



## IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON ORGANIZATIONAL COMMITMENT IN SMALL SCALE INDUSTRIES IN COIMBATORE DISTRICT

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### **Abstract**

*Human resources are considered as the most important asset of an industrial organization and human resources management practices play a vital role for industrial organizations to gain competitive advantage. Human resource management function of organizations has an important role on increasing the motivation and commitment of employees because the development of organizational commitment needs effective human resource management practices. The exploratory factor analysis shows that reward, recognition, competence development and information sharing are human resource management practices in small scale industries. The regression analysis reveals that reward, recognition, competence development and information sharing have positive and significant impact on organizational commitment in small scale industries. The results have a great managerial implication for both employees and the small scale industries in Coimbatore district.*

**Key Words:** *Human Resource Management Practices, Organizational Commitment, Small Scale Industries.*

### **INTRODUCTION**

Human resources are considered as the most important asset of an industrial organization and human resources management practices play a vital role for industrial organizations to gain competitive advantage. The rapid change of factors such as globalization, economical and legal arrangements, technology has influence on organizational structures. These changes will have a positive impact on industrial organizations only if the attitudes of employees to the industrial organization are positive. Otherwise these changes may cause negative results such as job dissatisfaction, high turnover rate or absence of employees.

In order to manage these change factors, industrial organizations need to have and retain talented employees to work with high performance. In order to retain these employees, industrial organizations should make efforts to increase the motivation and commitment of their employees. Human resource management function of organizations has an important role on increasing the motivation and commitment of employees because the development of organizational commitment needs effective human resource management practices (Bal, et. al., 2014).

Effective human resource management acquires quality employees to maximize performance and helps meet their psychological and social needs. This leads to long term relationships with skilled and happy employees. In addition, good human resource practices create more satisfied employees (Stewart and Brown, 2011). It is imperative that management retains its best employees and keeps them committed to the organization in order to attract other quality employees (Zaitouni, et. al., 2011). Hence, the present research is attempted to examine the impact of human resource management practices on organizational commitment in small scale industries in Coimbatore district.

### **2.METHODOLOGY**

The Coimbatore district has been purposively selected for the present study. The 300 employees of small scale industries have been selected for the present study by adopting random sampling technique and the data and information pertain to the year 2014-2015. In order to examine the socio-economic profile of employees of small scale industries, the frequency and percentage analysis have been carried out. In order to identify the human resource management practices in small scale industries, the exploratory factor analysis has been employed. In order to examine the impact of human resource management practices on organizational commitment in small scale industries, the multiple linear regressions have been applied.

### **3. RESULTS AND DISCUSSION**

#### **3.1. Socio-Economic Profile of Employees of Small Scale Industries**

The socio-economic profile of employees of small scale industries was analyzed and the results are presented in Table-1. The results show that about 63.67 per cent of employees of small scale industries are males, while, the rest of 36.33 per cent of employees of small scale industries are females. It is observed that about 35.33 per cent of employees belong to the age group of 26 – 35 years followed by 21 – 25 years (29.33 per cent), 36 – 45 years (18.67 per cent), 46 – 55 years (10.67 per cent) and 56 – 60 years (6.00 per cent).

**Table-1. Socio-Economic Profile of Employees of Small Scale Industries**

Socio-Economic Profile	Frequency	Percentage
<b>Gender</b>		
Male	191	63.67
Female	109	36.33
<b>Age Group</b>		
21 – 25 years	88	29.33
26 – 35 years	106	35.33
36 – 45 years	56	18.67
46 – 55 years	32	10.67
56 – 60 years	18	6.00
<b>Educational Qualification</b>		
Primary	54	18.00
Secondary	62	20.67
Higher Secondary	112	37.33
Diploma	48	16.00
Graduation	24	8.00
<b>Designation</b>		
Managers	46	15.33
Supervisors	68	22.67
Workers	186	62.00
<b>Monthly Income</b>		
Below Rs.10,000	40	13.33
Rs.10,001 – Rs.15,000	85	28.33
Rs.15,001 – Rs.20,000	92	30.67
Rs.20,001 – Rs.25,000	66	22.00
Above Rs.25,000	17	5.67

