

# An Empirical Study of HR Practices and Employee's Engagement in Banking Sector

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Received: Mar. 11, 2021    Accepted: Apr. 29, 2021    Online published: May 20, 2021

doi:10.5296/ijhrs.v11i2.18661

URL: <https://doi.org/10.5296/ijhrs.v11i2.18661>

## Abstract

Companies around the world are grappling about how to improve employee engagement in an organization. For businesses to achieve long-term sustainability and well-being, employees must be engaged. Employees accept the job that could help them go through the ladder of their needs starting from the basic needs like security up to self-enhancement, for instance, self-ego or self-worth. Social exchange theory has been selected for this study, because this theory provide knowledge and understanding which is related to the study of employee engagement. This study used quantitative approach. The samples of this research were 132 employees of private banks in Sana'a, Yemen. Data retrieval used a questionnaire and the responses are accumulated through the structured questionnaires.

**Keywords:** employee engagement, reward & recognition, job security

## 1. Introduction

In recent years, employee engagement has become a hot research subject amongst companies, human resource researchers, and management practitioners. Work engagement, as a constructive element of psychology, is becoming more common in occupational health psychology as a result of the rise of positive psychology. Employee engagement mentions to an employee's level of loyalty and participation with their company and its values. An involved employee understands the market context and collaborates with co-workers to enhance job performance for the betterment of the company. It is the workers' optimistic attitude toward the company and its standards. Employee engagement is a highlighted emotional attachment in which employee feel toward their organization, reason which motivate them to put additional effort in provide quality output to the organizational customers (Nazar, Jahan, Amoozegar, Anjum, & Raju, 2020; Nazar, Ramzani, & , Temoor Anjum, 2018). Employee engagement is linked to employees' self-image and willingness to provide input on working environment and workplace relationships, especially those that involve employee-supervisor interaction(Anees, Raju, & Anjum, 2020).

The significance of human resources was emphasized during the reform of Yemen's banking sector, which included improvements in ownership, operational, financial, and management structures that resulted in more effective and productive bank operations, their participation in modern capital flows, the development of new banking products, and the availability of quality services to customers. The explanation for this is that the success of the banking sector's transformation processes necessitated dramatic changes in the labor force, which necessitated proper management, with adequate employee management playing a key role.

From the last few years up to now, there are several different forms of reasons that are believed to have influenced towards the employee's engagement. However, there are notmanystudieshavebeendoneonemployee'sengagementinserviceindustrylike banking industry in the context of Yemen. Consequently, further studies on different variablesthataffectingemployee'sengagementinbankingindustryisrequiredfromtime to time so that all the data is updated. Banking industry is one of the most stressed-out service sectors and this is the main reasons that might cause employees to be lack of engagement to their

organization. Therefore, it is essential to study on what factors that may affect and most linked with employee's engagement in banking industry. Every organization need effective employees because they are the pillars of organizations performance success. So many studies have been conducted in different areas of human resource management as drivers of employee's engagement. However, job security and reward and recognition issue has been abandoned by scholars in organizational behavior discipline.

Many other researches have been published on various characteristics of HRM behaviours as a predicate of employee performance, but the majority of organizational behaviour researchers have ignored the topic of job security. Employee disengagement in the job market is caused by a variety of factors, including job insecurity, poor performance, workload, and poor reward and recognition. Companies need extremely energetic, knowledgeable, committed, and active workers in their workplace, just as they have in the past (Burton, W.N., Chen, C.Y., Li, X. & Schultz, A.B, 2017; Bakker & Schaufeli, 2008) employees who are more engaged at work are more likely to contribute to the organization's growth and productivity (Al-Mehrzi & Singh, 2016; Gruman & Saks, 2011). Highly involved employees are more likely to be passionate about their job and profoundly committed to their company's objectives, according to Bal, Kooij, & De Jong (2013), while disengaged employees are much more concerned with time rather than energy or commitment during their position results. Only two factors of employee engagement are examined in this analysis. To the extent of the author's knowledge, none of these factors have been studied together in the background of the Yemeni banking sector prior to this research.

