. Training and education had a positive and significant impact on organizational commitment (Basnet, 2019) ^[10]. So, the third hypothesis was developed.

H₃: Training and development have a positive effect on organizational commitment.

Performance Appraisal and Organizational Commitment

Performance appraisal provides information to the organization for effecting promotions, deciding pay raises, and confirming probationary employees (Aswathappa, 2016) ^[8]. Performance appraisal positively and significantly impacted organizational commitment (Aboramadan *et al.*, 2020; Sittisom, 2020; Peter & Eunice, 2014; Juhdi *et al.*, 2013) ^[1, 56, 50, 36]. Performance appraisal had an insignificant influence on organizational commitment (Aladwan *et al.*, 2015) ^[4]. Performance appraisal had a negative and significant impact on organizational commitment (Ko & Smith-Walter, 2013) ^[39]. As a result, fourth hypothesis was projected.

H₄: Performance appraisal has a positive influence on organizational commitment.

Performance-Related Reward and Organizational Commitment

Compensation is a reward system that a company offers to individuals for completing various jobs or tasks within the organization (DeNisi & Griffin, 2001) ^[21]. Reward and recognition can be described as benefits, such as bonuses, increased salary, and promotion that are delivered to the higher performer (Juran & Gryna, 1993) ^[37]. Rewards and compensations positively and significantly influenced organizational commitment (Aboramadan *et al.*, 2020) ^[1]. Rewards positively and significantly impacted organizational commitment (Suifan, 2015) ^[58]. Reward and recognition positively and significantly affected organizational commitment (Peter & Eunice, 2014) ^[50]. Performance-related rewards positively and significantly affected organizational commitment (Ko & Smith-Walter, 2013) ^[39]. Consequently, fifth hypothesis was established.

H₅: Performance-related reward has a positive impact on organizational commitment.

Communication and Organizational Commitment

Communication provides the required information for individuals and groups to make decisions (Robbins *et al.*, 2013) ^[53]. Greenberg (2013) ^[30] defined communication as the process by which a person, group, or organization transmits information to another person, group, or organization. Communication positively and significantly affected employees' organizational commitment (Peter & Eunice, 2014; Ko & Smith-Walter, 2013; Boon & Arumugam, 2006) ^[39, 50, 13]. Hence, sixth hypothesis was renowned.

H₆: Communication has a positive impact organizational commitment.

Empowerment and Organizational Commitment

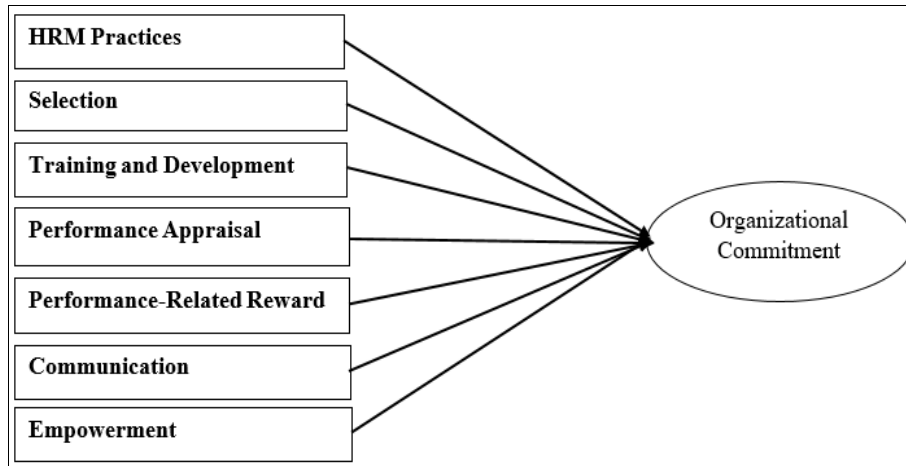
Empowerment describes conditions that enable people to feel competent, energized to take the initiative, and persist

in meaningful tasks (Singh, 2015) [55]. Empowerment relates to a general organizational orientation where employees have more options to make day-to-day decisions on job-related activities (Bowen & Lawler, 1992) [15]. The effect of employee empowerment on organizational commitment had positive and significant (AlKahtani *et al.*, 2021) [5]. Empowerment positively and significantly influenced organizational commitment (Ko & Smith-Walter, 2013) [39].

