

Relationship between Organizational Commitment and Employee's Performance Evidence from Banking Sector of Lahore

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Abstract

The main objective of this research was to investigate the relation of dimensions of organizational commitment and employee's performance in banking sector of Lahore. About 213 questionnaires were collected from employees of private and public banks located in Lahore. Regression analysis was used to know the results and it is found that affective, normative, and continual commitment are positively related with employee's performance separately and jointly. Future studies and implications are also discussed.

Keywords: Employee's performance; Organizational commitment; Continual commitment; Affective commitment; Normative commitment

Introduction

Organizational commitment is a basic issue of the owners of companies and management. Organizational commitment have directly related with job satisfaction which influence the competitive position and profitability of an organization. As, organizational commitment directly influence the employee performance so it has vast importance [1-7]. Organizational commitment is the notion which has attracted the various practitioners and scholars of human resource management because it influences the organizational and employee's performance [8]. Previous studies that employee's show commitment due to various reasons such as sense of obligation, costs associated with leaving organization, and attachment with organizational values [9]. Organizational commitment is a multinational construct in which an employee exerts effort, show congruency with value and goals of organization and have a desire to organizational membership [10,11]. Commitment is the kind of bond among organization and employee in which he/she is working [12]. The bond strength is dependent on different factors. This research will find the relation of organizational commitment with other factors. Employee behaviour has a strong relationship with organizational commitment. Committed employee minimizes the chances of turnover and absenteeism [13]. Commitment is said to be a willingness of employee to positively work for an organization and continue his/her work [14]. Organizational commitment is an essential behaviour for assessing the intention of employee to leave and employee contribution in organization. Thus, performance is the result of actions of employees who used his/her skills in few situations [15]. Employee performance is a mutual perception, ability, and effort for tasks. Organizational objectives can be achieved due to good performance. Although, more efforts are required for enhancement of organizational performance. Organizational commitment improves the organizational competitiveness and employee's performance [16].

In the world, organizations such as banks are said to be one of the most stressed-out industry [17]. Pakistani banking sector is also facing this. Inefficient technology usage and long working hours are the main causes of lack of commitment and satisfaction in employees. Some bank branches of bank in Pakistan have fifty employees, while few branches manually work; now technology is present to them. The banking sector is fanciest industry for graduates of business studies. The problems in banking sector influence the commitment level and

as a result it increases the issues of underperformance, absenteeism and turnover. From last ten years, banking sector of Pakistan has developed through leaps and bounds. Lot of opportunities are created due to opening of private and multinational banks in Pakistan. These banks are involved in recruitment of qualified and experienced candidates from competing banks on better packages and salaries. It is affecting the quality of employees in existing banks. Therefore, it's very important to design a study on employee's commitment in banking sector of Pakistan.

Job security is pre-requisite for an employment in Pakistani culture. Private jobs are not secure as a government due to cultural and legal constraints. For instant, lengthy procedure has been adopted for termination of employee from her/his job, although they have evidences. These are the reasons peoples are interested to have a government jobs due to high security of job. Moreover, it has handsome packages and pays which increase the charm of government jobs. Non-monetary and monetary benefits play an essential role for employee commitment for an organization. Government job provide the benefits of easy loans, house rent, regular increments, medical allowance, bonuses, and pensions. These types of facilities increase the employee interest in organization. Working environment is pleasant. People in work respect to one another and assist in work and non-work related issues. Good relations (during and after work exist) exist among employees, managers, and peers. Pakistani culture is a construct which is not taken significant. Employees are not involved in the process of decisions making, usually decision has been taken by higher management of banks. In work-related problems, banking employees show no concern for input. Banking industry of Pakistan has similar attributes. Banking sector in Pakistan is facing challenges with respect to qualified HR capacity, it influence the fields of political and socio-economic development. Lack of organizational commitment, low job satisfaction, and motivation has developed the negative attitudes of job. Performance of banking employees is important because they can help the banks to give better

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Received June 14, 2017; Accepted June 30, 2017; Published July 10, 2017

Citation: Hafiz AZ (2017) Relationship between Organizational Commitment and Employee's Performance Evidence from Banking Sector of Lahore. Arabian J Bus Manag Review 7: 304.

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service to customers and community. Limited researches have been done on dimensions of organizational commitment and employee's performance in banking sector of Pakistan. Thus, study is going to fill the knowledge gap by focusing on dimensions of organizational commitment and employee's performance.