The results indicate that about 37.33 per cent of employees have the educational qualification of higher secondary followed by secondary (20.67 per cent), primary (18.00 per cent), diploma (16.00 per cent) and graduation (8.00 per cent). It is clear that about 62.00 per cent of employees are workers followed by supervisors (22.67 per cent) and managers (15.33 per cent). It is apparent that about 30.67 per cent of employees belong to the monthly income of Rs.15,001 – Rs.20,000 followed by Rs.10,001 – Rs.15,000 (28.33 per cent), Rs.20,001 – Rs.25,000 (22.00 per cent), below Rs.10,000 (13.33 per cent) and above Rs.25,000 (5.67 per cent).

### 3.2. HUMAN RESOURCE MANAGEMENT PRACTICES IN SMALL SCALE INDUSTRIES

In order to identify the human resource management practices in small scale industries, the exploratory factor analysis has been employed. The principal component method of factor analysis has been carried out with Eigen values greater than one through varimax rotation and the results obtained through rotated component matrix are presented in Table-2. The results of Kaiser-Meyer-Olkin (KMO test) measure of sampling adequacy (KMO = 0.865) and Bartlett's test of Sphericity (Chi-square value = 0.0014; Significance = 0.000) indicates that the factor analysis method is appropriate.

There are four factors which are extracted accounting for a total of 74.98 per cent of variations on 17 variables. The each of the four factors contributes to 24.92 per cent, 20.45 per cent, 18.67 per cent and 10.94 per cent respectively.

**Table-2. Human Resource Management Practices**

Factor	Item	Rotated Factor Loadings	Eigen Value	% of Variation	Factor Name
I	I estimate my salary as being fair internally	0.69	1.95	24.92	Fair Reward Practices
	In my work unit, our supervisors assign mandates in a fair manner	0.67			
	My salary is fair in comparison with what is offered for a similar job	0.58			

	elsewhere				
	In my work unit, employees consider that their compensation level adequately reflects their level of responsibility in the organization	-0.63			
	The pay increases and/or bonuses I received adequately reflect my performance evaluations	0.65			
II	In my work unit, employees' suggestions are followed up regularly	0.63	1.51	20.45	<b>Recognition Practices</b>
	Employees' suggestions are seriously taken into consideration	-0.59			
	In my work unit, employees receive written recognition from their supervisors	0.61			
	In my work unit, supervisors tangibly recognize employees' efforts	0.65			
	When an employee does good quality work, his colleagues regularly show him their appreciation	0.67			
III	Professional development activities are offered to employees to improve their skills and knowledge.	0.69	1.14	18.67	<b>Competence Development Practices</b>
	Managers encourage employees to apply their new abilities and skills in the context of their daily work	-0.60			
	I am able to apply new skills in my work	0.68			
	Employees can develop their skills in order to increase their chances of being promoted	0.67			
IV	Employees are regularly informed of production results	-0.62	1.03	10.94	<b>Information Sharing Practices</b>
	Employees are regularly informed of their work unit's performance	0.68			
	Employees are regularly informed of technological orientations	0.66			
	Cumulative % of Variation			74.98	
	Cronbach's Alpha				0.89

Extraction Method: Principal Component Analysis  
Rotation Method: Varimax with Kaiser Normalization  
Rotation converged in 10 iterations

Factor-I: From the results, it is inferred that out of 17 variables, five variables have their high, relatively tightly grouped factor loadings on factor-I.

This factor consists of:

- I estimate my salary as being fair internally (0.69)
- In my work unit, our supervisors assign mandates in a fair manner (0.67)
- My salary is fair in comparison with what is offered for a similar job elsewhere (0.58)
- In my work unit, employees consider that their compensation level adequately reflects their level of responsibility in the organization (-0.63)
- The pay increases and/or bonuses I received adequately reflect my performance evaluations (0.65)

Hence, this factor is named as **“Fair Reward Practices”**.