Empowerment-enhancing HR practices significantly impacted organizational commitment (Gardner *et al.*, 2001) [27]. Hence, seventh hypothesis is established.

H₇: Empowerment has a positive effect on organizational commitment.

3 Conceptual Framework



Source: Nawal, *et al.* (2021) [46], Aboramadan, *et al.* (2020) [1], Ko and Smith-Walter (2013) [39].

Research Methodology

The descriptive and causal-comparative research design have been used in this study. The frequency distribution has been used to identify respondents' profiles of gender, marital status, and age. The standard deviation has been used to assess the scatteredness of the data. The primary data has been used in the study. The population has considered 2,251 (two thousand two hundred fifty-one) officer-level employees of Nepalese public financial institutions (Ministry of Finance, 2019) [43]. The 340 sample size has been calculated using a statistical tool recommended by Yamane (1967) [63]. Thus, the 340 (three hundred forty) officer-level employees from Nepalese public financial institutions have been taken as the sample for the study. The purposive sampling technique has been adopted to select the respondents from the Nepalese public financial institutions. Frequency distribution has been applied to identify the respondent profile. Confirmatory factor analysis (CFA) has been applied to test validity of the constructs. The structural equation model has been used to examine the impact of HRM practices on organizational commitment.

Selection is measured by need assessment, preliminary interview, selection of employees based on references, public advertisement, selection criteria (Aswathappa, 2009; Moideenkutty *et al.*, 2011) [7, 45]. Training and development are measured through training need surveys, the effectiveness of the training program, training and development policy, regular phenomena of my organization, outside professionals are used (Tsaur & Lin, 2004; Al Damoe *et al.*, 2017) [61, 3]. Performance appraisal is evaluated through employees are given feedback, support employees career paths, immediate supervisor, support peers (Whiting *et al.*, 2008) [62]. Performance-related reward is measured using paid holidays, wage, cash incentive, transportation facilities, promotion based on performance (Aswathappa, 2009; Ko & Smith-Walter, 2013) [39, 7]. Communication is measured by suggestions to the superiors,

freedom of employees to make complaints, advance notice of changes, discussion about performance (Downs & Hazen, 1977; Ko & Smith-Walter, 2013) [39, 24]. Empowerment is evaluated using participation in the job-related decision, encouragement in sharing ideas, delegating authority, cooperation from superiors (Boon *et al.*, 2007) [14]. Organizational commitment is measured by my organization's problems are my own, happy to spend the rest of my career, a matter of necessity for me, and feel guilty, a sense of belonging (Zaitouni *et al.*, 2011; Yang, 2012) [66, 64]. All questions have been measured seven point Likert scale.

Result

Respondent Profile

Numbers of gender, marital status, and age has been given in table No. 1.

Table 1: Profile of Gender, Marital Status, and Age

	Frequency	Percent
Gender		
Male	204	60
Female	136	40
Marital status		
Signal	50	14.7
Married	290	85.3
Age		
Less than 25	10	2.9
25-34	150	44.2
35-45	152	44.7
More than 45	28	8.2
N = 340		

The majority of 204 (60 percent) respondents are male as compared to 136 (40 percent) female respondents in gender. The more significant part of 290 (85.3 percent) respondents are married, and the other 50 (14.7 percent) respondents are signal in marital status. The majority of the 152 (44.7

percent) respondents are in the 35-45 years' age group, and the minority of the 10 (2.9 percent) respondents are from the less than 5 years' age group.

Convergent and Discriminate Validity

Convergent validity is used to analyze the accuracy of the

same construct from different instruments measured, and the same construct score is correlated (Heale & Twycross, 2015) [34]. Discriminant validity reveals that a construct is genuinely different from other constructs (Hair *et al.*, 2019) [33]. Table 2 displays convergent and discriminate validity of the variables.