Research objectives

1. To test the relationship between organizational commitment and employee's performance.
2. To examine the relationship between normative commitment and employee's performance.
3. To investigate the relationship between affective commitment and employee's performance.
4. To find out the relationship between continuance commitment and employee's performance.

Significance of study

This study is significant for human resource department of banks. They can identify the committed and non-committed employees of bank and also arrange motivation strategies according to their commitment levels. By doing this employee can improve their job performance which can ultimately increase organizational performance. Moreover, banks can arrange the training sessions for employee who has low performance at their jobs.

Literature Review

Organizational commitment

Organizational commitment is considered as most important concept which influences turnover and job performance [18] as well as organizational performance. The study of Chen and Aryee [19] establishes that employee's commitment is essential for organizational performance. Commitment is taken as future agreement for a specific task in special circumstances and time. The employee's belief and behaviour for an organization is called as organizational commitment. An employee becomes committed when he/she is sincere for duty, assigned tasks, and creative towards work [20,21]. The commitment of employee with an organization is a huge incentive because in this case they will work for organizational goals and also achieve their target.

Organizational commitment is dependent on employee's competence and internal motivation [22]. Commitment is defined as positive evaluation of organizational goals and organization. He describes commitment as bonding among employee and employer. Stronger level of commitment increases the staying time period of employee within organization [14], along with this effectiveness is also evaluated by commitment [23]. The study of Mathur and Vadera [24], highlights that achievement of goals has a significant correlation with the organizational success. Committed employees always want to make their organization on the top [25]. Organizational commitment is the notion which has attracted the various practitioners and scholars of human resource management because it influences the organizational and employee's performance [8]. Previous studies that employees show commitment due to various reasons such as sense of obligation, costs associated with leaving organization, and attachment with organizational values [9]. Organizational commitment is a multinational construct in which an employee exerts effort, shows congruency with value and goals of organization and has a desire to organizational membership [10,11]. Commitment is the kind of

bond among organization and employee in which he/she is working [12]. The bond strength is dependent on different factors. This research will find the relation of organizational commitment with other factors. Employee behaviour has a strong relationship with organizational commitment. Committed employee minimizes the chances of turnover and absenteeism [13]. Commitment is said to be a willingness of employee to positively work for an organization and continue his/her work [14]. Organizational commitment is an essential behaviour for assessing the intention of employee to leave and employee contribution in organization. Thus, performance is the result of actions of employees who used his/her skills in few situations [15]. Employee performance is a mutual perception, ability, and effort for tasks. Organizational objectives can be achieved due to good performance. Although, more efforts are required for enhancement of organizational performance. Organizational commitment improves the organizational competitiveness and employee's performance [16].

Bragg [26] states that organizational commitment is categorized in four perceptives like; firstly "want to" organizational commitment. Employees are more devoted and sincere for organization for improving the organizational productivity or output. Employees are forced to have over work and extra miles but they remained motivated and work efficiently [26]. Second perceptive is "have to" commitment in which a person has worse attitude for organizational supervisors or management. Third, perceptive of commitment is "ought to" which is considered as the sense of obligation for organization for improvement of organizational value system such as ethical value, criteria, norms, and standards. Fourth, commitment perceptive is "have to leave" shows weak organizational commitment. Miller and Lee [27] categorized commitment into three types as a normative, continuance, and affective commitment.

Affective commitment

Meyer and Allen [28] defined affective commitment as an emotional belongingness towards organization. Moreover, Meyer and Allen [9] describe affective commitment as involvement, attachment, and positive feelings such as identification of employees with organization. In this situation, employee has established strong attachment, and relationship with organization. Emotional attachments of employees increase the sincerity for organization, accept, and follow the roles company and accomplished the organizational goals effectively. Beck and Wilson [29] explain that affective commitment is considered as emotional attachment of a person with organization and with its standards and principles.

Continuance commitment

Meyer and Allen [28] define continuance commitment as a cost linked with leaving of an organization. In broader spectrum, continuance commitment is considered as employee's investment in organization as it is described by Allen and Meyer [9] as investment of employee means his/her money, effort, and time and it is taken as a cost if an employee wants to leave the company. These types of investments included contribution to specific organizational development, pension plans, status or skills, usage of organizational benefits like minimizing mortgage rates. The cost of leaving organization can be minimized by lack of replacement or alternatives or make up of unavoidable investments [30].

