HRM Practices and Their Effect on Employees' Job Involvement in Nepalese Public Financial Institutions

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Abstract

Background: Human resource management (HRM) play a crucial role in shaping employee attitudes and behaviors in the workplace. Job involvement, which reflects an employee's psychological identifications with their job, is influenced by various HRM practices, including SE, TD, PA, PR, COM, and EM. Understanding the impact of these practices on job involvement is essential for organizations seeking to enhance engagement and productivity.
Objective: This study aims to examine the effect of HRMP on employees' job involvement. Specifically, it investigates the influence of SE, TD, PA, PR, COM, and EM on employees' job involvement.

Methods: A combination of research designs have been applied that was descriptive and causal-comparative. The study utilized a sample of 340 employees. SEM was applied to analyze the relationship between HRMP and JI.

Findings: The results indicate that HRMP and JI. Among the HRM practices studied, TD, COM, and EM significantly and positively influenced job involvement. However, SE, PA, and PR did not show a significant impact on job involvement.

Conclusion: HRM practices contribute to job involvement by offering skill, enhancement program, assessing responsibilities, and fostering an open communication system. Organizations should prioritize training and development, effective communication, and employee empowerment to improve job involvement.

Novelty: This study provides empirical evidence on the differential impact of various HRM practices on job involvement. Unlike previous studies that consider HRMP as a whole, this research highlights the specific practices that significantly influence job involvement, offering valuable insights for HR managers and policymakers.

Keywords: HRM Practices, Employees' Job Involvement, Nepalese Public Financial Institutions

Introduction

HRM is the process of attracting, developing, and keeping a skilled and motivated workforce to support the mission, objectives, and strategies of the firm (Schermerhorn, 1999). The appropriate HRM practices in the organization can encourage job involvement (Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012). Effective selection practices, as an important part of the organization, can enrich job involvement (Al-Bdareen & Khasawneh, 2019; Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012). The impartiality training and development practices can enhance job involvement (Edarlin, 2008; Ko & Smith-Walter, 2013). The equality performance appraisal practices in the organization can encourage job involvement (Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012). Unfair and favoritism-based performance-related rewards can reduce job involvement in the organization (Ko & Smith-Walter, 2013). Dynamic communication practices can enrich job involvement (Ko & Smith-Walter, 2013; Boon et al., 2007). Transparent empowerment practices in the organization can improve job involvement (Ko & Smith-Walter, 2013; Boon et al., 2007). In Nepal's public financial sectors, HRM practices (Basnet et al., 2024) were defined as performance-related rewards, communication, empowerment, training and development, selection, performance appraisal. Employees green behavior is enhanced by proper utilization of green HRM practices in the Patan Industrial Estate of the Kathmandu Valley (Bhattarai et al., 2023). Appropriate TQM practices (Pandey & Basnet, 2021) in Nepal's manufacturing industry increase job involvement. Fair HRM practices (Pradhan et al., 2023) in Nepal's service sector institutions enhance productivity. Suitable HRM practices (Basnet et al., 2024 a) in the Nepalese public financial sector can improve organizational commitment. Thus, did the HRM practices examine job involvement in Nepalese public financial institutions.

Literature Review

Theoretical Review

Work attitudes and behaviors are conceptually grounded on a social exchange that is predicated on a long-term exchange of favors that precludes accounting and is based on a dispersed compulsion to reciprocate (Aryee et al., 2002). Positive attitudes (Eisenberger et al., 1986) depend on employees' perceptions of how much the engaging organization cares about their well-being and values their contribution. Using the motivating process of social exchange (Blau, 1964), Gould-Williams and Davies (2005) established the connection between HRM practices and the attitudinal outcomes produced by employees. The social exchange theory has been utilized to conceptualize the effect of HRMP on employees' job involvement (Ko & Smith-Walter, 2013).

Empirical Review

HRM Practices and Job Involvement

Human resource management practices should motivate and help the employees to exhibit the required skills and behaviors, which assist in fulfilling organizational goals (Abutayeh & Al-Qatawneh, 2012). Job involvement (Zhang et al., 2020) inspires a person to share in self-development and inspiration, building it a long-term investment. HRM system positively and significantly affected job involvement (Lewicka & Pec, 2018). HRM practices positively and significantly impacted job involvement (Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012). HRM practices had a positive and significant effect on productivity in service sector institutions in Nepal (Pradhan et al., 2023). Therefore, the first hypothesis was established.

