Human Resource Development and Employee Commitment in Nepalese Commercial Banks

Dr. Shreekrishna Kharel\textsuperscript{1}

Ganesh Pd. Niraula\textsuperscript{2}

Correspondence Email: ganesh.niraula@pmc.tu.edu.np

Abstract

The level of employee commitment is a significant issue for many firms throughout the world. As a result, many firms are using a variety of human resource development techniques to increase employee commitment. Employee dissatisfaction has been voiced in the field of compensation, which is characterized by unequal rewards, inadequate compensation and lack of job security. The purpose of this research is to focus on analyzing the relationship between HRD dimensions and employees’ commitment working across various commercial banks in Nepal. The study’s independent variables were Training, Compensation, Job Security, and Reward. The dependent variable was employee commitment. The descriptive research design was used. The population of the study was 46408 employees and a simple random sample technique was used to choose 396 employees from 11 commercial banks under probability sampling method. Data were collected using a standardized questionnaire on Likert Scale with 1 specifying a strongly disagreement and 5 a strongly agreement. Descriptive statistics, correlation, and regression analysis were used to analyze the data. Cronbach’s Alpha had been used to test for reliability. Reliability is acceptable with a Cronbach’s Alpha rating of 0.76 on an average. IBM, SPSS version 26 was used to analyze the data. The study concluded that employees’ Training, Compensation and Job Security had a favorable and significant relationship with employee commitment, Reward had a negative but significant impact on Employee Commitment. The study recommended that the policy makers and BOD of Nepalese Commercial banks should design an effective welfare policy to enhance commitment of employees.

Keywords: Compensation, Job Security, Reward, Training

\textsuperscript{1}. Mr. Kharel is an associate Professor at Faculty of Management, T.U.
\textsuperscript{2}. Mr. Niraula is a Lecturer at Patan Multiple Campus.
Introduction
Human resource has been regarded as the key strategic asset of firms that seek to preserve competitive advantage due to the rise of knowledge work, shorter product life cycles, workforce diversity, flatter, leaner, and more participatory organizations (Akinyemi, 2007; Becker, Huselid & Ulrich, 2001; Kearns, 2004; Mercer, 2003; Pfeffer, 2007; Torraco & Swanson, 1996; Ulrich, 1998; Wright, 1999). Human resource development is a specialized approach that shapes the underlying competencies that affect how firms compete (Armstrong, 2014). The development of human resources and the subsequent use of capabilities are related. It improves the creative contributions made by employees to reach organizational objectives (Redman & Wilkinson, 2006). An organization's explicit goal in human resource development is to equip employees with the attitudes, behaviors, and skills necessary to do their jobs well (Hakuduwal, 2019).

To enhance organizational effectiveness and employee performance human resource development is a fundamental and continuing process (Baniya, 2006). Ensuring the vitality, competence, and productivity of its employees any growth-oriented organization must emphasize on human resource development (HRD) (Sthapit, 2014). HRD consists of the system for evaluating employees, training, career planning, organizational growth remuneration, working conditions, and the information system for the development of human resources in the organizations, moreover, it is the key to enhancing employees’ abilities for prospective positions within the organization (Sthapit, 2019). HRD is a procedure that fosters and improves employees’ knowledge, skills, and attitudes (CIMA, 2013).

Training, education, and development are the three activities that make up human resource development. Training offers learning opportunities, education primarily prepares people for careers that are different from their current ones, and development focuses on advancing knowledge or skills in a particular area (Nadler & Nadler, 1989). It is emphasized that performance management, career development, and training and development are the three main components of human resource development (HRD) (Hakuduwal, 2019). Human resource development is recognized as the synergistic blend of increased organizational effectiveness, efficiency, and competence among workers whose outputs and performance are consistently related to the objectives of the business (McGuire, 2014).

