CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Every country of the world has its recognition due to its specific religious attachment, socio-cultural features or economic attributes. It is also well known fact that economic prosperity and sound economy is the symbol of success for every country. Economic soundness is the outcome of positive interaction of macroeconomic variables to attain specific objectives by beautiful blending of various resources i.e. physical resources, human resources, financial resources and informational resources. Indian Banking industry plays a very important role in the contribution of Economic soundness of the country.

Banking industry is the back bone for growth of any economy. Banking industry is an important component of financial sector for proper management of financial resources across the globe (Ahmad Ashfaq et al 2010). It is reckoned as a hub and barometer of the financial system in a country. Banking sector plays pivotal role in the economic development of the country and is among the oldest sectors of the country.

India is an emerging economic power with a very large pool of human and natural resources, and a growing large pool of skilled professionals. Indian Banking Sector is most developed, organized and diversified sector. This sector is an important tool for facilitating the development of Indian Economy. The total assets of all banks in the country will form about 65 per cent of GDP at current market prices. It has been expected that banks assets are expected to grow at an annual composite rate of growth of 13.4 per cent in the coming years.

Indian banking system is financially stable and resilient to the shocks that arise due to global economic crises. Banks in India have flourished not just in number but also in their services, product and client base. The services of Indian banks have stamped remarkable progress since independence. A progressively growing balance sheet, higher pace of credit expansion, expanding profitability and productivity akin to banks in developed markets, lower incidence of nonperforming assets and focus on financial inclusion are the main factors which contributed in making Indian banking sector vibrant and strong. The banks of India have begun to revise their growth
approach and re-evaluate the prospects on hand to keep the economy rolling. The way is forward for the Indian banks to innovate and to take advantage of the new business opportunities (Dr. Goyal . K.A. et al, 2012).

Bank is a financial intermediary that accepts deposits and channels those deposits into lending activities. Bank connects customers with capital deficits to customers with capital surpluses.

Having undergone, a major transformation from class banking to mass banking, Banks in India are racing against the super multinational banks (Chandrasekhar S.F.). Modern banks are very useful for the utilization of country’s resources and in return helps in economic development. Also, these modern and multinational banks are using advanced technologies and are offering better facilities to their customers. Now days, Banking Industry has shifted from transactional to customer oriented sector. They have succeeded in reaching to rural areas and offers specialized finance options for the farmers, rural women and small scale industries. Both public and private sector banks in urban areas have multiple branches that help in combining every inch of the country.

In India, Public sector banks are undertaken by government and private sector banks started their operations under RBI’s liberalization policies. Ever since the financial sector reforms were introduced in early 90's under the policy of liberalization, the banking sector saw the emergence of new generation private sector banks. These banks gained lots of popularity as they have advanced technology and better business models when compared with public sector banks and the most important thing is they are able to attract more volumes of customers because they meet their customers’ requirements under one roof (Chandrasekhar S.F.).

The long-term vision for India’s banking system is to transform itself from being a domestic one to the global level. Big players of bank in both Public and Private sector are focusing more on Retail Banking, in which individual customers use local branches of these large commercial banks. In retail banking, the institutions of banks execute transactions directly with consumers, offering them services like saving and transactional accounts, mortgages, personal loans, debit cards, credit cards etc.. These fruitful results have created a very challenging environment for the industrialists, as
globalization has led to setting up of new benchmarks for everyone. These benchmarks and challenges have been given due recognition by Public and Private Banks in India. One important factor emerged, as that the process of economic liberalization and financial sector reforms in India, is the issue of customer focus to the forefront. The customer choice and awareness have increased tremendously in the present decade due to more open economy, the innovation of information technology and media revolution, besides hectic competition for resources by banks. The expectations of customers have increased with the level of services. These days, the banker and customer relationship has come under sharp focus both at the bankers’ as well as the customers’ end. Customer retention has thus gained top priority for all the banks in India. If the management of banks does not understand its customers from the ground level, it may end up by taking unprofitable decisions and pursuing wrong strategies, which may alienate the customer. Further, the modern banks in India have realized the growing importance of people as their competitive advantage, because banking sector is a service driven sector.

To take up this industry to the heights of international excellence it requires combination of new technologies, better processes of credit and risk appraisal, management of treasury, product diversification, internal control, external regulations and human resources at the most. “How well Challenges are met” will mainly depend on the extent to which the bank’s leverage their primary assets i.e., Human Resources in the context of the changing economic & business environment. (Article base, 2009) Banking being a service sector industry, productivity and commitment of the staff has a significant effect on the overall performance of banks. Due to the intrinsically close ties between employees and customers, loosing skilled employees may result in loss of valuable customer relationships. Thus, focus of the banking industry is about employee retention from all levels, hence initiated the HR systems, procedures, policy and practices with the focus on their employees. There is a new alertness to the profound impact of human nature in the workplace. The Industry has identified management of human resources as the key to future success.
1.2 HRM AND BANKING INDUSTRY

To run organizations smoothly, effectively and efficiently, the most valuable and indispensable factor that organizations need is human resource (Mosadragh, 2003). In this modern era, where world has become a global village, firms are considered to be competitive on the basis of competence of their human resources only (Bushra Fatima et al, 2011). Well-qualified and capable personnel are important in context of achieving goals and objectives of an organization. The success of an organization depends on the hard work, loyalty and involvement of staff members.

Earlier, with the concept of personnel management, humans were treated as a tool, the behavior of which could be manipulated for the benefit of the organization and replaced when it was worn out. Also the policies of the organization were less flexible and organizations were centralized. But after the emergence of concept of HRM, which is more compatible with the organic system and has cross cultural and cross hierarchical system. Organizations are more flexible and decentralized. HRM takes the entire organization as a focal point for analysis (Shahnawaz M.G et al.,2006).

Human resource management is a set of policies, practices and programs designed to maximize both personal and organizational goals. It binds people and organization together. HRM is planning, organizing, directing, controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and social objectives are accomplished (Flippo,1980). Human resource management is linked with various functions involved in planning for recruiting, selecting, developing, utilizing, rewarding and maximizing the potential of the human resources in an organization.

HRM takes care of employees and acts as a link between individuals, jobs, organization and environment. The solution of human resource problems stresses to achieve both organizational and personal goals. It is a challenging function to handle the sentiments and emotions of people which are dynamic in nature. Through HRM, organization can achieve its objectives in future by fulfilling needs for competent and well-motivated employees.