H_1 : HRM practices have a positive impact on employees' job involvement.

Selection and Job Involvement

Selection is the method of dropping the ineligible individuals and choosing the eligible individuals (Bohlander & Snell, 2007). Selection positively and significantly influenced employees' job involvement (Al-Bdareen & Khasawneh, 2019; Ko & Smith-Walter, 2013). The effect of selection on job involvement had positive and significant results (Abutayeh & Al-Qatawneh, 2012). Thus, the second hypothesis was projected.

H_2: Selection positively influences employees' job involvement.

Training and Development and Job Involvement

Training and development are the formal exercises to obtain the expected skills and experience and to perform in present or future employment (Monday & Noe, 2006). Training and development positively and significantly impacted job involvement (Ko & Smith-Walter, 2013; Edralin, 2008). Training and development had an insignificant influence on employees' job involvement (Boon et al., 2007). Training and education had a positive and significant impact on organizational commitment (Basnet, 2019). As a result, the third hypothesis was developed.

H_3: Training and development positively affect employees' job involvement.

Performance Appraisal and Job Involvement

Performance evaluation refers to the systematic procedure of identifying and measuring the employees' job performance concerning a set of norms and standards for a specific period to achieve organizational objectives (Opatha, 2010). Performance appraisal positively and significantly impacted job involvement (Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012). As a result, a fourth hypothesis was projected.

H_4: Performance appraisal positively influences employees' job involvement.

Performance-Related Reward and Job Involvement

Rewards and compensation are offered to the employees based on their performance to attain their tasks and goals more effectively (Bhanugopan et al., 2013). Performance-related rewards had a negative but significant influence on job involvement (Ko & Smith-Walter, 2013). Reward and recognition positively and significantly affected employees' job involvement (Boon et al., 2007). Subsequently, the fifth hypothesis was established.

H_5: Performance-related reward positively impacts employees' job involvement.

Communication and Job Involvement

Communication is a necessary component to connect employees and inform them about the organization's activities (Gray & Laidlaw, 2002). Organizational communication positively and significantly affected job involvement (Basyir et al., 2019; Ko & Smith-Walter, 2013). Communication positively and significantly affected employees' job involvement (Boon et al., 2007). Hereafter, the sixth hypothesis was renowned.

H_6: Communication positively influences employees' job involvement.

Empowerment and Job Involvement

Hand (1993) defined empowerment as encouraging people to make decisions with minimum interference from higher management. Psychological empowerment positively and significantly affected job involvement (Kamdron & Randmann, 2022; Razak et al., 2017). Empowerment positively and significantly affected job involvement (Ko & Smith-Walter, 2013; Boon et al., 2007). Hence, the seventh hypothesis is recognized.

H_7: Empowerment positively influences employees' job involvement.

Conceptual Framework

Figure1: *Conceptual Framework of the Study*
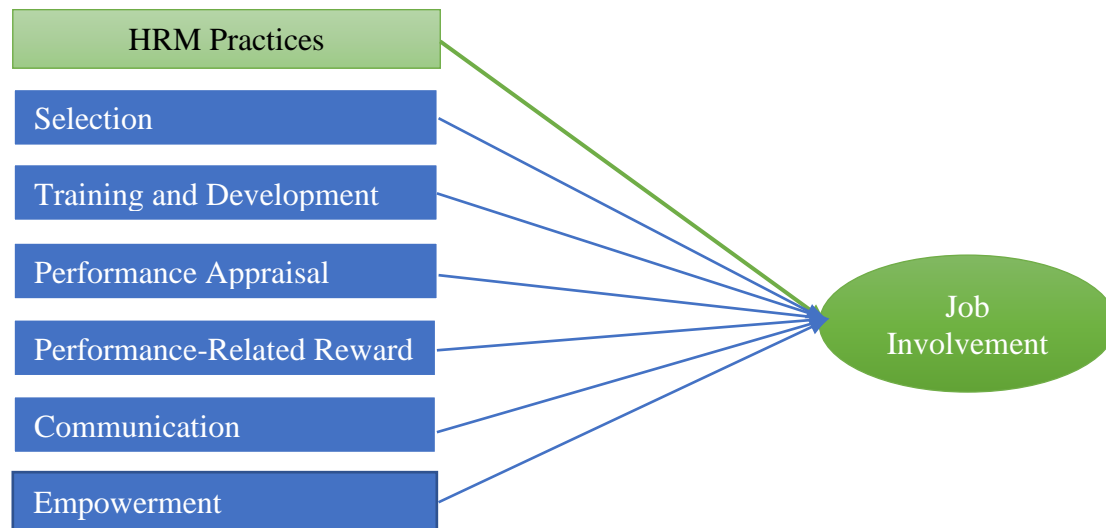
Source: Ko and Smith-Walter (2013)

