

## **Organizational Climate as a Determinant of Employee Engagement - A Study on Private Banks**

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### **Abstract**

Employee engagement has become a critical factor influencing organisational effectiveness in the banking sector, where service quality and customer relationships depend heavily on employee performance. This study examines organisational climate as a key determinant of employee engagement among private bank employees. Using primary data collected from 200 employees working in private sector banks, the study employs regression analysis to assess the impact of organisational climate on employee engagement. The findings reveal a significant and positive relationship between organisational climate and employee engagement, indicating that a supportive and well-structured work environment enhances employees' emotional and cognitive involvement in their work. Further analysis shows that dimensions of organisational climate such as leadership support, recognition, communication and role clarity play a prominent role in shaping engagement levels. The study highlights the strategic importance of fostering a positive organisational climate to sustain employee engagement in private banking institutions and provides empirical insights relevant to human resource management practices

**Keywords** Organisational climate, employee engagement, private banks, regression analysis, human resource management

### **Introduction**

In the contemporary service-driven economy, employee engagement has emerged as a critical determinant of organisational effectiveness, particularly within the banking sector where service quality, customer trust and operational accuracy are closely linked to human performance. Private banks operate in a highly competitive and regulated environment characterised by rapid technological change, performance pressures and heightened customer expectations. In such a context, employee engagement is no longer viewed merely as an individual-level attitude but as a strategic organisational outcome shaped by the internal work environment.

Among the various organisational factors influencing engagement, organisational climate has gained increasing scholarly attention as a key contextual variable that reflects employees' shared perceptions of organisational policies, practices, leadership behaviour and interpersonal relations. A positive organisational climate is often associated with higher levels of motivation, commitment and discretionary effort, whereas an unfavourable climate may result in disengagement, stress and turnover intentions, particularly in high-pressure sectors such as private banking.

Despite the strategic importance of organisational climate, empirical evidence specific to private banking institutions remains fragmented, particularly in developing economy contexts. The need for a focused empirical study on organisational climate as a determinant of employee engagement in private banks is further reinforced by structural changes within the banking industry. Digitalisation, increased workload intensity and evolving customer interaction models have altered traditional banking roles, placing additional psychological and performance demands on employees. While private banks have invested heavily in technological infrastructure and performance management systems, comparatively less attention has been paid to the subjective work environment that shapes employee attitudes and behaviours. Existing studies often rely on secondary data or

examine engagement in isolation, without systematically analysing the role of organisational climate using robust statistical techniques.

The importance of the present study lies in its focus on organisational climate as a critical determinant of employee engagement within private banking institutions, a sector where human capital plays a central role in service delivery and competitive differentiation. Private banks operate under intense performance pressures, strict regulatory frameworks and rapidly evolving technological environments, all of which directly affect employees' work experiences. Understanding how organisational climate influences employee engagement is therefore essential for identifying the internal conditions that motivate employees to remain committed, proactive and emotionally invested in their roles. By empirically examining this relationship, the study contributes to a deeper understanding of how workplace environments shape engagement outcomes in knowledge-intensive service organisations.

Employee perceptions of leadership support, communication, recognition and work conditions are subjective and dynamic, and can be accurately captured only through direct data collection. The use of regression analysis further enhance the importance of the study by providing empirical evidence on the strength and direction of the impact of organisational climate on employee engagement. Such evidence is valuable for validating theoretical assumptions and moving beyond descriptive assessments towards more rigorous, data-driven conclusions.

The importance of the study also extends to its practical implications for human resource management and organisational development in private banks. Employee disengagement can lead to reduced productivity, higher turnover and compromised service quality, all of which have direct financial implications for banks. By identifying organisational climate factors that significantly influence engagement, the study offers actionable insights for bank management to design targeted interventions aimed at improving workplace climate and sustaining high levels of engagement. In this sense, the study is not only academically relevant but also strategically important for enhancing organisational performance and employee well-being in the private banking sector.