Teams and individuals who remain committed to the organization’s objectives and values tend to be more productive, have fewer turnover, and have higher morale (Cohen, 2003; Meyer, Allen & Smith, 1993; Mowday, Porter & Steers, 1982). More than a third of workers globally admit to being uncommitted to their jobs or employers. Only one in twelve (8%) workers are "company-oriented" and mostly committed to their employer (Fornes, Rocco & Wollard, 2008). Uncertainty exists on how commitment is to be promoted and maintained by people within the organization, because
HRD’s goal is to enhance organizational performance through individual participation, enhanced productivity, and effective work processes (Swanson & Holton, 2009). Organizational commitment can have an impact on employee development, behavioral change, and organizational performance (Meyer & Allen, 1997). By incorporating an open, confrontational, trustworthy, autonomous, proactive, authentic, and collaborative (OCTAPAC) HRD culture into their organizational culture, employers can encourage employee commitment (Benjamin & David, 2012).

Strong organizational commitment among managers is shown in higher levels of strategic decision compliance and improved financial planning (DeCotiis & Summers, 1987; Kim & Mauborgne, 1993). Human resource development climate positively correlates with employee commitment, especially the affective component (Benjamin & David, 2012). The commitment consists of three different elements: a firm belief in and acceptance of the organization’s values and goals, a significant willingness to put in significant effort for your own organization, and a desire to continue being a part of it (Mittal, Gupta & Motiani, 2016).

The banking sector has a significant influence on Nepal’s economic development, there are currently 20 commercial banks operating in Nepal (NRB, 2023). The commercial banks operating nationwide, accounting for more than 83.21% of the banking and financial sector’s assets, commercial banks are more substantial and intricate than other forms of financial institutions (NRB, 2021). As of the middle of July 2023, 46408 people have been employed by Nepalese commercial banks (NRB, 2023). The failure of even a single commercial bank costs very high to the economy and the nation as well (NRB, 2021).

6961 individuals were employed by the three public sector commercial banks as of the date, while 39447 people were employed by the private banks. It shows that the three public sector banks continue to employ 15% of all people working in the commercial banking sector of Nepal. As a result, a lot of graduates and qualified people want to work in this sector. However, the business still struggles with a lack of skilled employees. Once the industry is completely developed, it is expected that the human resource situation would improve (NRB, 2023).

Review of Literature

Drucker (1999) mentioned managers of organizations should view their knowledge workers as assets and give them the proper possibilities to be inventive in their job while also providing them with ongoing professional development to help them become devoted to their organizations’ mission and work. Mittal, Gupta & Motiani (2016) found the organizational commitment can be considerably predicted by the HRD climate. Businesses with a positive HRD environment are more likely to have loyal employees. Guest (1997) found businesses in the twenty-first century should have a positive relationship between their human resources policies,
practices, and employee commitment, since it is identified a link between high commitment and performance-based human resource management strategies.

According to Guzzo & Noonan (1994) an organization’s HR policies have an impact on employee commitment since they are a source of communication for employees. Employees’ psychological contracts with their employers and, consequently, their loyalty to that employer were influenced by how they saw their employers’ policies. Pace (2002) found the environment of an organization, which ultimately determines employee commitment, is made up of perceptions of work conditions, supervision, salary, and advancement, connections with coworkers, organizational norms, decision-making procedures, and accessible resources. Tansky & Cohen (2001) found the relationship between an employer and employee can be viewed as a social trade. The employee feels bound to repay the company and becomes more dedicated to the organization since the employer recognizes that the efforts create favorable possibilities that lead to employee commitment.

Chaudhuri & Bartlett (2014) found quality, relevance and value, customization, and supervisory support, the four aspects of outsourced training had a substantial positive association with employees’ commitment. Chung, (2013) found employees anticipate benefits from their involvement in training, a clear link between training and organizational commitment could aid HRD in promoting and communicating the benefits of training, as well as the results of training that have an impact on both individual and organizational benefits. Mallick, (2020) found training is a carefully organized series of activities for educating staff members in a way that increases the work skills needed for the organizational development moreover, these could be managerial, technical, or professional talents. Niraula & Kharel (2023) found that the employees of Nepalese commercial banks have preferred the training provided by their employers as it was an instrumental in enhancing their performance. Chaudhuri & Bartlett (2014) found within the global information technology sector, employee perceptions of outsourced training are linked to the desired workplace attitude of organizational commitment.

