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Financial Health and Employee Commitment to the Organization: An Analysis of Banking Sectors

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Abstract— *With an emphasis on the banking industry, this study looks at how employee dedication affects the financial stability of firms. Although employee dedication is known to play a significant role in organizational performance, researchers have yet to determine whether or not it has a direct association with financial consequences. This research examines the impact of emotional, normative, and continuous employee commitment on organizational profitability, cost-efficiency, and financial stability by evaluating data from many banking institutions. To determine how employee commitment levels relate to critical financial metrics like revenue growth, operational efficiency, and market competitiveness, the study combines qualitative and quantitative approaches. The results imply that a company's financial health is positively affected by staff commitment levels, which in turn leads to better customer service, more productivity, and a more resilient business. Furthermore, the research emphasizes that leadership, workplace culture, and employee engagement programs all play a part in creating a dedicated team. Lastly, this paper suggests ways in which banking organizations can improve their financial performance and long- term viability by using employee dedication as a strategic advantage.*

Keywords— *Financial Performance, Performance appraisal, EEO, Compensation management, Employee retention.*

I. Introduction

Employee commitment is widely acknowledged as a key driver of organizational success, influencing a variety of performance metrics such as productivity, attrition, and financial health. In the banking business, where service quality and operational efficiency are critical for maintaining a competitive advantage, the role of devoted personnel is even more important. The emotional attachment and loyalty that an employee has to their company is known as employee commitment. This loyalty frequently manifests as a profound sense of participation, accountability, and harmony with the organization's values and objectives.

This article studies the impact of employee commitment on organizations' financial health, with ta focus on the banking industry. The banking industry, with its complex operations and customer-centric environment, relies largely on employee engagement and commitment to achieve long-term profitability and growth. Committed staff members tend to perform better, provide better customer service, and improve operational efficiency, all of which contribute directly to the institution's financial stability and success.

Previous studies have indicated that dedicated workers can improve financial performing by improving their work habits, such as reduced absenteeism, increased productivity, and a stronger desire to support organizational change. In contrast, low employee commitment can lead to disengagement, high turnover and reduced organizational efficiency, all of which have an impact on the institution's financial success. The relationship between employee dedication and financial health is complicated and multifaceted, thus it is critical to investigate how this dynamic operates in the banking sector specifically.

II. Literature Review

Employee commitment significantly impacts how well an organization performs, especially in the banking industry. Meyer and Allen's (1191) three-component model of organizational commitment, classified as affective, normative, and continuation, demonstrates how each type of commitment affects employee behavior and performance differently. Mowday, Steers, and Porter (1979) created a commitment scale that connects employee loyalty to organizational outcomes, emphasizing the significance of commitment in improving overall performance. In the banking sector, research has emphasized the strong connection between employee commitment and service quality, particularly through the lens of customer satisfaction. Siguaw, Brown, and Widing (1994) explored how employee attitudes, shaped by commitment, directly influence customer service quality and, in turn, financial outcomes. Furthermore, Sekhar and Rao (2018) identified key factors driving employee commitment in Indian banks, showcasing how such commitment contributes to organizational success. The link between employee commitment and financial health is further explored by Allen and Griffeth (2001), who found a direct correlation between employee satisfaction, engagement, and organizational performance, including profitability. Harter, Schmidt, and Hayes (2002) further solidified this relationship through a meta-analysis, demonstrating that employee engagement leads to better financial outcomes. Finally, Ekinci and Riley (2003) highlighted the indirect impact of employee commitment on financial health through customer satisfaction in the banking industry. Together, these studies provide a comprehensive understanding of how employee commitment not only enhances organizational efficiency but also strengthens the financial health of banking institutions.

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A. Financial Performance

As of recent reports, the financial health of the banking sector in Bangladesh has shown mixed results, with key indicators reflecting both strengths and challenges. The sector's total assets amounted to approximately BDT 19.1 trillion in 2023, with a loan-to-deposit ratio of around 78%. The non-performing loan (NPL) ratio has remained a concern, hovering around 9.3% in 2023, significantly above the global benchmark of 3%. However, the capital adequacy ratio (CAR) stood at a healthy 11.5%, exceeding the regulatory minimum of 10%, indicating that banks are relatively well-capitalized. The return on assets (ROA) for the sector averaged 0.6%, while the return on equity (ROE) was recorded at 7.5%, reflecting moderate profitability. The banking sector's liquidity position remained strong, with an average liquidity coverage ratio (LCR) of 154%, well above the minimum requirement of 100%. Despite facing challenges such as a high level of bad loans and pressures from inflation, the sector's overall performance indicates stability, with efforts underway to improve governance and asset quality.