Normative commitment

Meyer and Allen [28] explain normative commitment as the obligation feelings to be with employer. In real, normative commitment

showed that individual do not want to leave the organization. Person has the feelings of belongingness with organization. An employee reveals the concern with organization because organization is liked by employees. When an individual looks towards status, favours, and rewards, she/he shows the sense of attachment, sincere duty, and sense of obligation. Normative commitment is stated as the commitment of individual with certain organization with moral, status improvement that is given by organization in upcoming year [31]. Normative commitment encourages staying with organization for a longer period of time, efficient performance, and work satisfaction [32].

Additionally, committed employees show higher performance in their jobs as compare to less committed employees [14,33]. The study of Buchanan [12] explain that there are five factors of organizational commitment which is strong intention to have organizational membership, acceptance of organizational values and goals, intention for goals of organization, positive evaluation, and willingness to apply extensive efforts on works of organization. Organizational commitment has three parts such as belief of value acceptance and organizational goals, pursuing organizational benefits, and desire of organizational position's maintenance [14].

Employee performance

Performance is linked with timeless, quality, and quantity of output, attendance/presence on job, work efficiency and work effectiveness [34]. Employee performance is said to be completion of task on the criteria set by organization or supervisor, and it is checked on pre-described acceptable standards while effectively and efficiently using available resources in a changing environment. Aguinis [35] states that performance's definition has no concerned with behaviour of employees but behaviours only. Performance is linked with behaviour of employee; it is not about work outcomes or what employee generates.

Perceived performance of employees shows the employee's general belief about contribution and behaviour of organizational success. Employee performance has three factors due to which employee shows good performance than other, these determinants are motivation, procedural knowledge and declarative knowledge [36]. Carlson et al. [37] explained that five practices of human resource management influence the performances which are maintaining morale, competitive compensation, recruitment package, training and development, and performance appraisal. Tessema and Soeters [38] also describe that eight HRM practices such as selection practices, recruitment, performance evaluation, compensation, grievance procedure, training, and promotion which affects the employee's performance. Performance is the result after doing a job. It shows the requirements of official role, achievement level of job, expectations, and organizational regulations. Performance is referred as attainment of action's outcomes with employee's skills that do job in few situations [15].

Furthermore, performance is considered as productivity which shows in term of job contribution, quality, and quantity. High productivity level influences the organizational performance positively [39]. Whitmor [40] referred performance as public exhibition related to skill, a performance, and a deed. Employee performance reveals the work outcomes in term of effectiveness, efficiency, and efficacy [41]. Employee performance is the product of work done by an employee linked with organizational position [42]. Employee performance is also defined as task's perception, ability, and effort's results [43]. Normally, employee performance is measured in term of outcomes. Anyhow, it can be measured with respect to behaviour [44]. The study of Kenney [45] describe that employee performance can be evaluated

against organizational performance standards. Measures that used are profitability, productivity, quality, efficiency, and effectiveness. Profitability is said to be ability of an organization to get profit over a longer time period. It is present as the ratio of return on capital [46]. Effectiveness and efficiency- efficiency is capacity of a person to produce target results with the help of limited resources on the other hand; effectiveness is the capability of a person to meet the target [47]. Productivity is present as the degree of output and input [48]. It includes the ways of converting inputs into services and goods given by industry, organization, and individual. It evaluate the degree of output generate by recourses [49]. Quality is said to be characteristics of services or products that allow the ability to assure the implied or stated needs [44]. Due to quality of service or product, an organization severs better services and products at a competitive price [47].

The manager of a company has a responsibility to ensure, organization is meeting performance standards or not. For doing this manager set the performance standards. It can be done by establishing standards and goals against performance of an individual. Companies confirm that employees are generating products or services of high quality or not, with the help of performance management. The process of management enforces employees to be involved in company planning and thus, participate in role due to motivation of high performance criteria. Performance management consisted of activities which ensure the organizational goals are meeting efficiently and effectively. The performance management system of an organization focuses on employee performance, processes, a department to produce the service or product etc. Previous research that has been done on productivity of employees described that satisfied employees have a high job performance, job retention, and happy with job [50]. Moreover, Kinicki and Kreitner [51] highlight that employee performance in satisfied and happy workers is higher and management can easily motivates the high performer employees to achieve the targets.