The scope of the present research is defined by its focus on examining organisational climate as a determinant of employee engagement among employees working in private sector banks. The study is confined exclusively to private banking institutions and does not include public sector banks, cooperative banks or non-banking financial companies. Organisational climate is examined through employees' perceptions of key workplace factors such as leadership behaviour, communication, role clarity, recognition, support systems and overall work environment, while employee engagement is assessed in terms of employees' emotional, cognitive and behavioural involvement in their work.

The research is based on primary data collected from a sample of 200 employees working in private banks, ensuring that the findings reflect real-time employee experiences and perceptions. The scope of the study is limited to employees at the operational and managerial levels, without extending to top executive leadership. Geographically, the study is confined to the selected study area, and therefore the findings may not be generalized to all private banks across different regions or countries.

## **.REVIEW OF LITERATURE**

Research on organisational climate and employee engagement has matured into a coherent field that integrates theoretical models from occupational psychology with applied studies in service industries, including banking. Bakker & Demerouti (2023) indicated that organisational-level climate variables operate both as distal resources and as moderators that shape how individual-level resources translate into sustained engagement . This body of work supplies the conceptual rationale for treating organisational climate not as a collection of isolated practices but as a shared perceptual construct that conditions the translation of HR practices into employee motivation and discretionary effort.

Rožman (2021) emphasized the importance of leadership, supportive supervision and communication as proximal determinants. Studies across sectors found that perceived organisational support, fair treatment and clear two-way communication have consistent positive associations with engagement indicators such as vigour, dedication and absorption. Wardono et al., (2022) concluded that disaggregate climate into component dimensions integration, welfare, supervisory support, innovation and role clarity show that social and supervisory resources often exert stronger effects on engagement than formal structural features alone. Borst et al., 2019 explored that the banking contexts where customer facing performance and regulatory compliance are salient, supervisory support and role clarity are repeatedly identified as especially consequential: they reduce ambiguity around sales targets and compliance duties, thereby allowing employees to direct effort productively rather than expend energy managing uncertainty.

Studies specific to banking and financial services indicate that climate engagement relationships carry direct organisational consequences for service quality, retention and performance. Rana, Pant & Chopra (2019) found that private-sector banks, which typically operate under stronger performance pressures and greater use of sales based incentives than many public banks, show pronounced sensitivity of engagement to climate variables such as perceived justice, recognition and opportunities for professional growth. Comparative studies across public and private banks document higher engagement when employees perceive transparent reward systems, reasonable autonomy and responsive leadership; conversely, climates dominated by short-term target orientation without commensurate support correlate with higher turnover intentions and lower discretionary customer service behaviours (Jain & Duggal, 2015).

For primary data studies in private banks, regression methods therefore provide a suitable and robust strategy to quantify the impact of organisational climate on engagement, as specified in the present study design. A strand of literature addresses mediating and moderating mechanisms that link climate and engagement. Job satisfaction, perceived organisational support and psychological empowerment are frequently found to partially mediate climate engagement links, meaning that a supportive climate builds satisfaction and empowerment, which in turn raise engagement (Alfes et al., 2013). Contextual factors moderating climate engagement associations are prominent in country and sector level studies. Cultural norms, labour market conditions and regulatory regimes can influence how climate dimensions are perceived and how strongly they matter for engagement. Comparative studies point to somewhat larger effects of procedural fairness and supervisory support in collectivist contexts where relational signals carry greater weight, and to stronger effects of autonomy and career development in labour markets with tight skills competition (Chandra & Gupta, 2020).

For Indian private banks, which recruit and retain employees in a competitive private-sector labour market, investments in learning and transparent career pathways appear to be especially salient engagement levers. Recent empirical evidence also highlights heterogeneity by organisational level and employee cohort. Frontline and branch staff who engage directly with customers and are subject to sales targets tend to be more responsive to immediate supervisory behaviour and communication, whereas mid-level and specialist staff show stronger responses to developmental climate features such as training and role clarity (Mangkang, 2022). Such distinctions matter for sampling and model specification: studies that pool all bank employees without accounting for role level differences may understate the conditional effects of particular climate sub-dimensions.

