

Article

# A Comparative Study Between insurance and banking sector about influence of key HR practices in boosting service recovery performance

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**Abstract:** The purpose of this study is to examine key human resources practices (Rewards, Training, Job Description, intellectual capital, Staff Participation, Internal career opportunities) that influence employee commitment and service recovery performance (SRP) of banking and insurance sector of Karachi region. SRP is crucial in banking sector especially in the Islamic Insurance banking sector and plays a vital and key role in sustainable competitive advantage for value addition in future to acquire market. The data was collected from 250 employees of banking and insurance sector working in Karachi on convenience sampling technique. Data was analyzed by using SMART PLS to examine the relationship between constructs. This study contributed to the body of knowledge in explaining relationship of Rewards, Training, Job Description, intellectual capital, Staff Participation, Internal career opportunities to employee commitment and SRP, explained in the Banking and insurance sector specially in Karachi.

**Keywords:** intellectual capital (IC), Employee commitment (EC), Service recovery performance (SRP), Training (TR), Rewards (RE), Internal career opportunities (ICO), Job Description(JD), Staff Participation(SP)

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## 1. Introduction

In last few years the banking industry is successfully emerges and in the Islamic countries where banking sector has risen and reached on a peak and one of the biggest thing in banking industry is services which encompasses the shariah laws.(Remli and Rosman, 2018 ) It is one of the rapidly growing industries in the Muslim country. Islamic banking is recommended many Muslims by their religious scholars. It appears that to compete with conventional bank agents of the banking plays a vital role and it is also one of the important major elements which help Islamic industry. Therefore, to promote/ selling the services of the Islamic banking sector agents play a significant role in it. As there are very fewer clients who approach the services of Islamic bank and they also begin the procedure by their own. However, there are 37 firms which are providing the services of Islamic banking services according to the shariah in 2010 and according to shariah compliant 20 firms are providing the savings and deposit services. It highlighted that in Indonesia the Islamic banking sector has seen remarkable growth in the recent

years. In the year of 2015 there were total 53 banking firms and out of 53 only 24 banking industry are offering the Islamic banking services. (AASI , 2015) It is also

highlighted that about \$382 Million were contributed to the overall income of the nation and it will climb up to \$802 Million shariah based banking firms plays an important part in adding to Indonesia total GDP (national revenue) by 6.55%. Statistical data also shows that Indonesia shariah banking industry has expanding with a 0.91% annual growth rate (AASI,2015). Furthermore, Indonesia has a sizeable market because the majority of its population is Muslim which reached 225 Million in 2018. Although it has been demonstrated that there hasn't been a significant increase in the number of Islamic bank as related to the population growth but the number of Muslim is rising quickly. Previous studies have suggested that exploring potential market factors that have been found to be influential in expanding the Islamic banking services (Amron et.al,2018). The success of service recovery significantly affected by the important workers who gets complains. According to (Piaralal, 2014) customer service staff typically manage the most of the service issues. The make the significant contribution towards company's service quality image and it plays the important part. (Piaralal et al.,2016). multiple studies on service recovery performance in the western nations no one specially focused on the insurance industry.it is highlighted that more researches was needed to enhance the life insurance, the essential factor of employee performance of service recovery. ( Piaralal et al.,2016).Therefore, agents are one who directly connect with clients an it is important for the agents to give them the best services in order to gain their trust and to retain them.(Djafri & Noordin, 2017).

### 1.1 Research Objectives

- 1- To study the impact of HR practices in boosting service recovery performance
- 2- To study the impact of employee commitment on service recovery performance

### 1.2 Research Questions

Q1. What is the impact of key HR practices in boosting service recovery performance?

Q2. What is the Impact of employee commitment in boosting service recovery performance?

#### Hypotheses

H1: Intellectual capital has a positive relationship with the SRP.

H2: ICO have positive relationship with SRP.

H3: Training has positive relationship with SRP.

H4: Staff participation has positive relationship with SRP.

H5: JD has positive relationship with SRP.

H6: Rewards has positive relationship with SRP.

H7: Training has positive relationship with EC.

H8: ICO have positive relationship with EC.

H9: Rewards has positive relationship with EC.

H10: Staff participation has positive relationship with EC.

H11: Intellectual capital has a positive relationship with EC.

H12: ICO have positive relationship with EC.