The connection between human resource management (HRM) practices and financial performance is well-documented in previous research, particularly in the banking sector. Based on previous studies, it was concluded that HRM left a noticeable and positive impact on financial performance. Tirwari and Saxena (2012), in their paper, which reviewed the existing literature on HRM practices, the researchers found that HRM practices are affected by external and internal factors and directly or indirectly affect other variables which include financial performance, employee retention, etc, and ultimately contribute to the overall performance of the company. Modern HRM practices are crucial in increasing employee engagement, improving efficiency, and promoting innovative cultures. These practices have a direct impact on financial results by connecting employee engagement with product excellence, profitability, and retention. Meier et al., (2021); Ramos-Torres, (2017) found that high-performance work practices can have a significant impact on staff productivity and corporate financial performance. Committed employees contribute to the financial soundness and profitability of the organization. Additionally, Mulolli and Boskovska (2020) have highlighted the significant role of HRM in improving financial efficiency and profit. Thus, concluding that it is crucial to understand the role of HRM practices on financial performance.

Bank					**ROA**										**ROE**					
Type	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June
s										2023										2023
SB	-	-	-	0.2	-	-	-	-	0.2	0.0	-	-	-	3.4	-	-	-	-	5.4	2.2
Cs	0.5 5	0.0 4	0.1 6	1	1.3 0	0.6 1	1.0 7	0.6 8	1	8	13. 46	1.4 7	6.0 2	5	29. 61	13. 68	29. 57	21. 61	3	6
SBs	- 0.6 8	1- .1 5	-2.8	- 0.6 2	- 2.7 7	- 3.3 1	- 3.0 1	- 3.0 3	- 3.3 1	- 3.5 3	- 5.9 7	- 5.7 9	- 13. 88	- 3.0 7	- 13. 47	- 17. 04	- 13. 85	- 13. 21	- 13. 68	- 14. 27
PC	0.9	1.0	1.0	0.8	0.7	0.7	0.7	0.6	0.5	0.4	10.	10.	11.	12.	10.	11.	10.	9.3	9.3	7.6
Bs	9	0	3	9	9	7	0	2	9	7	26	75	09	01	98	16	22	4	8	6
FC	3.3	2.9	2.5	2.2	2.2	2.3	2.1	1.1	2.5	3.0	17.	14.	13.	11.	12.	13.	13.	7.5	16.	17.
Bs	8	2	6	4	3		3	7	7	9	67	59	08	31	42	43	10	9	03	27
Tot	**0.6**	**0.7**	**0.6**	**0.7**	**0.2**	**0.4**	**0.2**	**0.2**	**0.5**	**0.4**	**8.0**	**10.**	**9.4**	**10.**	**3.8**	**6.8**	**4.2**	**4.4**	**9.3**	**7.8**
al	**4**	**7**	**8**	**4**	**5**	**3**	**5**	**5**	**2**	**3**	**9**	**51**	**2**	**60**	**6**	**3**	**8**	**4**	**7**	**8**
Source: Department of Off-site Supervision, Bangladesh Bank.																				

B. Compensation Management

Compensation management plays a critical role in the link between employee commitment and an organization's financial health and is increasingly being recognized as a crucial factor in influencing an organization's growth, especially in the banking sector. Gayatri Panda and Sisira Kanti Mishra (2013) studied that offering chances for increased responsibility, advancement, value-added roles, and significant and fulfilling jobs can assist employees in growing and developing to a greater extent. Arthur (1994) has also discovered in 30 steel "mini-mill" that employee dedication is connected to enhanced productivity and efficiency. Effective compensation practices increase productivity and contribute to retaining top talent, particularly in competitive industries like banking. Moreover, organizations that associate compensation directly with performance results cultivate a culture of accountability and enhance financial outcomes. However, overemphasis on financial rewards alone may not sustain long-term commitment, highlighting the need for balanced approaches that also address intrinsic motivators such as recognition and career growth opportunities.