Relationship between organizational commitment and employee's performance

Past studies support the relation of organizational commitment and employee performance. For example, Negin et al. [16] explain that organizational commitment influences the job performance of Malik Bank employees. The results indicate that the dimensions of organizational commitment such as continual, normative, and affective have relationship with job performance of employees. Qaisar et al. [52] demonstrate the influence of organizational commitment (continual, normative and affective) on employee's performance in the context of Pakistani police. Statistical results showed that organizational commitment (continual, normative and affective) independently and jointly predicts the employee's performance. Furthermore, the study which is conducted on university teachers also concluded that organizational commitment (continual, normative and affective) has a positive relation with employee's performance. Suliman and Lles [53] investigate the organizational commitment and employee performance in three industrial units. This study showed that organizational commitment is a three dimensional concept and it has positive relationship with job performance. One more study, represents that organizational commitment have positive relation with job performance.

Somers and Birnbanm found that career commitment has a relationship with job performance, but organization commitment and employee performance have no relationship jointly. However, continuance commitment has a positive relationship with job

performance. Shore et al. [54] conducted a study on 339 subordinates and 231 managers in multinational companies in United states and concluded that affective commitment have a positive relationship with job performance while continual and normative commitment have no positive relation with employee's performance. Clarke [55] explains that network performance and commitment in health care units of UK, plays an important role for performance outcomes. The scholar found that normative and affective commitments have effect on performance. Continuance commitment has a negative relationship with network performance; affective commitment has a positive relationship with network performance but these relationships are not straightforward (Figure 1). Therefore, we propose hypothesis as:

H1: Affective commitment has positive relationship with employee performance.

H2: Continuance commitment has positive relationship with employee performance.

H3: Normative commitment has positive relationship with employee performance.

H4: Organizational commitment has positive relationship with employee performance.

Methodology

The methodology section describes the research design, participants, procedures, survey instruments, and analytical techniques used to test the hypotheses. It is divided into sampling, measures, reliability test, data collection as well as data analysis.

Sampling

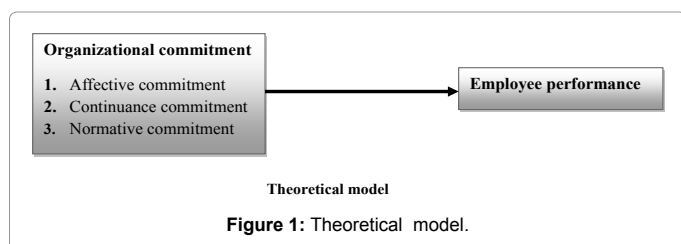
To achieve the objectives of this study, scholar has used the multi-stage technique of sampling for participant's selection. In the first stage, banks of Lahore were divided into public and private strata after that data were collected from 213 respondents by simple random sampling technique. About 350 questionnaires were distributed among management level staff of Punjab Bank, National Bank, Muslim Commercial bank, Alfalah Bank, Allied bank, Askari bank and United bank limited. One hundred and thirty seven questionnaires were not in usable condition so response rate was 61% in this research.

Instruments

With the help of structured questionnaires which were employee performance and organizational commitment, data were collected from participants.

Organizational commitment measure: The questionnaire developed by Meyer and Allen [9] was used to measure the continuance, normative and affective commitment. It has 18-items which were recorded on 5-likert scale, 5=strongly agree and 1=strongly disagree.

Employees performance measure: This questionnaire was applied to know the job performance of banking employees. It was validated



and developed by William and Anderson [43]. Responses were recorded on 5-likert scale, 1=strongly disagree and 5=strongly agree. It has seven items and high score shows high job performance and low score shows low job performance.

Reliability and validity

Validity is the said to be the extent to which certain scale evaluates the concept accurately. There are many types of validity such as face, construct, and content validity.

Present study has used PCA method (varimax rotation) to know the unidimensionality of constructs. Internal reliability describes the results of consistency, for this Cronbach alpha test is used (Table 1).

This study has reported the cronbach's alpha values as .89, .81, .77, .82 and .75 for organizational commitment, affective, normative, continuance commitment and employee's performance.

Data analysis

Demographics: About 39% respondents were female and 61% were male. Banking employees have 38% Bachelor degree, 34% employees have Master degree, and 28% have M. phill degree. Most of employees have 18.7% 0-5 years, 15.3% have 6-10 years, and 5.5% have 11 or above years banking experience (Table 2).

Descriptive summary

This study has 25 items and it was recorded on five-likert scale. Mean score range from 4.50-3.30 and standard deviation range from 1.10-0.50 (Table 3).