H13: EC has mediating impact between Intellectual capital and SRP.

H14: EC has mediating impact between training and SRP.

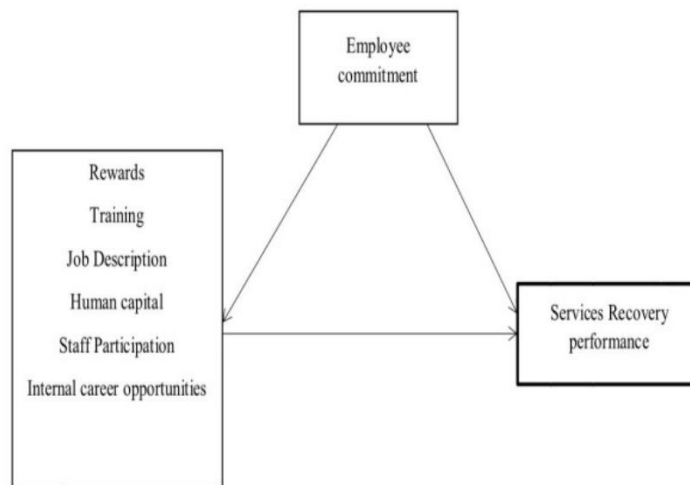
H15: EC has a positive relationship with SRP.

H16: EC has mediating impact between ICO and SRP.

H17: EC has mediating impact between rewards SRP.

H18: EC has mediating impact between JD and SRP.

H19: EC has mediating impact between SP and SRP



**Fig.1 Theoretical Framework**

Dependent variable

Services Recovery performance

Mediating Variables

Employee commitment

Independent Variable:

HR practices (Rewards, Training, Job Description, Human capital, Staff Participation, Internal career opportunities)

**2. Literature reviews**

Service recovery performance enables firm to maintain best employees. Agents have a major role in the Islamic banking industry. A further service recovery performance review assist organizational objective includes attracting new customer while retaining the satisfaction of present customer and new connection relationship between Customers and employees. In particular staff abilities, attitude an they interact with customers all affect the services Because it is a critical determinant of the brand reputation and service quality. Since there is relation among service quality and service recovery, (Piaralal et al. 2016 ). The lack of study on the service recovery abilities of banking (Islamic banking services) agents and the absence of understanding of key factors are some other in the literature. (Piaralal et al., 2006)

Prior academic has discussed extensively commitment of employee in the research claiming that is leads to the achievement of objectives and process efficiency both of which had an influence on corporate performance and productivity. (Meyer et al., 2013). A loyal employee is one who stay with the firm during good or bad comes on a regular basis.

Although employee commitment is (Bielby 1992) as a bond that is formed and maintained by a person's identification with a role, behavior, value, believed to be essential among alternatives.

Forms of motivation that workers gets from companies like, personal identity, compensation, promotion, esteem personal growth these are defined as the rewards system. (Piaralal, 2014)

The most prominent strategies of human resource development is training, companies uses it to boost the performance of the company's workers. (Masoud, 2013)

Job description relates towards how accurately and precisely describes a job must be in order for workers to understand what is required for them. (Akhtar, 2008)

According (Yaseen et al. 2016) Intellectual is regarded as one of the key elements that determines how innovative and prosperous a firm is. Collective knowledge that may be utilised to provide an output for beneficial which is referred to as intellectual capital. (Gogan et al. 2016)

Staff participation has become a key Human resource management practices, in term of participating in decision making and having the opportunity to express ideas for improvements. (Akhtar, 2008)

Internal career opportunities relates to the preference of the company to hire employees largely from within. (Akhtar, 2008).

**3. Methodology**

The current study is quantitative and explanatory research approach will be used in the research and the approach is deductive. Quantitative findings can be measured and quantified by doing the statistical evaluation. Data is collected by questionnaire and it is being constructs from authentic sources and the questionnaire were adopted. In this study sampling is non-probability cross sectional sampling design. Sample for this study is taken from the employees who are working in banking and insurance industry. The target population of the present study is agents working in Islamic banking and insurance industry in Karachi city. The data is collected from employees from the banking and insurance industry and sample size of the current research is 250 to collect data from banking and insurance industry of karachi.