Methodology

This study has employed both descriptive and causal-comparative research designs. Cronbach's alpha has been utilized to test the variables' reliability. Confirmatory factor analysis has been applied to test the validity of variables. The frequency distribution has been used to identify respondents' profiles of gender, marital status, age, and educational level. The tolerance and variance inflation factor (VIF) have been used to test the multicollinearity of the variables. Measurement model has been used to identify the goodness-of-fit indices. Path analysis has been utilized to explore the influence of HRMP explained by selection, training and development, performance appraisal, performance-related reward, communication, and empowerment on job involvement. The primary source of data has been used in this study. Two thousand two hundred fifty-one (2251) have been taken only officer-level employees as the population in Nepalese public financial sector (Ministry of Finance, 2079). For a finite population, the 340-sample size has been calculated using a statistical tool recommended by Yamane (1967). Thus, the 340 have been considered as the sample size. Respondents were chosen from only officer-level employees in the Nepali public financial institutions. So that sampling method was purposive sampling.

The selection related to five items has been taken from the study of Wei et al. (2010) and Hashim (2010). The training and development have been measured with five items taken from the study of Wei et al. (2010) and Hashim (2010). The performance appraisal has been measured using four items adapted from the study of Hashim (2010) and Gong et al. (2009). The performance-related reward has been measured using five items adapted from the study of Ko and Smith-Walter (2013) and Wei et al. (2010). The communication-related four items have

been taken from the study of Nassar (2017) and Ko and Smith-Walter (2013). Empowerment has been measured with four items adapted from the study of Akhtar et al. (2014) and Pare and Tremblay (2007). Five items from the research of Kanungo (1982) and Lodahl and Kejnar (1965) have been used to measure job involvement. The seven-point Likert scale was used to collect the responses.

The estimated model is designed to test the change in JI that can be described by HRMP such as SE, TD, PA, PR, COM, and EM. The estimated models of HRMP, SE, TD, PA, PR, COM, and EM are developed as

$$E_{JI} = \beta_1 \, HRMP + e_1 \ldots \ldots \ldots \ldots \ldots \ldots \ldots \, i$$
$$E_{JI} = \beta_1 \, SE + \beta_2 \, TD + \beta_3 \, PA + \beta_4 \, PR + \beta_5 \, COM + \beta_6 \, EM + e_1 \ldots \ldots \, ii$$

Where,

E_{ji} = Employees' Job Involvement, $HRMP$ = Human Resource Management Practices, SE = Selection, TD = Training and Development, PA = Performance Appraisal, PR = Performance-Related Reward, COM = Communication, EM = Empowerment, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Beta (change), and e_1 = Error Term.

Reliability of Variables

Cronbach's alpha is used to measure the reliability of each variable. Hu and Bentler (1999) recommended that a Cronbach's alpha higher than 0.70 shows an acceptable level. The variables' reliability is presented in Table 1.

Table 1: *Variables Reliability*

Name of Variables	Cronbach's Alpha		Items
HRM practices		0.747	
Selection	0.911		5
Training and Development	0.894		5
Performance Appraisal	0.886		4
Performance -Related Reward	0.926		5
Communication	0.873		4
Empowerment	0.879		4
Job Involvement		0.881	5

HRMP (0.747), SE (0.911), TD (0.894), PA (0.886), PR (0.926), COM (0.873), EM (0.879), and JI (0.881) are above 0.70. Thus, all variables are acceptable (Hu & Bentler, 1999).