Table 2: Values of CR, AVE, MSV, Square Root of AVE, and Inter-Construct Correlation

	CR	AVE	MSV	SE	TD	PA	PR	COM	EM	OC
SE	0.907	0.666	0.020	0.816						
TD	0.896	0.632	0.052	0.048	0.795					
PA	0.886	0.660	0.017	-0.030	0.057	0.813				
PR	0.925	0.715	0.007	-0.060	0.045	-0.023	0.846			
COM	0.878	0.644	0.015	-0.121	-0.018	-0.045	0.032	0.802		
EM	0.881	0.652	0.020	0.140	0.104	0.102	-0.068	0.017	0.808	
OC	0.856	0.544	0.052	-0.025	0.227	0.131	-0.082	0.067	0.123	0.738

Note: CR= Composite Reliability, AVE= Average Variance Extracted, MSV= Maximum Share Variance, COM= Communication, TD= Training and Development, PR= Performance-Related Reward, SE= Selection, OC= Organizational Commitment, PA= Performance Appraisal, EM= Empowerment

All constructs' composite reliability value is more than 0.70 (Nunnally & Bernstein, 1994) [47]. Therefore, all constructs are reliable. All construct values of AVE are greater than 0.5 (Bagozzi & Yi, 1988) [9], and each construct's value of composite reliability (CR) is greater than the average variance extracted (AVE) of the individual construct (Ahmad *et al.*, 2016) [2]. Therefore, the result of the test verifies strong evidence of the convergent validity of the constructs. The individual construct value of AVE is greater than each construct's maximum share variance (Fornell & Larcker, 1981) [26], and the square root of AVE values at the diagonal of the individual construct are higher than the inter-construct correlation values of each off-diagonal construct (Bagozzi & Yi, 1988) [9]. Thus, the result of the test confirms strong evidence of the discriminant validity of the constructs.

Impact of HRM Practices on Organizational Commitment

Measurement Model for HRM Practices and Organizational Commitment

The measurement model is applied to examine the goodness of fit indices. The second-order construct of HRM practices is formed by the six first-order constructs of selection, training and development, performance appraisal, performance-related reward, communication, and empowerment. Another first-order construct is organizational commitment. The second-order construct of HRM practices and the first-order construct of the organizational commitment model is presented in Figure 1.

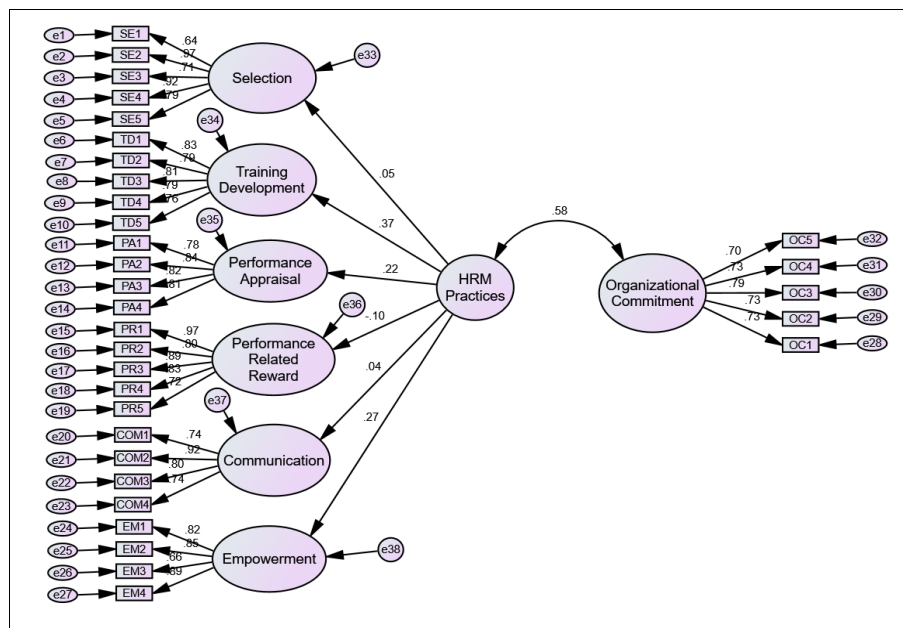


Fig 1: Association between HRM Practices and Organizational Commitment

Figure 1 model shows the goodness-of-fit with the data. The Chi-square (χ^2 value is 897.945. The relative chi-square (χ^2/df) ratio is 1.768 less than the suggested threshold (i.e., < 3), showing a good fit (Byrne, 2010) [18]. The GFI value of

0.870 is within the recommended threshold (i.e., 0.80 to 0.90), indicating an acceptable fit (Byrne, 2010) [18]. The AGFI value of 0.850 is within the suggested threshold (i.e., 0.85 to 0.90), showing an acceptable fit (Dogan & Ozdamar,

2017) [23]. The CFI value of 0.948 is within the recommended threshold (i.e., 0.90 to 0.95), indicating an acceptable fit (Gaskin & Lim, 2016) [28]. RMSEA value of 0.048 is lower than the recommended threshold (i.e., < 0.05), showing a good fit (Byrne, 2010) [18]. Thus, all indices ratify the goodness-of-fit with the data.