Guest (1997) recognizes three broad categories of general-level theory on HRM: strategic theories, descriptive theories and normative theories. Strategic theories are
primarily concerned with the relationship between a range of external contingencies and HRM policy and practice. The work of Miles and Snow (1984), Schuler and Jackson (1987) are examples of this type of HRM theory. Guest (1997) concludes that strategic theories are simplistic in characterizing HRM and are weak in specifying the process which links HRM to performance and adopt a limited view of performance (concentrating too heavily on measures like and sales). Descriptive theories of HRM set out to describe in a comprehensive way. Researchers try to capture and address some of the relationships (e.g. Beer et al., 1985;). They essentially seek to map and classify inputs and outcomes, with an emphasis on an open systems approach. The perspective can be labeled as realistic but, Guest (1997), fails to provide a clear focus for any test of the relationship between HRM and performance. Normative theories of HRM are more prescriptive in their approach, taking the view either that a sufficient body of knowledge exists to provide a basis for prescribed best practices or that a set of values indicates best practice (Guest, 1997). Walton (1985) and Pfeffer (1998) represent this approach. According to Guest (1997), normative theories are predominantly focused on the internal characteristics of HRM at the expense of broader strategic issues, while leaving unclear the basis for specifying the list of HRM practices.

It is the firm’s current and potential employees who are responsible for planning, development and implementation of strategic business plans in the organization.

In a world increasingly characterized by globalization of product markets, the importance of human capital as a resource that can potentially provide competitive advantage has become more important and also managing them well helps create unique competencies that differentiate as products and services and drive competitiveness. Because a firm’s people are integral to its success, researchers interested in managing human capital have increasingly focused on HR practices as the levers through which firms might build the human capital that makes up resources and capabilities (Wright M. Patrick et al, 2007).

Most of the organizations profess that employees are their greatest asset and treat them as an organizational overhead. The root cause of failure of strategic plans or process could be attributed to the way they managed the human resources working in
organizations. It is not the technology or process that makes things happen but people and the way people interact with technology, process or any other resource that contributes for happening of the things. Severe global competition and the survival instinct have helped organizations shed their traditional mindset and look for new competitive advantage in human capital.

Change is very important and constant feature in this dynamic world and banking is not an exception. Change, adjust and adapt should be the key mantra of survival for the organizations. The changes staring in the face of bankers relates to the fundamental way of banking—which is going through rapid transformation in today’s world. Thus, unlike the traditional peripheral function of many personnel managers, the newer style of human resource managers attempts to: ‘relate personnel practices to beliefs, to link each and every process of the recruitment, induction, training, appraisal rewarding of individuals to an overall set of articulated beliefs of organization’ (Hunt, 1984).

Over the last three decades, there has been a remarkable increase in the size and scope of activities of banks in India. The business profile of banks has transformed dramatically from traditional to non-traditional activities like merchant banking, mutual funds, new financial services and products and the human resource development. Within retail operations, banks rate product development and differentiation; innovation and customization; cost reduction; cross selling and technological up gradation as important factor for the growth of their retail operations. Additionally few respondents also find pro-active financial inclusion, credit discipline and income growth of individuals and customer orientation to be significant factors for their retail growth (FICCI, 2010). As a result, banks have started realizing the importance of Human Resources to deal with customers.

A research conducted by FICCI has found that both Public and Private Banks face human resource threats in respect of high staff cost overhead, poaching of skilled quality staff, and high attrition rate. These are discussed in below mentioned graphs:
In a world, that is increasingly characterized by globalization of banks in product and service markets, the importance of human capital as a resource that can potentially provide competitive advantage has become more important, because firm’s people are integral to its success. Human resource management practices are viewed as investments in human capital management (Snell & Dean, 1992) that ultimately becomes a valuable resource for any organization. All effective organizations usually look for three things: (a) they want their employees to carry out the assigned role requirements (b) they want to retain efficient employees within their system and also
(c) they want their employees to exhibit innovative and spontaneous activities that are beyond the role requirements of employees. For this, every organization wants less attrition rate of their existing employees.

In order to attract and retain skilled human resources, banks have started realizing the importance of HRM Practices. Many researchers have suggested that HRM Practices increases the performance of organization (Qureshi et al., 2007). So, in order to retain skilled and talented employees, banks have started looking towards committed employees and through many researches it has been proved by the researchers that HRM Practices increases the commitment level of employees.

Banks have increasingly recognized the potential of their existing employees. They have realized that, a firm’s employees can be a unique pool of talent and can take the organization to greater heights. HRM practices affect such efforts of the employees by influencing their skills and motivating them. It is well known that even proper designing of organizational structures can empower employees to control how well they perform their roles. This changed mindset of corporate decision makers has prompted the researcher to look for a relationship between firms Human Resource Management Practices and its impact on the dependent variables like Organizational Commitment of Employees. Organizational commitment is an attitude reflecting employee’s loyalty towards their organization and expresses their concern, continued success and well being of organization.

For this, all the banks are undertaking exclusive HRM Practices for their most valuable human assets. These HRM practices pivot not only in inculcating empowerment amongst the employees but also help in shaping a healthy organizational culture, which leads to higher growth and performance of banks.

The purposed study is a comparative analysis between Public and Private Banks of India. Public Banks are governed by Government of India and Private Banks were licensed under the policy of liberalization. So, both the types of Banks have different Management imperatives and may follow different HRM Practices. Good HRM Practices help in attracting, retaining talent, train people for challenging roles, develop their skills and competencies, increase productivity and profits and enhance standard of living. The study tried to find the truth behind it by analyzing the impact of
appropriateness of HRM Practices as perceived by employees of banks and their commitment thereof.

1.3 HUMAN RESOURCE MANAGEMENT PRACTICES

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 (Quresh Tahir Masood et al, 2010). For an organization to be more effective it should have skillful and innovative employees to work and organizations should also try to retain them. For this, companies have to implement effective combinations of HRM Practices with greater involvement of employees. The HRM Practices of the company should be flexible that can be coped with changing and dynamic environment. HR Managers and the management should try to introduce innovative HR Practices to improve internal organizational process, to retain the existing employees and also to attract and hire other candidates in the organization.

Organizations have to implement innovative technologies, effective marketing strategies and hire skilled workforce in order to survive in competitive world. To hire and retain skilled and talented employees, many organizations in India and other countries have started realizing the importance of HRM Practices. HRM Practices designed by the organization should meet the objectives, strategies, plans of the organization as well as the career objectives of the employees. Progressive and flexible HRM Practices foster a positive work climate in the organizations.