Convergent and Discriminant Validity

Validity is generally applied to evaluate the accuracy of the measurement used (Talib et al., 2015). In Table 2, validity of variables is revealed.

Table 2: *Validity of Variables*

	CR	AVE	MSV	SE	TD	PA	PR	COM	EM	JI
SE	0.907	0.666	0.020	**0.816**						
TD	0.896	0.633	0.027	0.048	**0.795**					
PA	0.886	0.660	0.010	-0.030	0.057	**0.813**				
PR	0.925	0.715	0.006	-0.060	0.044	-0.023	**0.845**			
COM	0.878	0.644	0.020	-0.121	-0.018	-0.045	0.032	**0.802**		
EM	0.881	0.653	0.020	0.140	0.105	0.102	-0.067	0.017	**0.808**	
JI	0.881	0.599	0.027	-0.022	0.164	0.085	0.079	0.140	0.135	**0.774**

Composite reliability values of SE (0.907), TD (0.896), PA (0.886), PR (0.925), COM (0.878), EM (0.881), and JI (0.881) are more than 0.70 (Anderson & Gerbing, 1988). Therefore, all constructs are reliable. Average variance extracted values of SE (0.666), TD (0.633), PA (0.660), PR (0.715), COM (0.644), EM (0.653), and JI (0.599) are bigger than 0.5 (Hair et al., 2017), and each construct's value of composite reliability is greater than the average variance extracted of the individual construct (Bagozzi & Yi, 1988). Thus, the convergent validity of the constructs was verified.

The individual construct value of AVE {SE (0.666), TD (0.633), PA (0.660), PR (0.715), COM (0.644), EM (0.653), and JI (0.599)} is superior to each construct's maximum share variance {SE (0.020), TD (0.027), PA (0.010), PR (0.006), COM (0.020), EM (0.020), and JI (0.027)}, and the square root of AVE values {SE (0.816), TD (0.795), PA (0.813), PR (0.845), COM (0.802), EM (0.808), and JI (0.774)} at the diagonal of the individual construct is higher than the inter-construct correlation values of each off-diagonal construct (Chin, 1998). Thus, discriminant validity of the constructs was confirmed.

Results

Respondents' Profiles

As 340 respondents have been received from permanent employees within Nepali public financial sector, the respondents' profiles present in Table 3 based on gender, marital status, age, and educational level.

Table 3: *Profile of Gender, Marital Status, Age, and Educational Level*

		Frequency	Percent
Gender	Male	204	60
	Female	136	40
Marital Status	Single	50	15
	Married	290	85
Age	Less than 25	10	3
	25-34	150	44
	35-45	152	45
	More than 45	28	8

	Bachelor level	36	11
Educational Level	Master level	292	86
	M.Phil.	12	4

N = 340

The majority of 204 (60 percent) respondents are male. The more significant part of 290 (85 percent) respondents are married. The majority of the 152 (44 percent) respondents are in the 35-45 years' age group. The maximum number of respondents are master level, i.e., 292 (86 percent).

Multicollinearity Test of Variables

Multicollinearity is measured through the tolerance and variance inflation factors (VIF) (Hair et al., 2006). The tolerance value is less than 0.10, and the variance inflation factor is greater than 10, indicating the existence of multicollinearity (Kline, 2016). The tolerance and variance inflation factor (VIF) values of variables are presented in Table 4.

Table 4: *Multicollinearity Test of Variables*

Variables	Collinearity Statistics	
	Tolerance	VIF
Selection	.965	1.036
Training and Development	.981	1.020
Performance Appraisal	.982	1.018
Performance-Related Reward	.983	1.017
Communication	.985	1.015
Empowerment	.957	1.044

The tolerance values of all variables range from 0.985 to 0.657; there is no multicollinearity, so the tolerance value is not less than 0.1 and the range of VIF values from 1.015 to 1.044 is not multicollinearity, so the variance inflation factor is not greater than 10 (Kline, 2016). Finally, all variables' tolerance and variance inflation factor values indicate that the data do not contain any issue of multicollinearity.

Impact of HRMP on JI

The measurement model is used to reveal the measurement relationship between measured variables of HRMP, JI, and their constructs. To exhibit the structural association between HRMP and JI via composite constructs, path analysis is utilized.