Mowday, Porter & Steers (1982) found an individual’s view of their importance to the organization and emotions of self-worth are both influenced by their salary, and this relationship is crucial in determining behavioral intentions like the desire to leave an organization and the strength of a commitment to it. Okpara (2014) found employee compensation is a key determinant of employee commitment; nevertheless, the absence of effective employee welfare programs, such as retirement plans and health benefits, reduced employee work incentive, which in turn adversely affected the level of employee commitment.

According to empirical study by Chen & Ugwu (2017) job security motivates people to perform better and lessens unfavorable work attitudes and enhance commitment.
Additionally, it has been discovered that job security influences an employee’s success. Heymans (2002) found there is no relationship between work insecurity, job satisfaction, and organizational commitment, job insecurity has been linked to lower levels of each. This might be explained by the relationship between strong work satisfaction and organizational commitment.

Karatepe (2013) found employees get enthusiastic about working for the company and feel deeply devoted to both the task and the organization when they feel that they are entitled to incentives and reward from their superiors and business leaders. Jones (2019) found employee appreciation is a type of acknowledgment for workers that excel in their positions, 90% of employees believe that reward programs affect their levels of dedication and drive to the organizations.

The study formulated the following conceptual framework based on the literature reviews that were provided.

![Figure 1. Conceptual Framework](image)

**Methodology**

This study employed a descriptive research design to find out how human resource development dimensions affect employees’ commitment in Nepalese commercial banks. To obtain the objective of the research, a structured survey questionnaire based on a five-point Likert scale has been employed where 1 stands for Strongly Disagree, 2 for Disagree, 3 for Neutral, 4 for Agree, and 5 for Strongly Agree. The samples for this research were selected using the probability sampling method, simple random sampling technique (Hakuduwal, 2019). 396 (Yamane, 1973) employees were selected from 11 commercial banks (Niraula, 2022) working in various positions throughout the commercial banks of Nepal. SPSS, version 26 was used to process the data. For analysis of data, both descriptive and inferential statistics were used.

Only 396 of the 410 respondents, whose questionnaires were collected and used in this research. Five items were used for each of the variables that included Training, Compensation, Job Security, Reward and Employee Commitment. The effect of human resource development
on employee commitment was described using descriptive, correlational, and linear regression analysis. The effects of independent variables on the dependent variable were evaluated using the F-test. For a reliability test, Cronbach’s Alpha values linked to the items of Training, Compensation, Job Security and Reward were evaluated. The overall average Cronbach’s Alpha for all the variables was .76. For a reliability test, the value of Cronbach’s Alpha of all variables is more than .65, which is enough to accept the items in the questionnaire (Eonseong, 2016).

The Model
This study has realized the effect of human resource development on employee commitment in Nepalese commercial banks. Therefore, this research is based on the following regression model.

Employee Commitment = f (Training, Compensation, Job Security and Reward)

Specifically,

\[ \text{EC} = \beta_0 + \beta_1 \text{Training} + \beta_2 \text{Compensation} + \beta_3 \text{Job Security} + \beta_4 \text{Reward} + \varepsilon \]

Where, EC= Employee Commitment,
\( \varepsilon \) = Error term,

\( \beta_0 \) = Intercept of dependent variable,

\( \beta_1, \beta_2, \beta_3, \beta_4 \) are beta coefficient of the independent variables to be estimated.