A company cannot aspire from a single HRM Practice but there are different HRM Practices which a company combines to manage its HR system. A company should always combine “Number of Best HR Practices” that should be implemented for the survival and sustainability of the organization and also for the betterment of employees. “Best practices" in HR are subjective and transitory. HR Practice which is best for one company may not be best for another. "Best practice" is not a set of discrete actions but rather a cohesive and holistic approach to organizational management.

Over the years, researchers have suggested many HRM practices that have the potential to sustain and improve organizational performance. These practices include
emphasis on employee selection based on fit with the company’s culture, emphasis on behavior, attitude and necessary technical skills required by the job, compensation contingent on performance and employee empowerment to foster team work among others (Ahmad Sohel et al,2003). Pfeffer (1998) has proposed seven HRM practices that are expected to enhance organizational performance. The practices proposed by Pfeffer (1998) are:

1. Employment security.
2. Selective hiring of new personnel.
3. Self-managed teams and decentralization of decision making as the basic principles of organizational design.
5. Extensive training.
6. Reduced status distinctions and barriers, including dress, language, office arrangements and wage differences across levels.
7. Extensive sharing of financial and performance information

Good HR practices helps in making a difference on many counts. They enhance and accelerate internal capabilities of an organization to deal with current or future challenges to be faced by an organization. Good HR practices also boost and energize people working in the organization. The commitment and motivation built through good HR practices can also lead to hard work from employees. The culture built due to all these practices can help to create a sustainable and lasting capability of the organization to manage itself and also to cope with the external turbulence (Aneet, 2006).

A number of researchers have analyzed and deducted from the result that HRM practices are positively linked with organizational and employee performance because they enhance internal capabilities of an organization to deal with future challenges because employees are satisfied with internal policies of the organization in contrast to the work being done by them for the organization. Thus, all these factors add on as a multiplier effect to convert human capital to organizational capital.
Researchers have demonstrated that shaping of HRM practices depends upon various factors like sector, business strategy and firm size. Small firms usually face impediments to structuring HRM practices because they lack the time, money and employees to formalize these issues (Hornsby and Kuratko, 1990; Deshpande and Golhar, 1994; Marlow and Patton, 1993; Jackson et al., 1989).

According to different researchers, there are different contingencies of HRM Practices on Organizational Variables

1) Firm size has a positive effect on Training and Development. (Leijten, 1992)
2) Organization size has a positive relation with Profits. (Huselid, 1995)
3) Establishment size has perceived negative relation with organizational performance. (Scholarios et al., 1999)
4) Large size of the firm has a positive relation with recruitment & selection procedure of the organization.

Researchers also show the contingencies of HRM Practices on Individual Level:

1) Employee age is positively related with commitment. (Scholarios et al., 1999)
2) Being more senior in organization is positively related with motivation. (Guest, 1999)
3) Promotion of employees in organization is positively related with commitment.

Good employees are supposed to have such characteristics like 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 (Sangmook Kim, 2004). It is well known that for generating all these characteristics among employees, good HRM Practices should be implemented in the organizations.

HRM Practices also plays a very important role in the prosperity and success of an organization. In most organizations, such success is evaluated and measured by the balance of complementary characteristics such as reaching goals, employing the skills and abilities of employees efficiently and ensuring the influx and retention of well-trained and motivated employees.

In an early review of the HRM – performance literature posited 4 levels of outcomes of HRM practices—market, organizational, financial and employee—suggesting that
the impact of HRM is likely to work more than these levels. Market outcomes consist of measures of the market value of firms based on stock price. Organizational outcomes focus primarily on operational performance measures such as quality, productivity and customer satisfaction. Financial outcomes, such as accounting profits, represent the next step in their causal chain. Finally, employee outcomes results into affective reactions such as satisfaction and commitment as well as behavioral reactions such as absenteeism and turnover. (Wright Patrick M. et al,2007).

There are different combinations of HRM Practices for the organization to adopt. HRM 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 by the managers. Firms need to establish long-term commitment to retain their work force. This can be achieved through more rigorous recruitment and selection and greater investment by firms on training and development for their employees. Appraisal of employees needs to be done to analyze their performance with the benchmark set by the organization, which will ultimately influence on promotion and transfer policies of the organization. Welfare schemes of the organization also play a very important role in increasing the satisfaction level of employees towards their job.

The researcher has taken following combination of Human Resource Practices in the study:

**Human Resource Management Practices**

1. Recruitment and Selection
2. Training
3. Compensation
4. Promotion and Transfers
5. Welfare Schemes

**1.3.1 Recruitment and Selection**- Recruiting outstanding people means ‘capturing a stock of exceptional human talent’ and is the most effective way to achieve sustained competitive advantage.
Recruitment and Selection includes the overall framework for the process of planning, recruiting, selecting, and inducing employees. The goal of recruitment and selection is to identify and appoint the smartest, skilled and most versatile employees.

Recruitment is the process of attracting the eligible candidates to apply in the organization for the generated vacancies. The firms should announce the vacancies in the market to attract the required pool of candidates. To recruit employees in an organization, there should be certain specific criteria’s which an organization should set and employees with similar criteria’s should be attracted to apply in the organization for that profile.

Recruitment in an organization can be of three types- Planned which arises from the changes in the organization, Unexpected which arises due to the reasons like death, accidents and anticipated needs which an organization can predict by studying trends in internal and external environments.

In recruitment process, HR department receives requisition from any department of the organization about no. of persons required. HR department then communicate the information about the organization, job, terms and conditions of service in the market to attract the anticipated candidates. The process then ends up by encouraging the candidates to apply for jobs in the organization.

Increasingly, employers are looking for applicants who possess a range of social, interpersonal and team working skills in addition to technical ability and all these characteristics makes an applicant eligible for the job.