## **2. Literature Review**

Employees who participate in work are more energetic and productive, which has a positive impact on organizational performance indicators (Kahn, 1990). According to Sun (2019), employee engagement is a strong long-term emotional and motivational attitude. They are committed to work, are willing to commit to work at any time, and enjoy a fun, comfortable and motivating work experience. Furthermore, several previous studies have shown that employee engagement has a positive impact on organizational performance (Katou, 2017; Hansen, Byrne & Kiersch, 2014; Agarwal, 2014; Menguc, Auh, Fisher & Haddad, 2013; Li, Sanders & Frenkel, 2012; Dalal, Baysinger, Brummel & Le Breton, 2012; Chughtai & Buckley, 2011; Saks, 2006), financial performance (Demerouti & Cropanzano, 2010; Xanthopoulou, 2009), return on assets and profitability (Schneider, Macey, Barbera and Martin, 2009), employee performance (Bakker & Bal, 2010) and customer satisfaction (Salanova et al., 2005). Therefore, in today's competitive market environment, companies must focus on growing employee engagement to achieve long-term results (Chawla and Rai, 2017; Schneider et al., 2009). HR practises would be able to gain a competitive advantage with discretionary behaviours that are not part of the job description but contribute to organisational effectiveness if carried out by employees (Dash & Pradhan, 2014).

### *2.1 Job Security*

The degree to which a company should provide a secure job opportunity to its employees is

referred to as job security (Herzberg, 1968). More precisely, job security refers to the possibility that an employee would be able to keep his or her job in that company for a fixed period of time (Delery & Doty, 1996). Employees with low job security have poor physical and mental health (Strazdins, D'Souza, Lim, Broom & Rodgers, 2004; Chirumbolo & Hellgren, 2003; Hellgren & Sverke, 2003), as well as psychological instability and Burnout (Strazdins, D'Souza, Lim, Broom & Rodgers, 2004; Dekker & Schaufeli, 1995). Furthermore, Gabris & Simo (1995) found that job security is a motivating characteristic for workers, high job security will lead to high performance and low job security will reduce job motivation of employees (Miller, 2001). To put it another way, as long as workers become concerned about losing their jobs, their conduct begins to deteriorate (Boya, 2008; Domenighetti et al., 2000). In earlier empirical studies (Wang, Zhao & Chen, 2017; Ugwu, 2017; Senol, 2011; Poyraz & Kama, 2008; Kraimer, 2005; Sverke, Hellgren & Näswall, 2002) it has also been determined that employment Safety is one of the most important incentive tools to motivate workers to improve job performance by improving negative work behaviors. In addition, according to the research of Chirumbolo (2003), job security comes with great encouragement to employees, which has a positive impact on employee performance.

However, according to Sokhanvar, Kakemam, Chegini, & Sarbakhsh (2018), job security is not a major motivator for improving employee attitudes toward their jobs. Furthermore, Selenko (2013) discovered that workers with a high degree of work insecurity expect to perform better in order to keep their jobs. Job security, on the other hand, has been proposed by Chen, Warden, and Chang (2005) as a means by which organisations express their dedication to their workers, and employees respond in the sense of a positive attitude in the workplace. The paradigm of Social Exchange Theory (SET) and the mutual recognition norm both reflect this (Gouldner, 1960). Job security, on the other hand, must be differentiated from quantitative measures of instability, such as the number of dismissals and layoffs (Ellonen & Näti, 2015). As a result, this research hypothesizes the following;

*Hypothesis 1: Job security has a positive effect on employee engagement.*

## 2.2 Rewards & Recognition

Skilled employees give positive result to their organizations. Reward and recognitions were confirmed to be associated to employee engagement. Improvement of employee's engagement needs to be enhanced by robust reward system. According to Bustamam, Teng, & Abdullah (2014), reward refers to what workers are doing with their employers or what they receive in the form of money in exchange for their labour. Rewards are described by Jehanzeb, Rasheed, & Rasheed (2012) as financial, non-financial, and psychological benefits bestowed by an organisation. As a result, rewards are perks that a company gives to its workers in exchange for good work. Extrinsic and intrinsic incentives, according to Peterson & Luthans (2006), can be divided into two groups. Extrinsic and intrinsic, according to Lawler (1968), are essentially tangible benefits offered to workers after tasks are completed. Extrinsic rewards are inextricably related to organisation. Wage raises, vacations overseas, club membership, chosen lunch hours, remarkable identities, and bonuses are examples of extrinsic rewards (Weatherly, 2002). Rewards and recognition are essential organisational

incentives that inspire workers to achieve organisational goals. The literature suggests that customer engagement has a positive effect on customer loyalty and other customer behavior. Engaged customers tend to adopt any action that may support the firm (Ansari, Anjum, Farrukh, & Heidler, 2021).