Results and Findings
Demographic Profile of the Respondents
Age, Gender, Positions and Experience in the organization are among the demographic characteristics of the respondents in this study. There were 300 males (75.76%) and 96 females (24.24) among the 384 respondents. The age group (26-30) had the most number of respondents while the age group over 40 had the fewest number of respondents. Position in organizations are divided in two groups: managerial levels and operational level. Except for managerial levels, all positions were taken as operational levels. Out of the 396 respondents, 50 respondents (12.63%) were in managerial levels and rest 346 (87.37%) were operational level employees. The experience of respondents, (less than 5 years) had the most number of respondents (29.04%) whilst the experience more than 20 years had the fewest number of respondents (10.10%).

Descriptive Analysis of the Study Items
The items of human resource dimensions, such as training, compensation, job security, and rewards, are derived from many authors listed below, however they have been adjusted to fit the Nepalese context.
Table 1
Descriptive Statistics of Study Items

<table>
<thead>
<tr>
<th>HRD Dimensions</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Training Dimension (Niraula &amp; Kharel, 2023)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training is an educational activity for organizational growth.</td>
<td>4.53</td>
<td>.53</td>
</tr>
<tr>
<td>Training is beneficial for those who are involved in technical activities.</td>
<td>4.38</td>
<td>.65</td>
</tr>
<tr>
<td>Training reduces fatigue, altruism and tiredness.</td>
<td>3.46</td>
<td>1.29</td>
</tr>
<tr>
<td>Training modifies employees’ attitude, knowledge and skills.</td>
<td>3.30</td>
<td>.82</td>
</tr>
<tr>
<td>Training prevents and addresses skill gaps.</td>
<td>3.75</td>
<td>1.06</td>
</tr>
<tr>
<td><strong>Compensation Dimension (Okpara, 2014; Mowday, Porter &amp; Steers, 1982)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher salary increases the performance of employees.</td>
<td>4.18</td>
<td>.757</td>
</tr>
<tr>
<td>Appropriate compensation strengthens commitment.</td>
<td>4.04</td>
<td>1.0</td>
</tr>
<tr>
<td>Employees’ emotions and self-worth are influenced by salary.</td>
<td>3.51</td>
<td>1.2</td>
</tr>
<tr>
<td>Salary determines behavioral intention of employees.</td>
<td>3.51</td>
<td>1.19</td>
</tr>
<tr>
<td>Reduced compensation makes the employees inefficient.</td>
<td>3.78</td>
<td>1.23</td>
</tr>
<tr>
<td><strong>Job Security Dimension (Chen &amp; Ugwu, 2017; Heymans, 2002)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job security motivates employees.</td>
<td>3.87</td>
<td>1.40</td>
</tr>
<tr>
<td>Job security enhances commitment to the work.</td>
<td>4.13</td>
<td>.887</td>
</tr>
<tr>
<td>Job security influences the employees’ success.</td>
<td>3.51</td>
<td>1.19</td>
</tr>
<tr>
<td>Job security lessens unfavorable work attitude.</td>
<td>3.58</td>
<td>.613</td>
</tr>
<tr>
<td>Job security creates satisfaction to the employees.</td>
<td>3.38</td>
<td>.893</td>
</tr>
<tr>
<td><strong>Rewards Dimension (Karatepe, 2013; Jones, 2019)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reward is the source of enthusiasm.</td>
<td>3.78</td>
<td>1.23</td>
</tr>
<tr>
<td>Reward is the source of devotion to the organization.</td>
<td>3.75</td>
<td>.68</td>
</tr>
<tr>
<td>Employees expect reward from their seniors and managers.</td>
<td>4.12</td>
<td>.45</td>
</tr>
<tr>
<td>Reward is the source of employee dedication.</td>
<td>3.74</td>
<td>.43</td>
</tr>
<tr>
<td>Reward is the acknowledgement of employee’s performance.</td>
<td>3.69</td>
<td>.92</td>
</tr>
<tr>
<td><strong>Employee Commitment Dimension (Guzzo &amp; Noonan, 1994; Pace, 2002; Tansky &amp; Cohen, 2001)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization’s policies impact on employees’ commitment.</td>
<td>3.69</td>
<td>.91</td>
</tr>
<tr>
<td>Organization’s environment determines employees’ commitment.</td>
<td>3.60</td>
<td>.47</td>
</tr>
<tr>
<td>Perception of employees towards organization influences commitment.</td>
<td>4.06</td>
<td>.51</td>
</tr>
<tr>
<td>The relationship between employer and employees determines commitment.</td>
<td>3.49</td>
<td>1.2</td>
</tr>
<tr>
<td>Employers’ favorable effort towards employees enhance commitment.</td>
<td>3.51</td>
<td>1.17</td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2023