Recruitment can be done through internal and external sources. Internal sources involves Promotions and Transfers of employees, Demotions can also be one of the source; Retired and Retrenched employees can also be called back; Dependents and relatives of deceased and disabled employees. External sources includes Educational and Training institutes, Search Agencies, Employment exchanges, Labor contractors, Similar or Competitive organizations, Employee recommendations, Press advertisements etc. Organizations are better to use realistic job previews in order to improve the effectiveness of recruitment process. Realistic job preview is a way to provide complete information including positive and negative things about the organization to the job applicant.
Recruitment technically precedes selection. Selection is the process of choosing the most suitable persons out of all applicants. Selection is a negative process as it rejects a large number of applicants to identify few who are suitable for the job. Selection is an important function as no organization can achieve its goals without selecting the right people. Selection process usually involves filling of the application form, conducting tests such as Aptitude tests, Intelligence test, psychomotor test, Achievement test, Personality test, Interest test etc. Organizations usually conducts employment interviews, to obtain information about the background, education, training etc., also to give information about the company, job profile to the candidates. There can be different types of interview like informal, formal, structured, unstructured, depth, group interviews etc. In the structured interview, the interviewee received a set of questions that have been prepared in advance by the interviewer and the interviewer leads the course of the interview. However, in unstructured interviews, the candidates control the flow of the conversation. The interviewers do not direct the interviewee; they repeat the statements made by the candidates to encourage further discussion. But, unstructured interviews are subject to the interviewer’s interpretations. The validity of unstructured interview has been shown to be relatively low whereas the validity of structured interview is higher and similar to assessment center validities. There are also other kinds of interviews such as panel, situational and stress interviews. In panel interviews, the applicant is interviewed by a panel or group of individuals. In situational interviews, the applicants solve a particular problem or describe how they would behave in a specific job situation. The validity of situational interviews has been shown to range between .14 and .46 (Sozer Seray, 2004) Candidates who crossed the above stages are sent for physical examination either to company’s physician or medical officer approved for the purpose. References mentioned by the candidates in their application forms are then checked. Finally employment is offered to the candidate in the form of Appointment letter.

After a candidate has been selected, HR department introduces the new employee to the organization, its policies, procedures and rules. ‘Induction is the first step in building a two-way relationship between the organization and the employee. ‘Induction is a process through which a new employee is introduced in the
organization. It refers to the process of welcoming and socializing the individual with
the organization. It is a process wherein an individual is made to feel comfortable and
making him aware about the organization’s policy and introducing the new employee
with other existing employees of the organization. Executing the induction
programme is the responsibility of the HR department or HR manager. This
programme is either conducted by HR manager or HR representative (Jyothi and
Venkatesh, 2006).

With high cost involved in employee recruitment and selection, companies are more
concerned in retaining employees. Retention of employees is possible through
increased commitment level of employees.

1.3.2 Training - After recruiting ‘outstanding human talent’, employers of an
organization need to ensure that these people remain at the forefront of their field, in
terms of professional expertise and product knowledge but also by working in teams
or in interpersonal relations. For this, Training plays a very important role. Training is
the process of increasing the knowledge and skills of an employee for doing a
particular job. The purpose of training is basically to bridge the gap between
requirements of the job and present competence of an employee. Training is aimed at
improving the behavior and performance of employees. Training is allotted and given
according to the requirement of the job. Employees selected for the job might lack
qualifications required to perform the job or when the person is new and
inexperienced employees require the detailed instructions for effective performance of
the job. Increasing use of fast changing technology also requires training to be given
to the employees. Also, to survive and grow in changing environment, an organization
must adapt to provide training to its employees. It is also necessary when employees
move from one job to another due to promotion or transfer. There are different types
of training like Orientation training, Job training, Safety training, Promotional
training, Refresher training, Remedial training etc. In Orientation training, newly
appointed employees are made familiar with rules and regulations of the organization.
It helps in creating self confidence among the employees. Job training is provided
with a view to increase the knowledge and skills of an employee for improving
performances on the job. Safety training is provided to minimize the accidents and
damage. Promotional training is given to the selected employees before they are
promoted to higher rank, to enable them to perform higher level jobs. When existing techniques becomes obsolete due to the development of better techniques, employees have to be trained in the use of new methods and techniques, Refresher training is given to employees at that time. In Remedial training, shortcomings in the behavior and performances of old employees are overcome. Introduction of training programs, a practice that often improves productivity, is likely also to have a positive influence on employee perceptions of supporting the task.

For imparting training, HR Department should select and motivate the target group where training is required. The type and method to be used in imparting training will depend upon the type of persons to be trained. For all these purposes, trainer should be appointed and prepared and should be aware about both the job to be taught and how to teach it to the persons selected for training. Appropriate training package and training methods should be chosen according to the targeted group. Training can be provided on-the-job work place or it can be provided at a place where actual work conditions can be duplicated. Trainer then demonstrates and instructs in order to put over new knowledge and operations. Trainee is asked to do the job several times, his mistakes are then corrected and if required complicated steps are explained again by the trainer. Follow up is then taken to assess the effectiveness of training programme.

Development includes the process by which managers and executives acquire not only skills and competency in their present job but also make them capable to handle complexities and challenges for future. However, the main objective of development is to improve the performance of managers at all levels in their present jobs and to maintain good performance throughout their careers. It is also required to replace the elderly executives by highly competent and academically qualified professionals who have risen from the lower ranks. In addition to this, Development also gives the executives various opportunities to fulfill their career aspirations which will empower them to use maximally utilize managerial resources.

In order to impart development related skills to executives, first of all the development needs of organization has to be ascertained. Although, it is necessary to determine how many and what type of executives are required to determine present and future needs of the Organization and such persons should be imparted with all the
skills required to perform the job for which they are capable. Each executive has a unique set of physical and emotional traits, so tailor-made programmes are then organized by HR Department. These tailor-made programmes could be in the form of coaching, understudy, position rotation, making committees, arranging lectures, case studies, group discussions, conferences, role playing etc. Once development process is completed, appraisal of the present managerial talent is compared by the performance of employees with the set benchmarks.

Thus, imparting fair training and development programmes to the desired employees shall increase their commitment level towards the organization.

1.3.3 Compensation - Compensation management can be defined as the system of rewards, which an employee receives in return for his performance for the organization. Organizations design their compensation structure on the basis of various objectives. Firstly, organizations try to acquire qualified personnel and retain present employees. In the next step, the organizations aim to ensure internal and external equity of wages that employees earn. The third objective is to reward desired employees like good performance and loyalty of employees. Another objective of a rational compensation program is to control costs of obtaining and retaining the organization’s present and future workforce. Finally, compensation management programs consider legal constraints and also compliance with all government regulations related with employee compensation.