Principle component analysis

To know the construct validity, factor analysis was done with the help of PCA method with varimax rotation. KMO and Barlett's test describe that data is good for factor loading or not. (Tables 4-6) presents the PCA's results.

Table 4 shows the KMO test results such as AC (KMO=.864), NC (KMO=.774), CC (KMO=.650), and EP (KMO=.767). Table 5 explains the eigenvalues which is greater than one so factor analysis is applied on constructs. Table 6 presents the result of factor analysis.

Measures	N	Items	Cronbach's alpha
OC	213	18	0.869
AC	213	6	0.81
NC	213	6	0.774
CC	213	6	0.823
EP	213	7	0.754

OC: Organizational commitment; AC: Affective commitment; NC: Normative commitment; CC: Continuance commitment; EP: Employee's performance.

Table 1: Results of consistency.

Qualification	F	Percentage
Bachelor	80	38%
Master	73	34%
M. Phill	60	28%
Total	213	100%
Gender		
Female	83	39%
Male	130	61%

F: Frequency.

Table 2: Descriptive statistics of banking staff.

N	Items	Mean	Min	Max	Std.D
213	I feel happy to have a career in this organization forever.	4.44	1	5	0.737
213	I treat the problems of this organization as my own.	4.5	1	5	0.707
213	This organization is not like a part of my family.	4.42	1	5	0.746
213	I am not emotionally attached with this bank.	4.26	1	5	0.839
213	I have a personal meaning with this organization.	4.17	1	5	0.894
213	I have no sense of belonging.	3.93	1	5	1.04
213	It's very difficult for me to leave this organization.	3.08	1	5	0.767
200	My life will be disturbed if I leave this organization.	3.8	1	5	0.734
209	The job in this organization is my need not a desire.	3.79	0	5	0.956
213	I have few options rather than this organization.	3.43	1	5	1.22
205	Scarcity of alternatives is the drawback of leaving this organization.	3.49	0	5	0.74
200	Quieting of this organization needs personal sacrifice.	3.62	4	5	0.734
213	I have no obligation for this organization.	3.39	0	5	0.74
213	Leaving of this organization is not a right decision for me.	3.69	1	5	0.73
213	I will feel guilty on leaving this organization.	4.03	1	5	0.734
213	I am loyal to this organization.	4.5	1	5	0.703
201	I have no plan to leave the organization due to sense of obligation.	4.41	1	5	0.749
213	I owe this bank.	4.22	1	5	0.825
Employee's performance:					
213	I completed assigned tasks.	3.34	1	5	1.04
213	I can fulfil the responsibilities of my job.	3.11	1	5	0.767
213	I can do all tasks which are expected to me.	4.23	1	5	0.894
213	I fulfilled the formal requirements of job performance.	4.43	1	5	0.746
213	I have engaged in the activities which influence my evaluation related to job.	4.32	1	5	0.839
213	I ignored those perceptive of my job which is obligated to me (R).	4.44	1	5	0.894
199	I cannot do important duties (R).	3.08	1	5	1.04

Table 3: Descriptive summary.

Measures	Items	KMO test	Barlett's test	Barlett's test
Affective commitment (AC)	6	0.864	3367.6	0
Normative commitment (NC)	6	0.774	1602.8	0
Continuance commitment (CC)	6	0.65	1631.8	0
Employee's performance (EP)	7	0.767	1402.8	0

Table 4: KMO test results.

Constructs	Components	Initial Eigenvalues		
		Total	% of Variance	Cumulative %
Affective Commitment (AC)	6	3.32	65.25	65.25
Normative Commitment (NC)	6	2.53	62.78	62.78
Continuance Commitment (CC)	6	2.09	71.2	71.2
Employee's Performance (EP)	7	3.32	61.78	61.78

Table 5: Eigen values.

Correlation

Table 7 describes that affective, normative, and continual commitment were correlated with employee performance ($r=.981, .932, .956$) respectively. It means that affective commitment 98%, normative commitment 93%, and continual commitment 95% contributes the employee's performance. These results are supported by other studies which found positive relationship between dimensions of organizational commitment and employee's performance.