All of the results shown in Table 1 show the perceptions of the employees of the sample banks. The results for the Training dimension showed that all of the five mean values were higher than 3. The standard deviation values were competitive for all of the three items, each of which was less than 1. The standard deviation values of the two items were more than 1. The results of the five measures that make up the Compensation dimension show that all commercial bank employees were satisfied with the Compensation, since all mean values were
more than 3 and the standard deviation values were competitive except for 1 item that had SD less than 1. All commercial banks had shown a strong status in the Job security dimension, with mean values exceeding 3. For 3 items, standard deviation values were less than 1, 2 items standard deviation values were more than 1, which indicates the Job security status is satisfactory in Nepalese commercial banks. Similar results were demonstrated for the Reward dimension with mean value exceeding 3 and standard deviation values were competitive for 3 items which had less than 1, 2 items had standard deviation values more than 1. Employee Commitment dimension, which showed mean values above 3, standard deviation values were less than 1 for 3 items and more than 1 for 2 items. The findings in Table 1 show that all employees of Nepalese commercial banks were satisfied with the different factors offered by their individual banks.

**Correlation Analysis**

The correlation between the dependent and independent variables is displayed in Table 2. Employee Commitment and Training has .173 correlation that was the lowest of any variable. Likewise, there was a 0.450 correlation between Compensation and Employee Commitment. The correlation between Job Security and Employee Commitment was .265, similarly the correlation between Reward and Employee Commitment was .298. According to analysis, the majority of the Employee Commitment factors had a moderate relationship with one another.

### Table 2

**Correlation between Dependent and Independent Variables**

<table>
<thead>
<tr>
<th>Variables</th>
<th>EC</th>
<th>Training</th>
<th>Compensation</th>
<th>Job Security</th>
<th>Reward</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>0.173**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>0.450**</td>
<td>.128*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Security</td>
<td>0.265**</td>
<td>.514**</td>
<td>0.350**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Reward</td>
<td>0.298**</td>
<td>.331**</td>
<td>.838**</td>
<td>.295**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at 0.01 level (two tailed)**

*Correlation is significant at 0.05 level (two tailed)*
Regression Analysis

Table 4. Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.685</td>
<td>.321</td>
<td></td>
</tr>
<tr>
<td>TRAINING</td>
<td>.168</td>
<td>.084</td>
<td>.123</td>
</tr>
<tr>
<td>COMPEN</td>
<td>.512</td>
<td>.075</td>
<td>.623</td>
</tr>
<tr>
<td>JS</td>
<td>.210</td>
<td>.092</td>
<td>.131</td>
</tr>
<tr>
<td>REWARD</td>
<td>-.368</td>
<td>.124</td>
<td>-.280</td>
</tr>
</tbody>
</table>

R² = .249  Adjusted R² = .241  F-statistics = 32.382  Sig = 0.000

a. Dependent Variable: EC

The tolerance value of all the variables are greater than 0.1. The tolerance value more than 0.1 is considered acceptable (Chan, Leow, Bea, Cheng, Phoong, Hoong & Chen, 2022). Darwin Watson test of the residuals of regression in this study showed positive autocorrelation (3.15). It means the relationship of human resource development on Employee Commitment in Nepalese commercial banks had positive results in the future. Value of F-statistics 32.382 and F. sig. 0.000 explained that the regression model used in this study was fit. Adj. R² .241 means the independent variables used in this study explained the human resource development on employee commitment by 24.10 percent. The negative beta value of Reward with employee commitment showed that if the firm focused on Reward, the employee commitment decreased. It means that the employee commitment was explained by variation in other variables by 63.20 percent. If the VIF values of all the explained variables are less than 2, there will be no multicollinearity and the results can be acceptable (Kock & Lynn, 2012).