In compensation management, it is very important to determine appropriate pay level for each job; job profile and this can be acquired through several phases. The first phase includes information collection about jobs by conducting job analysis in order to determine the profile of the job, position descriptions and job standards. The second phase involves the evaluation of jobs, in order to obtain internal equity in terms of pay within the organization. There are different methods to designate the relative worth of jobs, such as job ranking, job grading, factor comparison and point system. The next phase aims to ensure external equity in terms of pay systems by conducting wage and salary surveys. These surveys find out what other employers or organizations in the same sector are paying for specific or similar jobs (Seray Sozer, 2004). As an effective measure, jobs should be evaluated little high for comparable
workers as compared to other organizations so as to attract and retain high-quality labour. In some organizations, employee’s compensation package is restricted with not only to basic pay but also to performance of the individual and organization. There is uncertainty whether individual practices such as performance related pay are associated with positive or negative effects because such practice may motivate or de-motivate an employee.

Salaries and wages constitute a very large component of operating costs of the organization. Any organization can expect to attract and retain qualified and motivated employees unless it pays them fair compensation. It is one of the biggest factor affecting industrial relations which ultimately affects the commitment of employees towards their organization. It provides a sense of recognition and determines the social status of employees. Employee compensation may be classified into two categories Primary or Base compensation and Secondary compensation. Base pay is fixed and does not contain any incentive. On the other hand, supplementary or secondary compensation consists of incentives or variable payments. Timely administration of employee compensation is done by the organizations to provide fair and equitable remuneration to employees. Wage differentials between jobs in an organization should be in proportion to differences in the worth of jobs. Paying fair and equitable wages also improve the public image of the company. Also, it has been concluded by various authors that the organization which provides retirement benefits to their employees, there the employees are more committed to their organization. Competency-based (or skill-based) pay has grown more popular in recent years. Through competency-based pay, employer reward employees not only for mastering job-relevant knowledge and skills but also for using those abilities to produce results valued by the organization. This type of pay can increase engagement by fostering employees’ pride in their new mastery. And it can enhance commitment because workers learn that the company is willing to help them burnish their employability (Vans Robert J., 2006).

Compensation should be given to employees keeping in view the interest of employer as well as employee and should be flexible, as it should be linked to the productivity or performance of the organization or individual and also according to external environmental conditions.
1.3.4 Promotion and Transfer - Mobility and flexibility in work place are necessary to cope up with the changing needs and requirements of an organization. Employee moves from one job to another in the same organization through transfers, promotions and demotions. The movement of employees is done for successful implementation of the policies structured in the organization and also for the optimum utilization of knowledge, skills and potential of an employee. Job changes are made to assign every employee to such job where his capabilities and skills can be used at maximum.

Promotion refers to advancement of an employee to a higher post carrying greater responsibilities, higher status and better salary. In other words, it is upward movement of an employee in the organizations hierarchy, to another job commanding greater authority, higher status and better working condition. Promotion is given to employees after recognizing the performance of employees. It is given to employees on the basis of merit or seniority or both. Promotion may be temporary or permanent, depending on the need of the organization.

Promotion also boosts the morale and sense of belonging of the employees towards organization. If promotion is given to employees according to their skills and talent, then employees can be retained more easily in the organization and they will show commitment towards organization. Due and fair promotions if given on time, helps in attracting competent and suitable employees for the organization, increase employees morale, productivity, helps in building industrial relations also helps in maintaining goodwill of the organization in the market.

Transfer refers to horizontal and lateral movement of an employee from one job to another in the same organization without any significant change in status and salary. A company may initiate a transfer to place employees in positions where they are likely to be effective and productive. Transfers can be within the department or across departments, depending on organizational structure. Transfers not only meet organizational changes but also satisfy employees need at times.

Thus, Promotion and Transfer plays a significant role for employees as well as organization.
1.3.5 Welfare Schemes - Welfare includes anything that is done for the comfort and improvement of employees and is provided over and above the salary. Welfare helps in keeping the morale and motivation of the employees high so as to retain the employees for longer duration. The welfare measures need not be in monetary terms only but can be in any kind/forms. Employee welfare schemes may include monitoring of working conditions, creation of industrial harmony through infrastructure for health, industrial relations and insurance against disease, accident and unemployment for the employees and their families, maternity benefits, social insurance measures including gratuity, pension, provident fund and rehabilitation, benevolent funds; medical facilities including programs for physical fitness and efficiency; family planning and child welfare; education facilities including adult education; housing facilities; recreational facilities including sports, cultural activities, library and reading room, holiday homes and leave travel facilities; workers' cooperative stores, fair price shops and cooperative thrift and credit societies; vocational training for dependents of workers; welfare programs for welfare of women, youth and children; and transport to and from the place of work.

The main objective behind providing welfare schemes is to create efficient, healthy, loyal and satisfied workforce for the organization. Workers take active interest in their jobs and works with a feeling of involvement and participation. Thus, they will contribute their full efficiency towards the organization and will be more committed towards their existing organization.

Introduction of welfare schemes in the organization helps in providing better life, social status, economic betterment and health to the workers to make them feel happier and satisfied and also to improve the intellectual and cultural conditions of workers. Facilities like medical insurance to the family members, housing facilities, educational facilities helps in increasing the standard of employees and their family.

Welfare schemes should be flexible and ever-changing. New welfare measures are added to the existing ones from time to time.

Welfare activities can be statutory and non-statutory. Statutory are those services whose implementation depends on the coercive power of the government. These are ensured by the enactment of certain rules.
Employees Provident Fund - The Act was passed in 1952 with the objective of making some provisions for the future of the employees after the retirement of employee, for the dependents in case of his or her early death, and to cultivate a spirit of saving among the employees. The Act applies to all employer establishments falling under any notified industry and employing 20 or more employees. Equal contribution is made from employer and employee in the PF account of an employee. Employees can avail PF amount at the time of his retirement, marriage of children and also at the time of providing higher education to his children.

Pension Scheme - Pension is payable to employees after their retirement. Pension is also paid to the widow/children of the employee if he dies within the service. The main objective behind pension scheme is that employees and his dependants should avail the benefits of basic necessities of life even after retirement. Employee can also choose either he wants to avail the pension scheme or provident fund scheme.

Holidays/ Leave - It is mandatory for every organization to provide holiday on all Sundays and other National Holidays to their employees. Falling this, an employee should be given compensatory leave for the same. Employers should also provide to its employee, other leaves for the year that can be categorized into casual leave, earned leave, medical leave etc. and should also specify their no.’s in the policy of the organization.