Regression analysis

The Table 8 shows that the relationship between AC and EP ($\beta=$

Affective commitment:	Factor loading
I feel happy to have a career in this organization forever.	0.743
I treat the problems of this organization as my own.	0.849
This organization is not like a part of my family.	0.832
I am not emotionally attached with this bank.	0.828
I have a personal meaning with this organization.	0.768
I have no sense of belonging.	0.808
Continuance Commitment:	
It's very difficult for me to leave this organization.	0.778
My life will be disturbed if I leave this organization.	0.869
The job in this organization is my need not a desire.	0.825
I have few options rather than this organization. .	0.743
Scarcity of alternatives is the drawback of leaving this organization.	0.776
I have engaged in the activities which influence my evaluation related to job.	0.728
I ignored those perceptive of my job which is obligated to me (R).	0.868
I cannot do important duties (R).	0.708
Quieting of this organization needs personal sacrifice.	0.743
Normative commitment:	
I have no obligation for this organization.	0.849
Leaving of this organization is not a right decision for me.	0.79
I will feel guilty on leaving this organization. .	0.765
I am loyal to this organization.	0.843
I have no plan to leave the organization due to sense of obligation.	0.749
I owe this bank.	0.732
Employee's performance:	
I completed assigned tasks.	0.868
I can fulfil the responsibilities of my job.	0.708
I can do all tasks which are expected to me.	0.749
I fulfilled the formal requirements of job performance.	0.732
I have engaged in the activities which influence my evaluation related to job.	0.728
I ignored those perceptive of my job which is obligated to me (R).	0.868
I cannot do important duties (R).	0.708

Table 6: Result of factor analysis.

		EP	AC	NC	CC
EP	Correlation	1			
	Sig. (2-tailed)	0			
AC	Correlation	.981	1		
	Sig. (2-tailed)	0	0		
NC	Correlation	.930	.932	0.1	
	Sig. (2-tailed)	0	0	0	
CC	Correlation	.967	.966	.956	1
	Sig. (2-tailed)	0	0	0	0

Table 7: Affective, normative, and continual commitment were correlated with employee performance.

H1	D.V: EP					
I.V	R ²	Adjusted R ²	F-Statistics	P-value	t- value	β coefficients
AC	0	0.001	3.28	0.002	0.205	0.001
H2	D.V: EP					
I.V: CC	0.014	0.013	19.27*	0	4.39	0.018
H3	D.V: EP					
I.V: NC	0.144	0.143	120.98*	0	10.99	0.208
H4	D.V: EP					
I.V: OC	0.145	0.142	60.83*	0.004	0.859	-0.03

EP: Employee's performance; AC: Affective commitment; NC: Normative commitment, CC: Continuance commitment; I.V: Independent variable; D.V: Dependent Variable.

*Significant less than p 0.05 value.

Table 8: Relationship between AC and EP.

0.01, p=.002) so H1 is accepted while H2 (CC and EP) is accepted (β=0.018, p=.000), H3 (NC and EP) is accepted.

(β=.208, p=.000), and H4 (OC and EP) is accepted (β=0.01, p=.0004).

Discussion

The objectives of this study were to investigate the relations of organizational commitment dimensions and employee's performance. All hypotheses are supported in this research.

These results are consistent with the study of Qaisar et al. [52] in which all dimensions of organizational commitment predict the performance of officers independently and jointly. Moreover, findings of Brett et al. [56] and Doran et al. [57] also consistent with present study. Anyhow, Somers and Birnbaum found that normative and affective commitment were not related with job performance. The results describe that management of private and public bank can get good results of performance by attaching their staff for affective commitment, it will increase suck costs for bank's staff if employees are willing to quit the banks due to continuance commitment as well as obligation level also increase through normative commitment.

Conclusion

The aim of this study is to investigate the relationship of dimensions of organizational commitment and employee performance in private and public banks of Lahore. This study found that three elements of organizational commitment is an essential factor towards improvement of performance among banking employees. The results show that dimensions of organizational commitment independently and jointly influence the employees' performance in banks. It means that employees are willing to devote and stay in banks for accomplished the objectives of jobs because they have same goals and values inside the organization.

Implications

Committed employees of banks are very helpful in these days if they are handled by HR practices. But in literature HR practices of company is not taken with respect to organizational commitment. HR practices such as job design, recruitment, career development, training, rewards, performance management, employability, and job security can be used by HR department of private and public banks to improve the job and organizational performance as well as commitment level of employees. Policy makers can use the result of this study to design the bank related policies for committed and non-committed employees of banks. Furthermore, other scholars can use the findings of this study for their future studies.

Limitations and Future Directions

This research was conducted on Lahore with sample size but future studies can be conducted on large samples and other provinces of Pakistan for generalization of results. Moreover, this model can be tested on other industries and cultural settings.

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