C. Personal Appraisal Process

The performance appraisal process is an important HRM tool for increasing employee commitment and improving business financial success. Assessment systems, which provide structured feedback and reward success, help employees feel more valued and purposeful within the firm. It is expected of dedicated workers to support, comprehend, and share business goals and to continuously strive towards their accomplishment. Competitive pay and benefits packages can be provided to attract and retain employees. In the banking industry, employee dedication becomes important for preserving operational effectiveness and financial performance, which is defined by intense competition and customer- focused strategy. Pfeffer (1994) asserted that organizations have begun to acknowledge the ability of their personnel to serve as a competitive advantage within the banking industry. However, appraisals must be properly managed to minimize perceptions of unfairness, which may harm employee morale and trust in the organization.

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D. *Equal Employment Opportunity*

Ensuring equal employment opportunities (EEO) is crucial for creating an inclusive workplace culture that promotes employee engagement and financial performance. Several scholars have previously noted that managing people is more difficult than managing technology or capital (Barney, 1991; Lado and Wilson, 1994). However, the firms that have learned how to manage their human resources well would have an edge over others for a long period because acquiring and developing effective human resource management is cumbersome and time-consuming (Wright et al., 1994). The connection between HRM practices and financial success has been thoroughly investigated, with empirical evidence strongly supporting a positive relationship.. Good HR management involves various activities such as recruitment training, development, and employee retention, all aimed at enhancing individual capabilities and performance within the organization. Strong recruitment and impartial selection processes help the bank to identify and select eligible candidates, which mainly increases the bank's productivity. Previous empirical evidence was calculated by stepwise analysis, Correlation analysis and descriptive statistics have been utilized to reinforce theoretical frameworks that associate HRM practices with the financial performance of Banks.

E. *Work-Life Balancing Policies*

Work-life balance policies are being acknowledged as critical for maintaining employee well-being and long-term commitment. The success of HRM strategies in generating financial performance is determined by several elements, including the organization's ability to address ethical concerns and employee resistance. Storey (1995) defines HRM as a distinctive approach to employment management that seeks to obtain a competitive advantage through the development of a highly committed and skilled workforce, using an array of techniques. Moreover, financial health is not solely a result of HRM practices but is also influenced by the organization's culture, leadership styles, and market conditions. It is the manager for which an employee can either choose to stay or leave the organization. So, organizations should focus on hiring skilled managers who can align to the company's goal and can motivate and retain employees. In conclusion, the literature consistently underscores the critical role of employee commitment and effective HRM practices in enhancing organizational performance and financial health. Training, selection, compensation, and employee participation emerge as key factors in fostering commitment and improving productivity. However, a deeper exploration of the interplay between employee attitudes, organizational culture, and external market forces is necessary to fully understand the impact of HRM on financial outcomes. Future research should focus on refining HRM frameworks to address ethical challenges, promote inclusivity, and build stronger emotional connections with employees to achieve sustained financial success in the banking industry.

III. RESEARCH QUESTIONS:

After analyzing the previous literature following questions have raised for the study:

I. Does a bank's financial health and sustainable growth hamper by the employee satisfaction level?
II. Does compensation package influence the employee performance towards the bank?
III. Does work-life balancing create impacts over the employee performance which led to the impact over financial health?
IV. Does Equal employment opportunity and proper Appraisal create impact over the financial growth of a bank?

IV. RESEARCH FRAMEWORK AND HYPOTHESIS:

The following independent variables are selected as an independent variable.

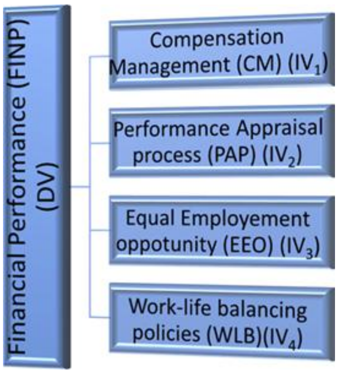

Figure-01: Conceptual Framework

V. METHODOLOGY

A. *Sample Size:*

As the study demands the population of the total employees working in a banking industry, so for the study data from 350 respondents have been collected. 400 questionnaires have been circulated among the bank employees of Dhaka city. But only 350 fully filled-up questionnaires came in return. The response rate is 87.50%.

B. *Data collection and analyzing tools:*

Primary data are collected from banking employees of Dhaka City. Most of the data are collected through interview. A detailed questionnaire has been distributed to gather factual data. For collection a questionnaire has been set by using 7-point semantic differential scale with 7 = strongly agree, 6 = agree, 5 = slightly agree, 4 = neutral, 3 = slightly disagree, 2 = disagree & 1 = strongly disagree.