Canteen - Canteen shall be provided and maintained in an establishment where more than 250 employees are working and it should provide hygienic eatable facilities to the employees.

Lunch Rooms - Lunch room for the workers is arranged in an organization where more than 150 workers are employed. When a lunch room is provided to employees, then no worker shall eat food in the workroom. The main objective of providing the benefit of lunch room to the employees is to provide them a convenient place for taking lunch.

Crèches - Crèche shall be provided in an organization where more than 30 women workers are working. Women working in the organization shall keep her
child in the crèche during the working hours. It is mandatory that the rooms of
the crèche should provide adequate accommodation and should be adequately
lighted and ventilated.

Non-Statutory are voluntary welfare schemes provided by an organization to its
employees.

These are:

- **Housing Facilities**- Many companies provide housing facilities to their
  employees and their families. Houses are allotted to employees according to their
designation and status. Providing houses to employees helps in increasing the
commitment level of employees towards their organization as they will show
more attachment for the organization.

- **House Rent Allowance**- Organizations provide house rent allowance to
  employees for staying in rented house. HRA varies according to the city and
designation of employee. HRA will be high in Tier I city as compared to Tier II or
Tier III city and similarly if the designation of the employee is high then also he
will be given with more HRA as compared to the less designated person.

- **Educational Facilities**- Economic and societal progress is dependent on the
  quality of work force. Education plays a crucial role in motivating and preparing
the workers for constant change and development that should necessarily happen
in industry. Some organizations provide the facility of imparting education to
their existing employees. The educated worker will naturally be more receptive
and responsible. Many organizations go a step further and extend education
facilities to the children of the employees like fee reimbursement, books
allowance, etc.

- **Transportation Facilities** - The growth and expansion of industries has also
  increased the distance for the employee form his place of residence to his place of
work. Transport facilities for employees residing far from the workplace are
essential to relieve strain, anxiety and exertion. Such facilities will, no doubt, also
provide greater opportunity for relaxation and reduce the rate of absenteeism and
will also help in attracting new and skilled employees.
• **Conveyance Allowance**- In the offices, where transport services are not provided, some conveyance allowance mutually agreed upon between the employer and the employees is paid to the employees. This allowance is given to the employees on commuting by their personal vehicles.

• **Recreational Facilities**- Recreation in the form of music, art, theatre, sports and games can play an important role in the mental and physical development of the employees. Excursions, youth clubs and holiday homes can also be provided for the employees. The importance of recreation in creating a healthy climate for industrial peace and progress has been emphasized by several study teams, committees and commissions.

• **Lunch Facilities**- Few organizations provide free or subsidized lunch facilities to its employees in the organization, or else provide food allowances or coupons for the day. This motivates the employees and works as an attractive scheme.

• **Suggestion Scheme** - A system allowing employees to raise complaints, make recommendations or submit ideas regarding company policies, procedures, working conditions, benefits, etc. Many companies also provide suggestion box for the employees to put forward their ideas. The scheme provides employees the benefit of employee empowerment and helps in solving their grievances.

• **Medical Benefits**- It is divided into three categories and is up-to-the discretion of organization to opt for any of them or all of them.

  i. **Restricted Medical Care**: It consists of out-patient medical care at dispensaries or panel clinics. Facilities of consultation with medical officers, supply of drugs, pre-natal and post-natal care, family planning and immunization services are available in these institutions and facilities can be availed by the employees and their dependants. The beneficiaries are also entitled to call a doctor to their house to check serious patient.

  ii. **Expanded Medical Care**: It includes consultation with specialists and supply of special medicines and drugs as may be prescribed by them. Facilities for special laboratory tests and X-ray examinations are also available under this scheme.
iii. Full Medical Care: Hospitalization facilities, services of specialists and drugs and diet required for in-patients are available under this scheme. When a person is entitled to any of the benefits provided by the ESI Act, he or she shall not be entitled to receive any similar benefit under any other enactment. An insured person will not be entitled to receive for the same period (a) both, sickness and maternity benefit; or (b) both sickness benefit and disablement benefit for temporary disablement; or (c) both maternity benefit and disablement benefit for temporary disablement. When a person is entitled to more than one benefit, he has an option to select any one of them.

- **Insurance Scheme** - It is applicable to organizations where employee PF is deducted. The special feature of the scheme is that only the employer and the government make contributions to the scheme and no contribution is required from employee. Some organizations follow group insurance scheme, whereas some follow individual insurance scheme in which individual as well as his dependents are insured.

- **Corporate Cell Phone Facility** - Companies provide cell phone facilities to its employees depending on the designation. Cell phone and residential phone bills are reimbursed by the companies. This helps the employees to increase their satisfaction level towards their job as they don’t have to spend their own money for official work.

- **Loan** - Housing loan, Vehicle loan, Personal loan, Hospitalization loan are different types of loans provided to employees according to their salary structure. Loan facility helps employees in owing different items for better survival in future.

- **Soft Furniture Schemes** - Few organizations also provide monetary benefits to its employees in buying new furniture and replacing the old one. This scheme is valid after working for defined tenure of the job.

Employees are more likely to welcome information sharing if their workplace is relatively status free. Equally, they are more likely to show an interest in team working if their efforts are rewarded with performance-related incentives, ownership sharing, and access to training opportunities. Similarly, if sufficient care has been
taken at the recruitment and selection stage, new recruits are more likely to adopt working practices, as well as contribute full efforts for striving for internal promotion in the future.

As an important emerging economy and highly populous democracy, India is seeking to modernize and transform its institutions without sacrificing its commitment to economic progress, socio-cultural heterogeneity and traditional social hierarchic values. A study of management practices and values adopted by firms in India will provide an enriched understanding of the below mentioned needs: the need for balancing market competition, diversity and traditional social values in India. Management practices should fulfill the need to retain the employees in their organizations. Many organizations in India are also making changes in their respective HRM Practices to retain and attract skilled employees in their organizations, because employees also expect a better return for the work performed by them.

HRM systems or Practices are either control- or commitment-oriented. Control HRM systems are characterized by a division of work into small, fixed jobs for which individuals can be held accountable and direct control with managers supervising rather than facilitating employees (Walton, 1985). This type of HRM system aims at reducing direct labor costs, or improves efficiency, by enforcing employee compliance with specified rules and procedures (Walton, 1985). In contrast, commitment HRM systems are characterized by managers who facilitate rather than supervise. i.e., there is indirect control. This type of HRM system aims at establishing (psychological) links between organizational and personal goals.