Measurement Model for HRMP and JI

The goodness of fit indices was examined through the measurement model. HRMP and JI model in figure 2 are unveiled.

Figure 2: *Affiliation Between HRMP and JI*
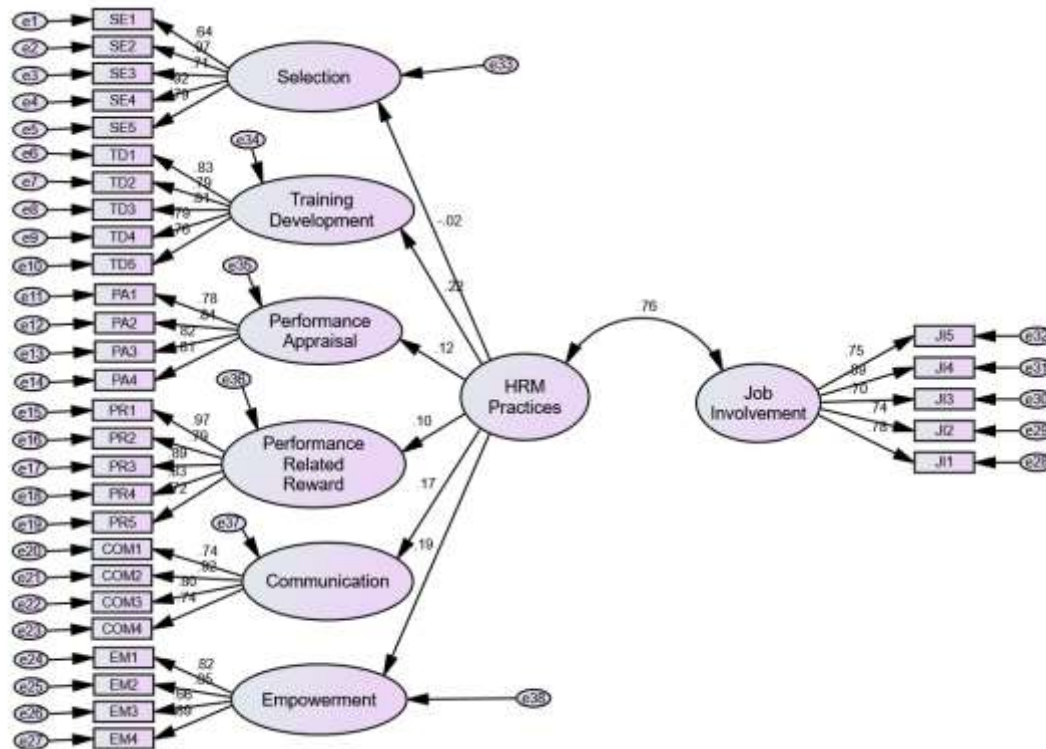
The Chi-square (x^2) value is 849.043. The relative chi-square (x^2/df) ratio is 1.858 lesser than the suggested threshold (<3), showing a good fit (Hu & Bentler, 1999). The value of GFI is 0.861 within the suggested threshold (.80 to .90), indicating an satisfactory fit (Byrne, 2010). The value of AGFI value is 0.839 within the recommended threshold (.80 to .90), showing an satisfactory fit (Byrne, 2010). The CFI value of .944 is higher than the recommended cut-off value of .90, indicating an adequate fit (Bollen, 1986). The RMSEA (.049) is lesser than the recommended threshold ≤ .05), showing an adequate fit (Byrne, 2010). Thus, all indices ratify the goodness of fit with the data.

Structural Affiliation Between HRMP and JI

The path diagram reveals the influence of HRMP on JI in Figure 3.

Figure 3: *The Impact of HRMP on JI*

Regressing HRMP on E_{JI}, the estimated model is

$$E_{JI} = \beta_1\, HRMP + e_1 \ldots\ldots\ldots\ldots\ldots\ldots\ldots. i$$

$$\widehat{E_{JI}} = 0.981\, HRMP$$

The square multiple correlation (R^2) is 96 percent higher than the suggested threshold of 10 percent, indicating an acceptable level (Falk & Miller, 1992). Thus, HRM practices explain the 96 percent variance in employees' job involvement. The CMIN/DF (1.858), GFI (0.861), AGFI (0.839), CFI (0.944), and RMSEA (0.049) have been at acceptable levels. Thus, this estimated model (i) is accepted.