As per Karatepe (2013), fair reward will inspire workers to provide excellent customer service. Furthermore, workers often express their opinions about their employer through the reward and recognition systems that they earn from that organisation (Ahmad, Kamaruddin, Aziz, & Bakhtiar; 2012), and a scarcity of reward may result in an uncomfortable working atmosphere that reduces work efforts due to job loss (Lytle, 1998). Suan and Nasurdin (2014), on the other hand, discovered that reward had no impact on engagement in their research. The explanation, according to the writers, may be that workers believe their pay does not reflect their performance. Breevaart, Bakker, Hetland, Demerouti, & Espevik (2014), from the other side, observed that if an organisation utilizes reward as an encouragement mechanism for good employee results, reward can have a positive effect on employees' behaviour and increase their engagement at work. Choo, Mat, and Al-Omari (2013) agreed with this viewpoint and looked at rewards and recognition as a predictor of employee engagement.

Prior researchers (Presbitero, 2017; Alias, Noor, and Hassan, 2014; Babakus, Yavas, & Karatepe, 2017; Maslach & Leiter, 2008) support the notion that rewards are an essential aspect of work life that can inspire workers to increase their involvement. But at the other hand, prior research (Sarti, 2014; De Gieter, 2008; Saks, et al., 2006) found that rewards and recognition have a negligible impact on employee engagement. According to Sharma, Lawrence, and Lowe (2010), reward and recognition only had a small capacity to describe sufficient variation in employee activity engagement. Based on SET, Karatepe et al. (2013) discovered that when workers receive sufficient rewards and recognition from their company, they feel obligated to it, resulting in higher levels of employee engagement. Workers' mutual recognition conduct is reflected in the degree of employee engagement, according to Carrillo, Robinson, Al-Ghassani, & Anumba (2004), who found that the extent of employee engagement is dependent on the rewards employees obtain from their organisation. Furthermore, workers who are rewarded and recognised for their sufficient socio-emotional capital feel obligated to repay their organisation and demonstrate a higher degree of engagement. Vijayakumar & Subha (2013) definition rewards can be recognized as financial and non-financial also as psychological benefits given by organizations to their employees in return for their good performance.

Weatherly *et. al.*, (2002) pointed out that there are two kinds of rewards: extrinsic and intrinsic. Porter and Lawler (1968) defined extrinsic rewards as the compensation employees received when they completed required tasks. Therefore, the organization associates it with external rewards. There are many outside rewards such as salary increases, vacations abroad, club membership, preferred lunchtime, incredible titles and bonuses (Weatherly et al., 2002). Malhotra, Budhwar & Prowse (2007) mentioned that extrinsic rewards can improve the relationship between workers and their supervisors. According to Victor & Hoole (2017) Intrinsic reward are those linked to tasks and employees' personal interest which the do for reward purpose, which are not linked with work but, to individual interest. Adoko (2015)

gives many examples of intrinsic rewards, such as confidence, self-esteem, participation, fairness, recognition, job satisfaction, creativity, empowerment, social status, personal development, and effective feedback. All are connected to individual interest. Employees achieve these rewards when they excel in their work. Employees perceive reward and recognition as tools that assist them to improve their work. According to Jeffries (1997) encouraged employees give their best to their employer if they get recognitions. A Performance Engagement Group survey report indicated that employees prefer daily recognition to rewards and bonuses. Jeffries, et. al., (1997) said that recognition should be consistent for long period of time to enhance employee engagement and it is not a must to be expensive.