Arthur’s (1994) Control and Commitment HR systems are based on the idea that ‘the closer an organization’s HR practices resemble the correct prototypical system of the organization (for its business strategy), the greater the performance gains (Delery and Doty, 1996). Arthur Control HRM systems focus on cost reduction, centralization, no participation, no training, low wages, no employee benefits or improvement of efficiency, whereas Commitment HRM systems emphasize employee development, decentralization, participation, training, high wages, employee benefits and trust. Commitment is regarded as positive employee response to progressive employment practices. The empirical results of the study suggest that Commitment system outperforms better. Organizations with a commitment-oriented HR system have significant higher scores on productivity and lower scores on employee turnover than
the control oriented HR system.

Hunter Larry W. (1995) designed the HR System based on Control and Performance. Control based system does not increases the satisfaction level of employees, whereas performance based system increases the productivity of the organization due to the increased satisfaction level of employees, the below mentioned table depicts the same:

<table>
<thead>
<tr>
<th>HR System</th>
<th>• High Control Work Place</th>
<th>• High Workplace Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Practice</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>• Low Base Pay</td>
<td>• High Base pay</td>
</tr>
<tr>
<td></td>
<td>• Individual Incentives</td>
<td>• Group Incentives</td>
</tr>
<tr>
<td></td>
<td>• Few rewards for tenure</td>
<td>• Back-loaded Pay</td>
</tr>
<tr>
<td></td>
<td>• High Differentials across families</td>
<td>• Lower Differentials</td>
</tr>
<tr>
<td>Training</td>
<td>• Low Levels, as necessary</td>
<td>• High Levels, Pro-active</td>
</tr>
<tr>
<td>Staffing</td>
<td>• Extensive Low-Cost Part-time work force</td>
<td>• Full time work-force; Part-timers included in benefits</td>
</tr>
<tr>
<td></td>
<td>• Hire and Fire for needs</td>
<td>• Commitment to Employment Security</td>
</tr>
<tr>
<td></td>
<td>• Staff for immediate needs</td>
<td>• Looser Staffing</td>
</tr>
<tr>
<td>Hiring and Selection</td>
<td>• Based on the markets</td>
<td>• High Investment in Screening</td>
</tr>
<tr>
<td>Work Place Governance</td>
<td>• Little Employee Involvement</td>
<td>• Extensive Employee Involvement</td>
</tr>
<tr>
<td>Job Design</td>
<td>• Relatively narrow jobs</td>
<td>• Broader Jobs</td>
</tr>
<tr>
<td></td>
<td>• Emphasis on monitoring</td>
<td>• Flat Hierarchy</td>
</tr>
<tr>
<td></td>
<td>• Steep Hierarchy</td>
<td>• Organizations may include: Self-managing formal teams</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Formal Job rotation Total Quality Management</td>
</tr>
</tbody>
</table>

**Source:** By Larry W. Hunter, 1995

**Table-1.1**
In order to bring lasting and better results, people within organization should extend beyond the individual and workgroup levels and identify with the organizational aspirations in order to make an effective contribution for the organization. (Sheldon, 1971) Financial Performance of an organization also depends to a large extent on Operational Performance of the organization. This Operational Performance is a function of technology, people and performance. For effective interaction of people with technology, they should be skilled enough to deal with it (Pfeffer 1998, Ulrich1997, Geringer, 2002). Authors argued in a series of books that the greatest competitive advantage is to be obtained from people rather than technology. They contend that investment in technology is not enough, because that technology will soon be available to competitors. The more complex the technology - the more it requires the skills of the people. Employee’s operational performance depends on four factors: Competence, Teamwork, Organizational Commitment and Customer Orientation. Individual performance and organizational effectiveness cannot be achieved without organizational commitment, i.e. readiness to exert considerable effort on behalf of the organization (Becker, 1960). Good HRM Practices lead to high organizational commitment and different researches in USA and now Britain justify them (Marchington Mick et al,2005). Thus, many researches show that organizational commitment of employees plays a very important role in the increased efficiency of employees and organization.

In an individual-level analysis, Paul and Anantharaman’s (2004) study of software professionals showed that HRM practices had a significant positive relationship with organizational commitment. HRM systems have also been found to relate to commitment in samples of frontline employees from car rental, retail, and hospitality organizations in South America (Browning, 2006). Payne and Huffman (2005) found in a longitudinal study that organizational commitment mediated the relationship between mentoring, an HRM practice in the organization studied, and employee turnover over time. In a unit-level study, Wright et al, (2003) found a positive relationship between HRM practices and organizational commitment in a study of 50 business units from a large food service corporation.

Recent research has found that an employee’s career commitment is a moderator between the perception of company policies and practices and organizational commitment (Luthans Fred, 2002).
Thus, above discussed HR Systems and Researches, shows a significant and positive relationship between HRM Practices and Organizational Commitment.

1.4 ORGANIZATIONAL COMMITMENT

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 mere passive loyalty for an organization. It involves an active relationship with the organization, such that individuals are willing to give something of them in order to contribute to the organization’s well-being.

It can be characterized by at least three factors: (a) a strong belief in, and acceptance of, the organization’s goals and values; (b) a willingness to exert considerable effort on behalf of the organization; and (c) a strong desire to maintain membership in the organization (Porter et al., 1974)

Commitment is a sort of bond between employee and the organization. The Organizational Commitment attitude is determined by a number of personal (age, tenure in the organization, and dispositions such as positive or negative affectivity, or internal or external control attributions) and organizational (the job design and the leadership style of one’s supervisor) variables. Even non-organizational factors, such as the availability of alternatives after making the initial choice to join an organization, will affect subsequent commitment (Luthans Fred, 2002).

Organizational Commitment is a sort of strong magnetic force which binds employees with their willingness to remain attached to their existing organization. If employees are committed towards their organization they will perform their job well and the ultimately performance of the organization will be better. It is a usual concept that people at higher level should be more committed towards their organization because only then they can motivate the employees working under them. Commitment of employees can be an important instrument for improving the performance of the organizations.

In most of the organizations, the high rate of stress leads to lower satisfaction, more turnover and high rate of absenteeism of the employees. High rate of disappointment or low satisfaction leads to low commitment of employees towards their organization.
In contrast to it higher level of communication in organization led to higher level of commitment and there by increased performance of employees.