Structural Relationship between HRM Practices and Organizational Commitment

Path analysis is applied to show the structural relationship between HRM practices and organizational commitment. The path diagram shows the impact of HRM practices on organizational commitment in Figure 2.

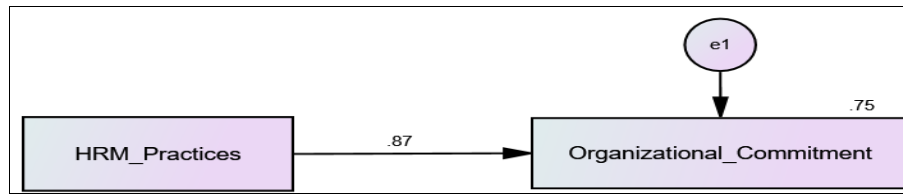


Fig 2: The Impact of HRM Practices on Organizational Commitment

The path model is used to reveal the hypothesized relationship between HRM practices and organizational commitment. Thus, the hypothesized association is presented in Table 3.

Table 3: Hypothesized Association between HRM Practices and Organizational Commitment

Hypothesized Relationship		Standardized Estimate	C.R. (t-value)	P-value
H ₁	OC <--- HRM Practices	0.866	31.893	0.000

The result confirms that HRM practices positively and significantly impact organizational commitment ($\beta = 0.866$, t-value = 31.893, P-value = 0.000). Thus, H₁ is established.

Impact of Selection, Training and Development, Performance Appraisal, Performance-Related Reward, Communication, Empowerment on Organizational Commitment

Measurement Model for Selection, Training and Development, Performance Appraisal, Performance-Related Reward, Communication, Empowerment, and Organizational Commitment

The measurement model is applied to test the goodness of fit indices. The six first-order constructs of selection, training and development, performance appraisal, performance-related reward, communication, empowerment and the first-order construct of the organizational commitment model are shown in Figure 3.

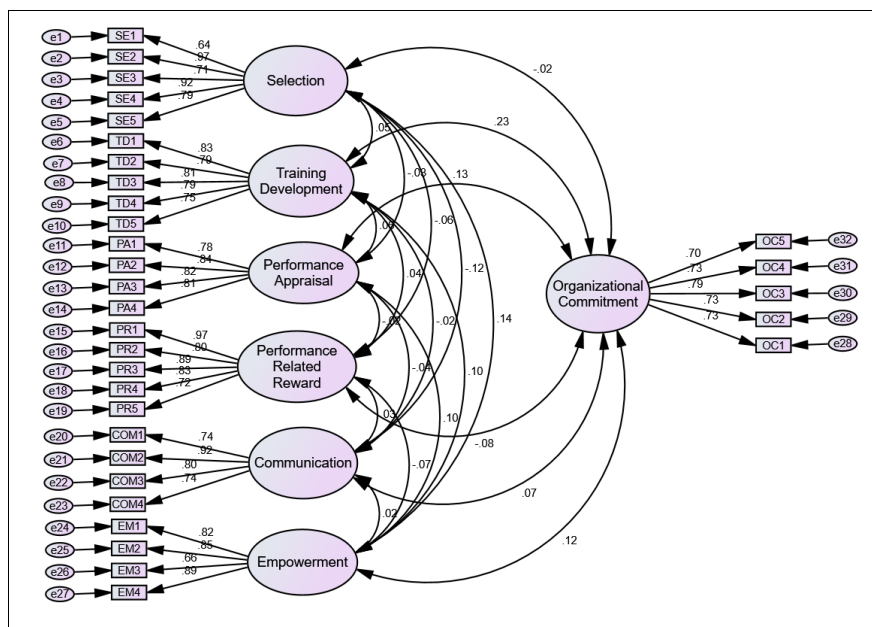


Fig 3: Association between Selection, Training and Development, Performance Appraisal, Performance-Related Reward, Communication, Empowerment, and Organizational Commitment