*Hypotheses 2: Rewards and recognition has a positive effect on employee engagement.*

### *2.3 Employees Engagement*

Recently, employee engagement (EE) has become amongst the most substantial concepts in the management field (Crawford, 2014). Leaders and managers worldwide concern more with the employee engagement concept as it is considered a vital element affecting the effectiveness and competitiveness (A. Khairy, H., 2019). Organizations and their employees have their own goals; both rely on the other to meet them. If employees are not given the perfect work-life, their disengagement sense toward the workplace tends to be stimulated and fails to achieve the organizational goals.

Schaufeli (2002) defined work engagement as “a positive, fulfilling, work-related state of mind, and it could be characterized by vigor, dedication, and absorption”. Work environment is indeed correlated with the initiation and optimum functioning of work engagement (Christian, 2011). Employees' generally low engagement can be influenced by external causes such as illness or a weak work–life balance. Employees, on the other hand, are more likely to participate in their duties if they are called upon to fulfil their tasks, so management must have faith in them (Engelbrecht, 2017). The topic of employee engagement has acknowledged a lot of consideration in the scholarly literature once again. Employee engagement was first described by Kahn *et. al.*, (1990) as the degree to which an employee is actively engaged, cognitively responsive, and emotionally attached to their jobs. Employee engagement study has exploded in recent years, with a attention on employees' engagement in the setting of their organisations (Kanwal, Farooq, Raju, Anjum, & Zreen, 2020).

Rothbard (2001) is a characteristic of employee engagement, probably Kahn et al. (1990) The two key elements of psychological existence at work and participation are the consideration and engagement of the employees. Hence, employee engagement is well-defined as the psychological existence of a specific job that requires consideration and concentration (Bakker and Schaufeli, *et al.*, 2008; Saks *et al.*, 2006). Furthermore, May (2004) described participation as a mixture of cognitive and emotional work and work activity interactions that influence how people behave when performing tasks. However, Schaufeli et al. (2002) described employee engagement as an optimistic, satisfied, and work-related state of mind, characterized by vitality (a high level of energy and mental resilience), commitment

(enthusiasm), and focus (full concentration during work).