The path model reveals the hypothesized association presented in Table 5.

Table 5: *Hypothesized Association Between HRMP and Employees' Job Involvement*

Hypothesized Relationship				Standardized Estimate	C.R. (t-value)	P-value
H_3	JI	<---	HRM Practices	0.981	92.727	0.000

The influence of HRM practices on employees' job involvement has positive (β = 0.981) and significant (p = 0.000). Therefore, H_1 is accepted. HRM practices manage the human resources to do a better job, thus increasing the employees' job involvement.

Impact of SE, TD, PA, PR, COM, EM on JI

The measurement model is used to show the measurement relationship between measured variables of SE, EM, TD, COM, PA, PR, JI, and their constructs. Path analysis shows the structural relationship between SE, EM, TD, COM, PA, PR, and JI through composite constructs.

Measurement Model for SE, TD, PA, PR, COM, EM, and EM

The goodness of fit indicators is examined by operating measurement model. The six first-order constructs of SE, TD, PA, PR, COM, and EM, as well as the first-order construct of JI model, are demonstrated in Figure 4.

**Figure 4:** *Affiliation Between SE, TD, PA, PR, COM, EM, and JI*
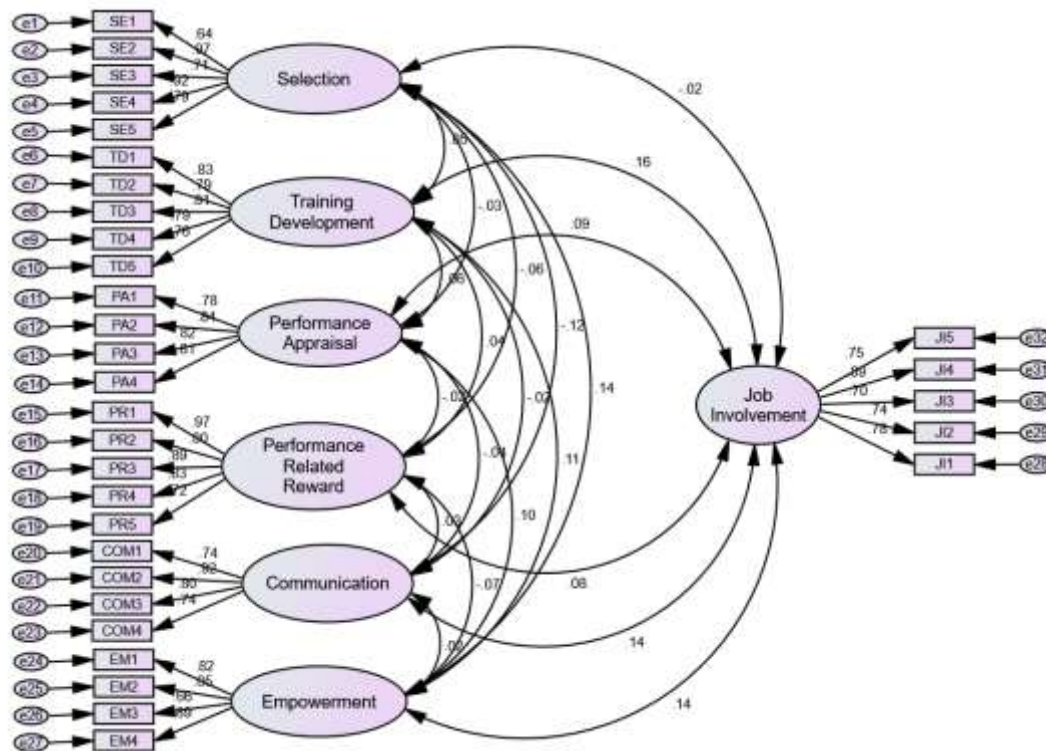
The value of Chi-square (x^2) is 828.566. The relative chi-square (x^2/df) ratio is 1.870 lesser than the suggested threshold (< 3), specifying an adequate fit (Hu & Bentler, 1999). The value of GFI is .864 is within the suggested threshold (.80 to .90), showing an satisfactory fit (Byrne, 2010). The AGFI (.838) is within the proposed threshold (.80 to .90), indicating an adequate fit (Byrne, 2010). The CFI value of .945 is upper than the recommended cut-off value of 0.90, showing an adequate fit (Bollen, 1986). RMSEA value of .050 is fewer than or equal to the proposed threshold (≤ 0.05), indicating a reasonable fit (Byrne, 2010). Thus, all indices confirm the goodness-of-fit with the data.