Figure 3 model reveals the goodness-of-fit with the data. The Chi-square (χ^2) value is 788.613. The relative chi-square (χ^2/df) ratio is 1.780 lower than the suggested threshold (i.e., < 3), indicating a good fit (Byrne, 2010) [18]. The GFI value of 0.873 is within the recommended threshold (i.e., 0.80 to 0.90), showing an acceptable fit (Byrne, 2010) [18]. The AGFI value of 0.848 is within the suggested threshold (i.e., 0.80 to 0.90), indicating an

acceptable fit (Byrne, 2010) [18]. The CFI value of 0.949 is within the recommended threshold (i.e., 0.90 to 0.95), indicating an acceptable fit (Gaskin & Lim, 2016) [28]. RMSEA value of 0.048 is lower than the recommended threshold (i.e., < 0.05), indicating a good fit (Byrne, 2010) [18]. Thus, all indices approve the goodness-of-fit with the data.

Structural Relationship between Selection, Training and Development, Performance Appraisal, Performance-Related Reward, Communication, Empowerment and Organizational Commitment

The path diagram reveals the impact of selection, training and development, performance appraisal, performance-related reward, communication, and empowerment on organizational commitment in Figure 4.

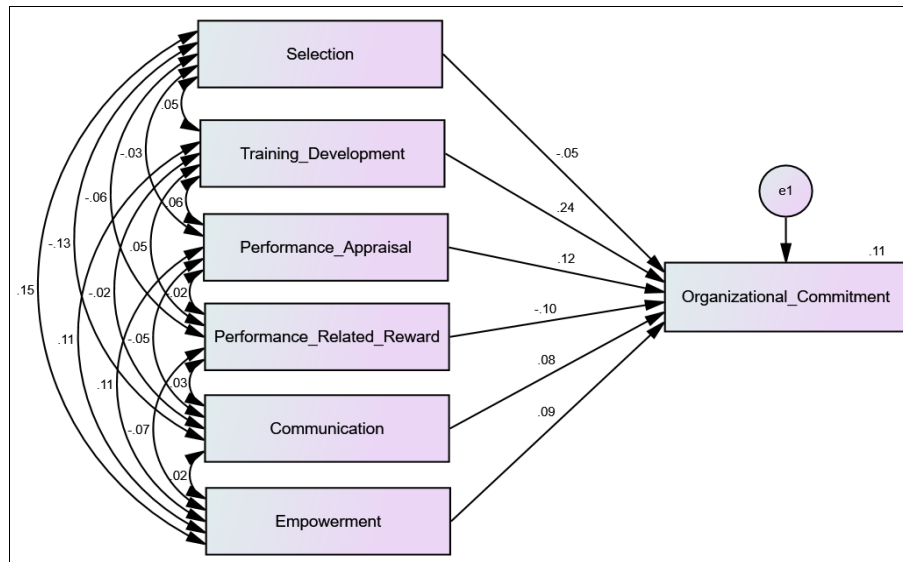


Fig 4: The Impact of Selection, Training and Development, Performance Appraisal, Performance-Related Reward, Communication, Empowerment on Organizational Commitment

The path model is applied to demonstrate the hypothesized relationship between selection, training and development, performance appraisal, performance-related reward, communication, empowerment and organizational commitment. Thus, the hypothesized association is presented in Table 4.

Table 4: Hypothesized Association between Selection, Training and Development, Performance Appraisal, Performance-Related Reward, Communication, Empowerment, and Organizational Commitment

Hypothesized Relationship			Standardized Estimates	C.R. (t-value)	P-value	
H ₂	OC	<---	Selection	-0.045	-0.861	0.389
H ₃	OC	<---	Training and Development	0.245	4.728	0.000
H ₄	OC	<---	Performance Appraisal	0.122	2.357	0.018
H ₅	OC	<---	Performance-Related Reward	-0.097	-1.880	0.060
H ₆	OC	<---	Communication	0.081	1.561	0.119
H ₇	OC	<---	Empowerment	0.094	1.784	0.074

The influence of selection on organizational commitment is negative and insignificant ($\beta = -0.045$, t-value = -0.861, P-value = 0.389). Therefore, H₂ is not supported. The influence of training and development on organizational commitment has positive and significant ($\beta = 0.245$, t-value = 4.729, P-value = 0.000). Thus, H₃ is accepted. The effect of performance appraisal on organizational commitment has positive and significant ($\beta = 0.122$, t-value = 2.357, P-value = 0.018). Therefore, H₄ is accepted. The impact of performance-related reward on organizational commitment has negative and insignificant ($\beta = -0.097$, t-value = -1.880, P-value = 0.060). Thus, H₅ is rejected. Communication positively and insignificantly affects organizational commitment ($\beta = 0.081$, t-value = 1.561, P-value = 0.119).