### 3. Theoretical Framework

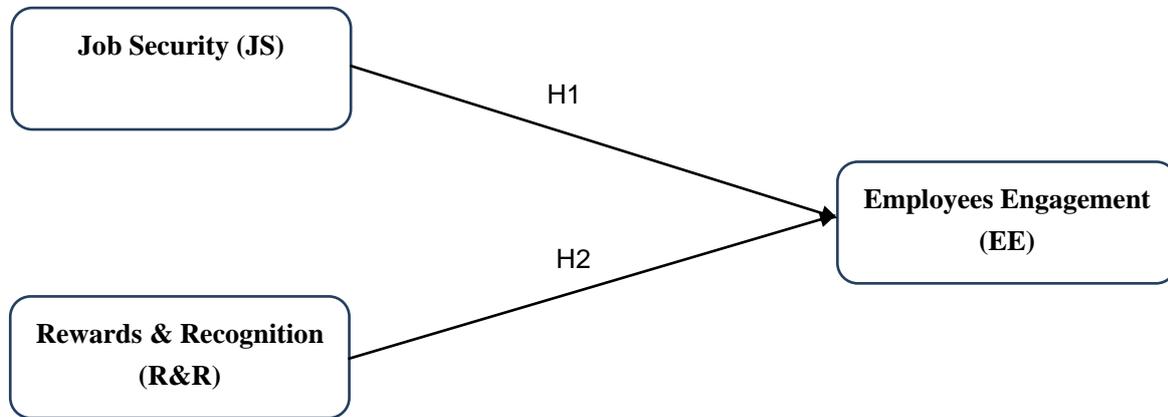


Figure 1. Theoretical Framework

#### 3.1 Methodology

The creation of a literature review with a framework and hypothesis is the first and most important step in research methodology. Interviews, personal observation, surveys, and questionnaires are just some of the research design techniques available. However, the method used in this study is descriptive. Data was collected through questionnaire surveys and 132 questionnaires were distributed to private bank staff in Yemen to measure their participation. The relationship between IVs and DV in the Yemeni banking sector was measured using a stratified random sampling technique in this research because the sample is well-defined geographically and can be divided into clear, distinct groups called stratum. The questionnaires have been distributed in two different formats: soft copy and hard copy. The questionnaire used 5-point liker scale for most of the questions. To be more precise, the topic of job security and reward & recognition can be classified as a descriptive topic used to ask questions and clarify the reasons behind the stated problem. This paper will follow the positivism as a philosophy that relies on observable facts and resources to produce dependable data. This approach considers that reality exists in itself, has its essence, and based on ontological hypotheses. The questionnaire is distributed by e-mail via the Internet in the form of electronic copy and the hard copy is distributed by personal mail and post. SEM-PLS route modelling was used to evaluate the proposed theoretical framework in this study (Anjum, Amoozegar, Nazar, & Kanwal, 2020; Anjum, Farrukh, Heidler, & Tautiva, 2021; Anjum, Sharifi, Nazar, & Farrukh, 2018). The social exchange theory was chosen for this study because it has been used to address employee engagement by describing the factors that lead to employee engagement or disengagement. Sociologists Homans (1961) and Blau (1964) formulated this theory, which provides a presumed foundation for discussing why workers become more or less engaged in the company toward their jobs. According to the

theory, obligations are established through a set of mutually beneficial relationships between parties. Employee engagement refers to the physical and psychological connection that exists between the employee and the employer, and it influences whether the employee performs well or poorly.

#### 4. Data Analysis

PLS-SEM is a two-step procedure that includes measurements and structural models (Anjum, Ramzani, et al., 2018; Anees, Raju, Cavaliere, Heidler & Nordin, 2020). LS-SEM is a two-step approach involving measurement and structural model evaluation in terms of this study. First, the internal consistency, convergent validity (CV), and discriminant validity (DV) of the measurement model should be assessed (Chin, 1998). Internal quality of consistency tests how well the objects test the latent construct (Hair Jr, Hult, Ringle, & Sarstedt, 2017), Composite reliability (CR) scores were used to assess this. The results show that all constructs' CR scores surpassed the 0.7 threshold criterion, indicating that the scales used in this analysis have a high level of internal consistency.

Next, to evaluate the CV of the constructs, factor loadings and average variance extracted (AVE) were measured. CV is the degree to which a variable is positively associated with alternate measurements of the same construct. The loading factor should be 0.708 or greater, and 0.7 should be deemed similar enough to be appropriate (Anjum, Ramani Bai, & Nazar, 2020a; Hair; Jr. et al., 2017; Anees, 2021). The threshold value of 0.5 was also met by the AVE scores of all constructs, suggesting an acceptable CV. The factor loadings, CR and AVE scores are presented in Table I (Hair et al., 2017).

DV is another criterion for testing the construct's validity. DV is the extent to which a construct by empirical standards is truly distinct from other constructs (Hair et al., 2017). DV is tested in this analysis with the aid of Fornell and Larcker's guidelines (1981), which notes that the AVE meaning square root should be greater than the square association with other constructs (Fornell & Larcker, *et. al.*, 1981). The following results in Table II show that DV was achieved.

Table I. Measurement Model (FL, CR & AVE)

Latent Variables	Factor Loading	CR	AVE
<b>Job Security</b>		0.921	0.748
JS 1	0.715		
JS 2	0.714		
JS 3	0.714		
JS 4	0.725		
JS 5	0.801		
<b>Rewards &amp; Recognition</b>		0.869	0.721
RR 1	0.702		
RR 2	0.741		
RR 3	0.705		
<b>Employees Engagement (EE)</b>		0.909	0.669
EE 1	0.772		
EE 2	0.754		
EE 3	0.714		

EE 4	0.705		
EE 5	0.721		
EE 6	0.732		

Table II. Discriminant Validity

Constructs	Job Security	Rewards & Recognition	Employees Engagement
Job Security	0.864		
Rewards & Recognition	0.541	0.849	
Employees Engagement	0.485	0.501	0.817

#### 4.1 Structural Model Assessment

According to the recommendations of Hair et al. (2017), the Smart-PLS bootstrapping feature was used to test the value of the indirect impact analysis. A bootstrapping protocol of 5,000 interactions was used to generate t-values and standard errors in order to verify the statistical validity. Bootstrapping provides no claim as to the sampling distribution of data or the distribution form of variables; in comparison, it can also be used with certainty with a limited sample size. The bootstrapping methodology for indirect impact testing is therefore ideally suited for the PLS-SEM process (Anees, Nordin, Anjum, Cavaliere, & Heidler, 2020; Anees, Raju, et al., 2020; Anjum, Ramani Bai, & Nazar, 2020b; Anjum, V, & Phung, 2020).