Factor-II: is formed with:

- In my work unit, employees' suggestions are followed up regularly (0.63)
- Employees' suggestions are seriously taken into consideration (-0.59)
- In my work unit, employees receive written recognition from their supervisors (0.61)
- In my work unit, supervisors tangibly recognize employees' efforts (0.65)
- When an employee does good quality work, his colleagues regularly show him their appreciation (0.67)

These variables are named as "**Recognition Practices**".

Factor-III: This factor includes:

- Professional development activities are offered to employees to improve their skills and knowledge (0.69)
- Managers encourage employees to apply their new abilities and skills in the context of their daily work (-0.60)
- I am able to apply new skills in my work (0.68)
- Employees can develop their skills in order to increase their chances of being promoted (0.67)

These variables are named as "**Competence Development Practices**".

Factor-IV: This factor is formed with:

- Employees are regularly informed of production results (-0.62)
- Employees are regularly informed of their work unit's performance (0.68)
- Employees are regularly informed of technological orientations (0.66)

This factor is named as "**Information Sharing Practices**".

The Cronbach's Alpha of the scale was 0.89 indicating that each measure demonstrated acceptable internal consistency. It is inferred that fair reward, recognition, competence development and information sharing are human resource management practices in small scale industries.

### 3.3. Impact of Human Resource Management Practices on Organizational Commitment in Small Scale Industries

In order to examine the impact of human resource management practices on organizational commitment in small scale industries, the multiple linear regression has been applied and the results are presented in Table-3. The human resource management practices derived from exploratory factor analysis are considered as independent variables and the organizational commitment is considered as dependent variable.

The results show that the coefficient of multiple determinations ( $R^2$ ) is 0.55 and adjusted  $R^2$  is 0.53 indicating the regression model is good fit. It is inferred that about 53.00 per cent of the variation in dependent variable (Organizational Commitment) is explained by the independent variables (Human Resource Management Practices). The F-value of 12.452 is statistically significant at one per cent level indicating that the model is significant.

**Table-3. Impact of Human Resource Management Practices on Organizational Commitment in Small Scale Industries**

Human Resource Management Practices	Regression Co-efficients	t-value	Sig.
Intercept	2.745**	9.836	.000
Fair Reward ( $X_1$ )	.426**	8.511	.000
Recognition ( $X_2$ )	.397**	8.185	.000
Competence Development ( $X_3$ )	.342**	7.373	.000
Information Sharing ( $X_4$ )	.295**	7.029	.000
$R^2$	0.55	-	-
Adjusted $R^2$	0.53	-	-
F	12.452	-	.000
N	300	-	-

Note: \*\* Significance at one per cent level

The results indicate that reward, recognition, competence development and information sharing have positive and significant impact on organizational commitment in small scale industries at one per cent level. Hence, the null hypothesis of there is no significant impact of human resource management practices on organizational commitment in small scale industries is rejected.

### 4. CONCLUSION

The foregoing analysis reveals that majority of employees of small scale industries are males and most of them belong to the age group of 26 – 35 years. Majority of employees have the educational qualification of higher secondary and most of them are workers. Besides, majority of employees belong to the monthly income of Rs.15,001 – Rs.20,000.

The exploratory factor analysis indicates that reward, recognition, competence development and information sharing are human resource management practices in small scale industries. The regression analysis shows that reward, recognition, competence development and information sharing have positive and significant impact on organizational commitment in small scale industries.

Therefore, small scale industrial units should use the reward budget effectively to distribute the rewards adequately among top performers receive an increased consideration than other industrial units. The supervisors should provide positive considerations and recognition to their employees for make them excel in their work.

The small scale industries should provide employees with the needed resources and opportunities to improve and develop their skills, enabling them to work in an environment that promotes career development and initiative-taking. The small scale industries should inform employees about all organizational practices implemented to transmit and receive information and it is highly useful for decision-making.

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