Therefore, H₆ is rejected. Empowerment positively and insignificantly influences organizational commitment ($\beta = 0.094$, t-value = 1.784, P-value = 0.074). Thus, H₇ is rejected.

Discussion

HRM practices positively and significantly impact organizational commitment in Nepalese public financial institutions. This result is consistent with the previous findings that HRM practices positively and significantly impacted organizational commitment (Nawal *et al.*, 2021; Tashtoush & Eyupoglu, 2020; Li *et al.*, 2020; Tabouli *et al.*, 2016; Aladwan *et al.*, 2015; Obeidat *et al.*, 2014; Ko & Smith-Walter, 2013; Guchait & Cho, 2010)^[46, 40, 60, 59, 4, 48, 39, 31]. Social exchange theory defines that HRM practices enhance employees' work attitudes and behaviors (Blau, 1964)^[12]. Thus, this result supports social exchange theory. Selection has a negative and insignificant impact on organizational commitment in Nepalese public financial institutions. This result is consistent with the prior finding of Shahnawaz and Juyal (2006)^[54], who recognized that hiring practices had an insignificant impact on organizational commitment. However, this result is inconsistent with the previous findings of Ko and Smith-Walter (2013) and Chew *et al.* (2005)^[39, 20], who found that selection positively and significantly impacted organizational commitment (Ko & Smith-Walter, 2013; Chew *et al.*, 2005)^[39, 20]. Training and development positively and significantly affect organizational commitment in Nepalese public financial institutions. This finding is consistent with the previous research findings that organizational commitment (Aboramadan *et al.*, 2020; Sittisom, 2020)^[1, 56] was found positively and significantly impacted by training and development. Performance appraisal positively and significantly influences organizational commitment in Nepalese public financial institutions. This finding is consistent with the previous research findings that

performance appraisal positively and significantly affected organizational commitment (Aboramadan *et al.*, 2020; Sittisom, 2020) ^[1, 56]. Performance-related reward negatively and insignificantly impacts organizational commitment in Nepalese public financial institutions. This result is inconsistent with previous research by Aboramadan *et al.* (2020) ^[1], which established that reward and compensation positively and significantly influenced organizational commitment. Similarly, this result is not supported by Ko and Smith-Walter (2013) ^[39], who found that performance-related rewards positively and significantly affected organizational commitment.

Communication positively but insignificantly affects organizational commitment in Nepalese public financial institutions. This finding is inconsistent with the previous research results that communication positively and significantly affected organizational commitment (Peter & Eunice, 2014; Ko & Smith-Walter, 2013) ^[39, 50]. Empowerment positively but insignificantly influences organizational commitment in Nepalese public financial institutions. However, this result is inconsistent with the previous findings that empowerment positively and significantly impacted organizational commitment (AlKahtani *et al.*, 2021; Ko & Smith-Walter, 2013) ^[39, 51].

Conclusion

HRM practices manage employees by improving their knowledge and abilities, which strengthens their organizational commitment in Nepalese public financial institutions. Inappropriate selection reduces organizational commitment by hiring inexperienced and underqualified employees. The organization regularly conducts adequate training and development programs for the employees, which enhance organizational commitment. The performance appraisal provides information about assessing employee performance to the employees in the organization, thus improving organizational commitment. The unfair performance-related reward does not provide incentives and benefits to the employees based on their performance, which decreases organizational commitment. Uncertain communication prevents employees from learning about the organization's policies, processes, and norms, which hinders their ability to do their jobs and lowers organizational commitment. Inequitable empowerment policies deprive employees of accountability, decision-making authority, and workplace improvement authority, which weakens organizational commitment. The results of this study are expected to provide references for managers of Nepalese public financial institutions to design effective HRM practices for enhancing organizational commitment.

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