Structural Relationship Between SE, TD, PA, PR, COM, EM and JI
The path diagram in Figure 5 illustrates how employees' job involvement is affected by COM, PA, TD, PR, EM, and SE.

Figure 5: *The Effects on Employees' Job Involvement of SE, TD, PA, PR, COM, and EM*
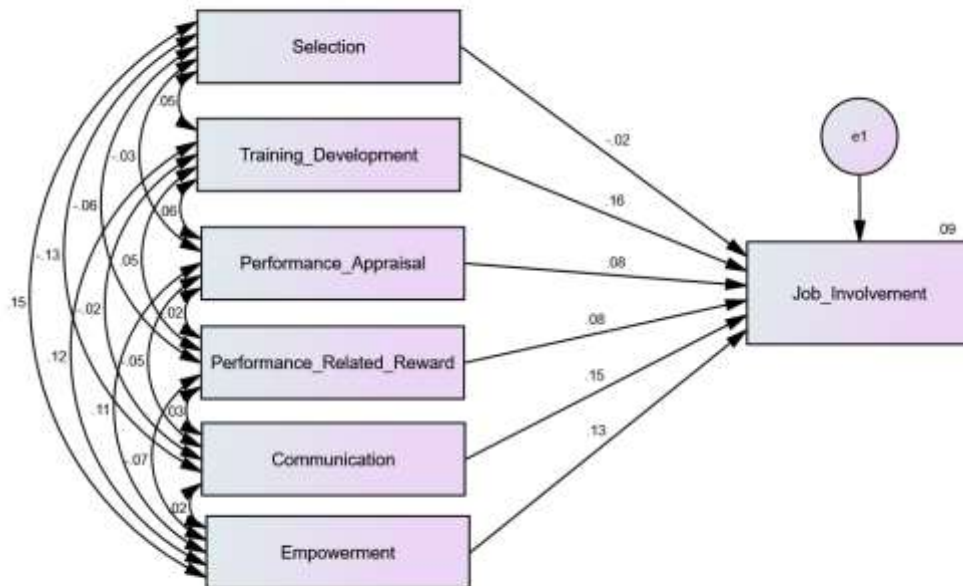
Regressing SE, TD, PA, PR, COM and EM on E_{JI}, the estimated model is

$$E_{JI} = \beta_1\ SE\ + \beta_2\ TD + \beta_3\ PA\ +\ \beta_4\ PR\ +\beta_5\ COM\ +\ \beta_6\ EM +\ e_1 \ldots\ldots ii$$

$$\widehat{E_{JI}} = -0.024\ SE\ + 0.162\ TD + 0.079\ PA\ +\ 0.081\ PR\ + 0.152\ COM\ +\ 0.128\ EM$$

The square multiple correlation (9 percent) is an acceptable level suggested by Gao (2024). The 9 percent of the variance in employees' job involvement is explained by SE, TD, PA, PR, COM, and EM. The CMIN/DF (1.870), GFI (0.864), AGFI (0.838), CFI (0.945), and RMSEA (0.050) have been at acceptable levels. Thus, this estimated model (ii) is accepted.

The path model is conducted to show the hypothesized association revealed in Table 6.

Table 6: *Hypothesized Association Between SE, TD, PA, PR, COM, EM and JI*

Hypothesized Relationship				Standardized Estimate	C.R. (t-value)	p-value
H_{3_i}	JI	<--	Selection	-0.024	-0.499	0.654
$H_{3_{ii}}$	JI	<--	Training and Development	0.162	3.081	0.002
$H_{3_{iii}}$	JI	<--	Performance Appraisal	0.079	1.499	0.134
$H_{3_{iv}}$	JI	<--	Performance-Related Reward	0.081	1.558	0.119
H_{3_v}	JI	<--	Communication	0.152	2.901	0.004
$H_{3_{vi}}$	JI	<--	Empowerment	0.128	2.392	0.017