Highly committed employees wish to remain associated with the organization and advance organizational goals, and are therefore less likely to leave (employee retention is seen to be highest with all components of commitment). This highlights a positive relationship between the level of organizational commitment and job tenure, which ensures a return on the investment in careful selection, training and development (Nemeh Ranya, 2009).

People usually pay their positive entity towards the organization to which they are committed (Vans Robert J., 2006). Eisenberger et al (1990) discuss that those employees who feel that they are cared for by their organization and managers, show not only higher levels of commitment, but that they are more conscious about their responsibilities, have greater involvement in the organization, and are more innovative. Managers and organizations must reward and support their employees for the work that they do because this support allows for more trust of employees in the organization. Organizations can increase employee commitment by providing them with fair and reasonable working practices in a rather cost-effective way (Nemeh Ranya, 2009).

Two views of organizational commitment dominate the literature: the attitudinal approach and the behavioral approach. The attitudinal approach sees commitment as an attitude reflecting the nature and quality of the linkage between an employee and an organization. The behavioral approach is concerned mainly with the process by which individuals develop a sense of attachment not to an organization but to their own actions (Liou and Nyhan 1994).

Organizational scientists have developed many nuanced definitions of organizational commitment, and have also developed numerous scales to measure them. Exemplary of this work is Meyer & Allen's model of commitment, which was developed to integrate numerous definitions of commitment.
Model of commitment

According to Meyer and Allen's (1990) three-component model of commitment and prior research indicated that there are three "mind sets" which can characterize an employee's commitment to the organization:

- **Affective Commitment**: AC is defined as the employee's positive emotional attachment to the organization. An employee who is affectively committed strongly identifies and adds his efforts for achieving the goals of the organization and desires to remain a part of the organization. In this component employee commits to the organization because he/she "wants to".

In Affective Commitment, People may feel more committed due to the profile of job given to them or due to other HR Practices being followed in the company. The attachment of employees can be reflected in performing their jobs, in achieving the tasks assigned to them and social interaction in relation to organizational objectives and goals.

Employees with strong affective commitment shows greater willingness to stay with organization, lower absenteeism and are more willing to engage in citizenship behavior compared with weaker affective commitment. Committed workers can be expected to exercise responsible autonomy or self-control, removing the need for supervisory staff and producing efficiency gains (Ranya Nemeh, 2009)

- **Continuance Commitment**: The individual commits to the organization because he perceives high costs of losing organizational membership, including economic costs (such as pension accruals) and social costs (friendship ties with co-workers) that would be incurred. The employee commits to the organization because he/she "has to".

- **Normative Commitment**: The individual commits to the organization because of feelings of obligation. These feelings can be derived from many sources. For instance, the organization may have invested various resources in training an employee who then feels a 'moral' obligation to put forth effort on the job and remain with the organization to 'repay the debt.' It may also reflect an internalized norm, developed before the person joins the organization through family or other
socialization processes, that one should be loyal to his organization. The employee commits with the organization because he/she "ought to".

According to Meyer and Allen an employee can possess all the types of commitment with varying degree. In arguing for their framework, Meyer & Allen (1991) contended that affective, continuance, and normative commitment were components rather than types as employees could have varying degrees of all three. “For example, one employee might feel both a strong attachment to an organization and a sense of obligation to remain. A second employee might enjoy working for the organization but also recognize that leaving would be very difficult from an economic standpoint. Finally, a third employee might experience a considerable degree of desire, need, and obligation to remain with the current employer (Meyer & Allen, 1997).

However, affective commitment is more important for organizational performance in comparison to continuance or normative commitment. Researchers express less confidence and faith in the concept of normative commitment and question the clarity of the concept (Meyer and Allen, 1990).

Somers and Birnbaum (2000) confirmed the same result, that only affective commitment is associated with desirable outcomes, when analyzing the data from professional employees of a medical center.

According to Meyer and Allen (1997), a committed employee tends to stay with the organization through all ups and downs, attend work regularly, put in a full day, protect company’s assets and also share the goals and values of the company. Organizational Commitment is multidimensional as it helps in predicting organizational outcomes like turnover, absenteeism, retention and organizational performance. Retention of employees is the most studied outcome of employee’s commitment. It is also claimed that organizational commitment has effects on societies as a whole as it affects job movement, community stability and national productivity.

Organizational commitment is measured as employees’ motivation and identification with the values of the organization and therefore intention to remain as an employee (Porter et al., 1974). Organizational commitment from the perspective of psychological attachment believed that ‘it reflects the degree to which the individual internalizes or adopts characteristics or perspectives of the organization’.
Organizational Commitment can be built from: Justice and Support, Job Security, Employee Involvement and also by concerning and trusting employees. Commitment to an organization is not exclusively a function of the attributes of the organization but it is a function of the larger culture. The larger culture will either support or negate support of the activities associated with commitment. It is found that practicing managers do not create commitment they merely support the established attitudes and values towards commitment that already exists in the larger culture and family (Czander Lee, 2001). Employees should keep a trusting attitude and should also show the concern towards their organization. Researchers have shown that the antecedents of organizational commitment appear to vary systematically with societal values, mainly collectivism.

Job satisfaction of employees affects the commitment level of employees. In this modern era, for commitment of employees towards their organization, they want something in return that can be money, promotion, job security etc. All these things can be fulfilled by an organization through the HR Practices implemented in their organization. Therefore organizations can influence their employees through better utilization of their HR Policies and Practices (Nemeh Ranya, 2009). An organization which supports its employees, gets the same feedback of positive results from its employees, as they become more committed to their organization.

Organizational commitment of employees can also be increased by committing the values of first by giving them proper compensation, promotion, training 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 (Luthans Fred, 2002). All these practices highlights the attractive features of the job for the career development of employees, which is reciprocated by commitment (Vans Robert J., 2006). Organizationally committed employees will usually have good attendance records, demonstrate a willing adherence to company policies, and have lower turnover rates. It is found by many researchers that committed employees will retain in the organization for long period.
Model: Relationship of HRM Practices and Organizational Commitment

HRM Practices

Recruitment & Selection
Training
Compensation
Promotion & Transfer
Welfare Schemes

Commitment

Retention of Employees

Figure-1.3

Thus researcher is intended towards finding the relationship of Human Resource Management Practices and its impact on Commitment level of employees in Banking Sector. As it has been taken into consideration that Public and Private Banks have different management imperatives, so both may follow different HRM Practices. The study tried to analyze the impact of appropriateness of HRM Practices as perceived by employees of banks and their commitment thereof.