**Table 1:Construct Validity and Reliability Matrix**

	<b>Cronbach's alpha</b>	<b>Composite reliability (rho_a)</b>	<b>Composite reliability (rho_c)</b>	<b>Average variance extracted (AVE)</b>
<b>EC</b>	0.959	0.964	0.963	0.522
<b>IC</b>	0.836	0.89	0.877	0.591
<b>ICO</b>	0.832	0.85	0.886	0.66
<b>JD</b>	0.804	0.806	0.876	0.644
<b>RW</b>	0.844	0.874	0.888	0.613
<b>SP</b>	0.913	0.944	0.939	0.794
<b>SRP</b>	0.953	1.001	0.963	0.841
<b>TR</b>	0.938	0.948	0.951	0.766

All of the variables in this Table 1 have values which is more than 0.8, and indicate the strong internal consistency and reliability indicate more internal consistency reliability; that are vary between 0 to 1. Each variables in exhibits shows which have values more than 0.8 values, which once again indicate the high internal consistency reliability. It vary between 0 to 1, with maximum values which indicate the greater convergent validity. In this table, all variables have values above 0.5, which indicates

good convergent validity. Other internal consistency reliability measures that are similar to Cronbach's alpha include composite reliability (rho a) and composite reliability (rho c). Higher value

Discriminant Validity and Reliability matrix looks like a correlation matrix showing the pairwise correlations between variables. However, since there are no variable labels, it's difficult to say for sure what the variables represent.

Assuming that the variables are the same as in the previous questions, this table shows the pairwise correlations between the constructs EC, IC, ICO, JD, RW, SP, SRP, and TR. Each cell represents the correlation between two constructs. For example, the correlation between EC and IC is 0.337.

Fornell - Larcker Matrix is a correlation matrix where each cell shows the correlation coefficient between two variables. The variables are listed on both the rows and columns.

For example, the correlation between variable EC and variable SP is 0.238, while the correlation between variable SP and variable EC is also 0.238.

Based on this correlation matrix, we can see that has a strong positive correlation between IC and RW (0.753) and between ICO and TR (0.725). There is also a strong negative correlation between EC and JD (-0.391), as well as between EC and RW (-0.381). The other correlations are generally moderate or weak.

### 3.1 Analysis

In this comparative study between the insurance and banking sectors has highlighted the key Human resources practices on service recovery performance. The analysis of the hypotheses revealed that training, rewards, internal career opportunities, and job descriptions have positive relationships with service recovery performance to varying degrees, while staff participation does not. Moreover, employee commitment have a positive connection with training, rewards, and internal career opportunities, but not with intellectual capital, staff participation, or job description. The study also identified potential mediating effects of employee commitment on service quality performance, which require further analysis Insurance and banking sectors to optimize HR practices to enhance service recovery performance.

### 3.2 Results & Findings

The analysis of the data and interpretation of the results, it interpret that are significant relationships between certain HR practices and SRP in both the insurance and banking sectors. The study found that intellectual capital, training, rewards, internal career opportunities, staff participation, and job description all have positive relationships with service recovery performance in both sectors. This indicates that organizations in both the insurance and banking sectors can benefit from focusing on these key HR practices to enhance their SRP.

Additionally, the study found employee commitment which has positive connection between the SRP and also serves as a mediator between certain Human resource practices and service quality performance. This suggests that organizations should focus on promoting employee to enhance their SRP.

### Research Recommendations & Suggestions

The comparative study between the insurance and banking sectors provides valuable insights into the relationship among practices and service recovery performance. However, there are several areas where research could build upon the current study and provide additional insights. The current study used a cross-sectional design, which establish causal relationships between HR practices and service recovery performance. The study focused on the insurance and banking sectors in a specific region and on a specific set of HR practices, effective communication, training and

development, employee empowerment, and performance evaluation and feedback. Future research could explore the influence of other practices, such as recruitment and selection, compensation, benefits, job design, on service recovery performance. It could incorporate customer feedback which has more comprehensive picture of SR performance.

#### 4. Conclusion

In conclusion, the comparative study between the insurance and banking sectors on the influence of key HR practices in boosting service recovery performance provides valuable insights. However, there are several areas where future research could build upon the current study and provide additional insights. These recommendations could help researchers and practitioners for understanding the relationship among HR practices and service recovery performance and develop more effective HR strategies for improving service recovery performance

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