The impact of selection on employees' job involvement is negative (β = -0.024) and insignificant (p = 0.654). Thus, H_2 is rejected. An organization's unfair and favoritism selection criteria decrease the employees' job involvement. Training and development positively (β = 0.162) and significantly (p = 0.002) influence employees' job involvement. Therefore, H_3 is accepted. The organization encourages employees to participate in training and development activities, thus increasing the employees' job involvement. The effect of performance appraisal on employees' job involvement is a positive (β = 0.079) but insignificant (p = 0.134). Thus, H_4 is rejected. The unfair and favoritism performance appraisal report does not support the employees' career paths, thus declining the employees' job involvement. The influence of performance-related reward on employees' job involvement has positive (β = 0.081) but insignificant (p = 0.119). Therefore, H_5 is rejected. The unfair performance-related reward does not give the reward based on performance to the employees, thus deteriorating the employees' job involvement. The impact of communication on employees' job involvement is positive (β = 0.152) and significant (p = 0.004). Thus, H_6 is accepted. Interactive communication provides information on the organization's rules, regulations, and procedures to the employees to do better work, which improves the employees' job involvement. The effect of empowerment on employees' job involvement has positive (β = 0.128) and significant (p = 0.017). Therefore, H_7 is accepted. Empowerment delegates operational authority to the employees to do better work, thus enriching the employees' job involvement.

Discussion

The result shows that HRM practices in Nepalese public financial institutions positively and significantly impact employees' job involvement. This finding is consistent with the earlier findings that HRM practices positively and significantly impacted job involvement (Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012). HRM practices manage the employees through skill enhancement programs, performance-based incentives, and an open communication system, which enhance employees' job involvement. Using the motivating process of social exchange theory (Blau, 1964), Gould-Williams and Davies (2005) established the connection between HRM practices and the attitudinal outcomes produced by employees. Thus, this result supports social exchange theory.

The finding exhibits that training and development, communication, and empowerment in Nepali public financial sector positively and significantly influence employees' job involvement. This outcome is stable with the previous research result that job involvement was positively and significantly impacted by training and development (Ko & Smith-Walter, 2013; Edralin, 2008), communication (Basyir et al., 2019; Ko & Smith-Walter, 2013; Boon et al., 2007), and empowerment (Ko & Smith-Walter, 2013; Boon et al., 2007). Similarly, this finding is consistent with the previous results of Kamdron and Randmann (2022) and Razak et al. (2017), who recognized that psychological empowerment positively and significantly impacted job involvement. However, this result is inconsistent with earlier research finding that training

and development had an insignificant impact on employees' job involvement (Boon et al., 2007). The population is different so that this result is a discrepancy with Boon et al. (2007). The findings confirm that selection, performance appraisal, and performance-related rewards have an insignificant impact on employees' job involvement in Nepalese public financial institutions. This finding is inconsistent with the previous results that job involvement was positively and significantly impacted by selection (Al-Bdareen & Khasawneh, 2019; Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012), performance appraisal (Ko & Smith-Walter, 2013; Abutayeh & Al-Qatawneh, 2012), performance-related rewards (Ko & Smith-Walter, 2013), and reward and recognition (Boon et al., 2007).

Conclusion

HRM practices take a decisive role in shaping employees' job involvement in Nepali public financial sector. Inappropriate selection takes unqualified and inexperienced employees, which declines the employees' job involvement. The organization regularly conducts adequate training and development programs for the employees, which enhance employees' job involvement. Unfair performance appraisal is applied to evaluate the employees' performance, and this practice reduces the employees' job involvement in Nepalese public financial institutions. The unfair performance-related reward does not provide incentives and benefits to the employees based on their performance, which decreases the employees' job involvement in Nepalese public financial institutions. The formal channels and interactive communication increase the employees' job involvement in Nepalese public financial institutions by sharing rules, regulations, and systems regarding the organization with the workforce. Job involvement in Nepalese public financial institutions is improved through empowerment, which gives employees power, authority, and responsibility.

Practical Implication

The study allows the public financial sector managers to recognize the different dimensions of HRM practices like selection, performance appraisal, performance-related reward, training and development, communication, and empowerment and then make a policy. The study is projected to afford references for managers of Nepali public financial sector to design effective HRM practices for boosting employees' job involvement.

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