However, Reward and Compensation had VIF values more than 2 but below 5. The VIF values of all the explained variables below 5 are acceptable in social science (Sheather, 2009; James, Hastie & Tibishirani, 2013).

Thus, the regression equation of the study was:

EC = 1.685 + 0.168Training+ 0.512Compensation+0.210JS - .368 Reward + ε

Discussion

The objectives of this study is to find out the employee commitment of Nepalese commercial banks. Human resource development and employee commitment are essential to the success and growth of any firm, specifically, Nepalese commercial banks. These factors are essential in the context of Nepalese commercial banks because they directly influence the entire growth of the country’s financial sectors. However the results shown in the regression equation
seem unsatisfactory that might have happened due to insufficient knowledge of respondents while filling up the questionnaire.

The regression equation showed that there was statistically significant positive relationship of Training with employee commitment (p = 0.045 and beta 0.168), this result is in line with the findings by Hakuduwal (2019); Mallick (2020); Niraula & Kharel (2023), however it is inconsistent with the findings by Chaudhuri & Bartlett (2014). Similarly, Compensation had positive and significant relationship with Employee Commitment with (p-value 0.000 and beta coefficient 0.512), this result was consistent with the findings by Mowday, Porter & Steers (1982), however it was inconsistent with the findings by Okpara (2014). Job Security had positive and significant relationship with employee commitment in Nepalese commercial banks with (p-value 0.023 and beta coefficient 0.210), this result was in line with the findings by Chen & Ugwu (2017) and inconsistent with the findings by Heymans (2002). Reward had negative yet significant relationship with Employee Commitment with (p-value 0.003 and beta coefficient -.368), this result was consistent with the findings by Jones (2019), however, it was not in line with the findings by Karatepe (2013).

**Conclusion**

In the context of Nepal, Nepalese commercial banks have been facing the problem of employee commitment to their employers and with their workplaces as well. Obviously being the largest sector in Nepalese financial sector, they want employee commitment and OCB for overall growth and development of their business and services. In this study, the Employee Commitment was positively and significantly correlated with Training, Compensation, Job Security and Reward in the commercial banks of Nepal. Though, all variables’ correlation were below moderate as compared to other studies, even though, these factors are crucial in enhancing the efficiency of the Commitment. Most of the independent variables, however, exhibit low beta coefficients and low correlations with Employee Commitment. The results of this study provide business managers insight into the importance of having effective HRD processes in order to raise employees’ levels of commitment to their jobs. The primary objective of implementing various employee involvement programs is to retain potential and qualitative employees to keep them committed with their jobs, so that, they can make contribution to the overall success of the organizations.

**Implication**

A number of the constraints of this study may offer recommendations for further research. To show how employee commitment and human resource development are related in Nepalese commercial banks. In this study, four independent variables were mostly used. Future researches may use additional dimensions of human resource development to further generalize the findings of employee commitment across all financial organizations. Additionally, researchers might look into how committed employees are in educational institutions and non-banking organizations.
So, it is suggested that line managers, higher management and operational managers to increase the level of employee commitment in Nepalese commercial banks. It is further recommended that the banks regularly evaluate and improve their human resource policies and practices to improve human resource development programs for employee commitment. To make sure that employees’ needs, concerns, and ambitions are properly managed with regular feedback systems, employee surveys, and open communication channels should be implemented to enhance commitment of the employees.

References