Table III. Direct Effect

Hypothesis	Path	Path coefficient	t-statistics	p-values
H1	Job Security → Employees Engagement	0.251	2.125	0.001
H2	Rewards & Recognition → Employees Engagement	0.263	2.32	0.001

#### 4.2 Coefficients of Determination ( $R^2$ )

The decision coefficient ( $R^2$  values) and direction coefficients (beta values) were criteria for evaluating how well the hypothesized relationships were supported by the evidence (Hair et al., 2017).  $R^2$  is rated as .25 (weak), .50 (moderate) and .75 (substantial).  $R^2$  was identified as a moderate value of .512. Therefore, the outcomes should be considered important to revenue success (Anjum, T., Ramzani, S.R., Nazar, N., Shahzad, I.A. and Salman, S., 2018; Hair Jr, Sarstedt, Ringle, & Gudergan, 2017; Saeed Muhammad, Temoor Anjum, Fahad Khan Afridi, 2020).

Table IV. R<sup>2</sup>

Variable	R <sup>2</sup>	Range
Employees Engagement	.512	Moderate

#### 4.3 Discussion

Hypothesis 1 predicted that job security positively influences employee's engagement. The outcomes of testing the structural equation model presented a positive outcome of job security on employee's engagement, as shown in Table III ( $\beta = 0.251$ ,  $p < 0.001$ ). The structural model shows that job security has a positive impact on employee engagement and support the previous studies results (Ahmed, S. & Jaaffar, A. R. B; 2017). Accordingly, hypothesis 2 was acknowledged. Hypothesis 2 projected that Rewards & Recognition positively influences Job employee's engagement. The outcomes of testing the structural equation model indicated a significant influence as illustrated in Table III ( $\beta = 0.263$ ,  $p > 0.001$ ). Organize employee recognition activities, such as monthly employee awards or a larger annual awards ceremony, to recognize employees who have performed well and done more in their daily work. When managers recognize and praise personal accomplishments, employees are more likely to take pride in their work and feel valued by the company.

#### 5. Conclusion

Employee engagement is a practice that both managers and staff should be aware of. All workers should be valued for their future contributions. Employees should understand that their contributions are valued and that they are making a significant difference in the company. The results of this research shows that job security, as well as rewards and recognition, are important indicators of employee engagement. Yemen's banking sector should implement better policies about job security, rewards, and recognition to improve employee engagement. As a result, investing in workforce growth is very beneficial for a company that wants to maximise employee engagement.

#### 6. Limitations and Future Recommendation

This study relies on individuals' self-reports for all variables in our model. To begin, this study focuses on and examines only a few studies that have been published in peer-reviewed journals and books. There are far too many studies, theories, antecedents, and results related to employee engagement. Second, in this research, employee engagement refers to individual engagement rather than team or organisational engagement. Since Kahn *et. al.*, (1990) created the principle of engagement, a plethora of studies have been performed on employee engagement, but there is still much more research to be done. The third limitation, a comparative study, between the different variables in other sectors is recommended, the latter should incorporate additional factors and theories that influence employee's engagement. Another avenue of research is to identify and test other explanatory variables such as Job designing, career development opportunity and equal opportunity.

While the main organizational factor affecting employees engagement is human resource management practices, other factors such as leadership and work environment may be

considered in the future. This is because there are many factors that can increase employee engagement, and these factors, in turn, affect the organization's bottom line. Finally, to avoid cross-industry influence, this research only focuses on one industry and does not consider the cultural impact of the connection between human resource management practices and employee engagement.

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