For the study SPSS 20 has been used for statistical analysis. The demographic information is given below:

TABLE 1: Demographic information

Factor	Segmentation	No. of respondents
Gender	Male	196
	Female	154
Age	Under 30	95
	30-40	152
	41-50	65
	Above 50	38
Work experience	1-2 years	78
	3-4 years	125
	5-7 years	64
	8-10 years	46
	More than 10 years	37

Source: Author's construction based on the conducted survey

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VI. Findings and Analysis

To test the accuracy of data, Principal Component Analysis has been used and the following results are found.

TABLE 2: Results of consistency and reliability test

Variable	Items	Factor loading	KMO Test of Adequac	Bartlett's Test Sig.		Cronbach Alpha
CM	Q1	.732	y	153.169	.000	.765
	Q2	.707				
	Q3	.690				
	Q4	.696				
	Q5	.501				
	Q6	.623				
	Q7	.627				
PAP	Q8	.749	.647	129.865	.000	.629
	Q9	.775				
	Q10	.749				
	Q11	.587				
	Q12	.741				
	Q13	.612				
EEO	Q14	.763	.640	143.337	.000	.668
	Q15	.826				
	Q16	.735				
	Q17	.715				
	Q18	.563				
	Q19	.687				
	Q20	.651				
WLB	Q21	.676	.748	280.091	.000	.726
	Q22	.718				
	Q23	.670				
	Q24	.701				
	Q25	.689				
	Q26	.703				
FINP	Q27	.645	.625	244.560	.000	.623
	Q28	.763				
	Q29	.742				
	Q30	.738				
	Q31	.692				
	Q32	.710				
	Q33	.693				
	Q34	.690				
	Q35	.649				

Extraction Method: Principal Component Analysis Source: Field survey, 2024
Source: Author's construction based on the spss data results

The Kaiser-Meyer-Olkin (KMO) test for individual variance is 0.500 or greater in every instance, suggesting adequate correlation between the items of each variable and confirming the dataset's appropriateness for further analysis. Bartlett's test of sphericity supports the significance of the correlation matrices, with an α value near zero. Reliability testing plays an essential role in scientific research to assess the consistency of measurements. In this study, Cronbach's alpha values for all constructs exceed 0.6, demonstrating good internal consistency.

TABLE 3: Results of Regression Analysis

Independent Variables	Dependent Variable	R	F	Sig.	t-test	Sig.	D	Beta
Compensation Management	Financial Performance	.789	459.163	.000	3.635	.000	1.62	.985
Performance appraisal process					8.709	.000		.458
Equal employment opportunity					6.158	.000		.258
Work-Life Balance					6.037	.000		.644

The F-test results (Table 3) indicate that all independent variables have a collectively significant positive impact on the sustainable financial growth of the banks, with the level of significance approaching zero. The D-test confirms that there is no autocorrelation issue in the analysis. The standard deviations fall within an acceptable range, indicating that the data is tightly grouped. T-statistics were utilized for hypothesis testing to evaluate significance. The significance level for the two-tailed t-test was set at 5%, and a path coefficient is considered significant if the T-statistic exceeds 1.96. All hypotheses rejected the null hypothesis, confirming that the independent variables have a significant individual impact on financial performance and growth.

The regression model was generated through SPSS analysis. With a significance level of 5% for the two-tailed t-test, a path coefficient is deemed significant if the T-statistic is greater than 1.96. In this case, all hypotheses were accepted, showing a significant positive relationship with the dependent variable.

VII. Discussion and Conclusion

This study intended to investigate the impact of employee engagement on organizational financial health in the banking sector. The findings show that higher levels of staff dedication have a considerable impact on banks' financial health and growth. Committed personnel are productive, have lower turnover, and are more engaged, all of which is to improves organizational performance. The research indicates that when workers are emotionally and intellectually invested in their company, they strive to meet both immediate and long-term financial objectives, which benefits the bank's bottom line. Additionally, the study highlights the importance of fostering a supportive work environment and strong organizational culture to cultivate this commitment. These insights emphasize the need for banking institutions to invest in employee development programs, provide incentives, and improve job satisfaction to maintain a high level of commitment. Overall, this research underscores the critical role of employee commitment as a driver of financial success in the banking sector and provides valuable recommendations for managers and policymakers aiming to improve organizational performance through enhanced employee engagement and loyalty.

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