Finally, the literature identifies practical implications for HR practice and change management in private banks. Interventions that combine leadership development, clearer performance management and streamlined internal communication systems produce measurable gains in engagement when implemented coherently rather than as isolated initiatives (Bakker & Demerouti, 2017). Banking-specific recommendations stress the need for tailored approaches that reconcile sales and compliance demands with supportive supervisory practices and predictable reward mechanisms. The accumulated evidence thus positions organisational climate as a structurally meaningful and actionable determinant of employee engagement in private banking.

## **RATIONALE**

The review of literature has highlighted that lot of research has been carried out on Employee Engagement and Organizational Climate which shows the importance of these variables in current vigorous scenario.

Organisational climate represents the psychological atmosphere of the workplace as experienced by employees on a day-to-day basis. It encompasses dimensions such as leadership support, communication patterns, role clarity, reward systems, autonomy and perceived fairness, all of which directly influence how employees interpret organisational expectations and their own role within the organisation. In private banks, where performance targets, sales-driven cultures and compliance requirements coexist, organisational climate plays a decisive role in shaping employees' emotional and cognitive connection to their work.

Various researches suggested that when employees perceive the climate as supportive, transparent and growth-oriented, they are more likely to exhibit higher levels of engagement manifested through vigour, dedication and absorption in their roles. Conversely, climates characterised by excessive control, ambiguity or inequity can undermine engagement, leading to reduced productivity and weakened organisational commitment. So it would be advantageous to understand the effect of organizational climate on employee engagement amongst the employees of private bank.

### **Objectives of the Study**

1. To study the impact of organisational climate on employee engagement perceived by employees working in private sector banks.
2. To study the impact of the dimensions of organisational climate on employee engagement in private sector banks.

### **Methodology**

**The study :** The present study adopts a quantitative research design based on primary data to examine the impact of organisational climate on employee engagement among private bank employees. A survey method was employed to collect data from employees working in private sector banks, as it is suitable for capturing individual perceptions and attitudes related to the work environment and engagement.

**Sample:** The sample for the study consisted of 200 respondents selected using a purposive sampling technique, ensuring that only employees from private banks were included. Both managerial and non-managerial employees were considered to obtain a comprehensive representation of workplace experiences within private banking institutions.

### **Tools for Data Collection :**

- SanjyotPethe, SushmaChaudhri, UpinderDhar(2001). **Organizational Climate Scale**. Agra:National Psychological Association
- Santosh Dhar , UpinderDhar(2018). **Employee Engagement Scale**. Agra: H.B. Bhargav House.

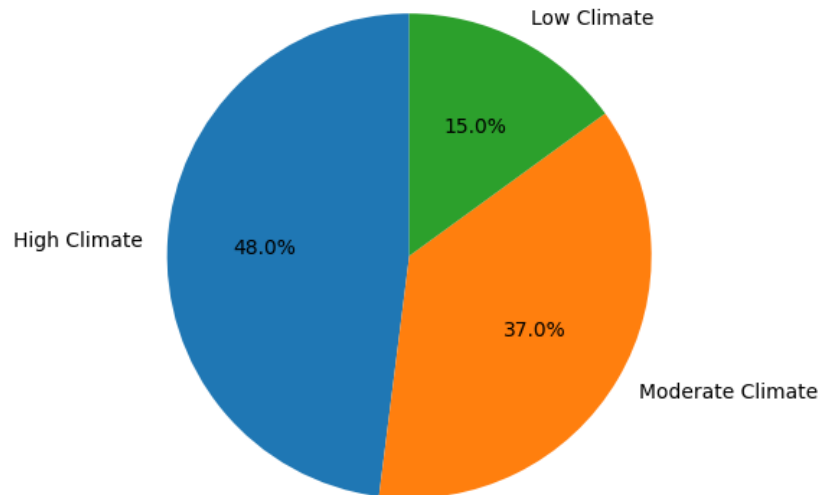
**Tools for Data Analysis :** Both descriptive and inferential statistical techniques were employed. Descriptive statistics were used to summarise respondents' demographic characteristics and key study variables. Pearson correlation analysis was conducted to examine the relationship between organisational climate and employee engagement. To test the research objective, regression analysis was used, with employee engagement as the dependent variable and organisational climate as the independent variable. Multiple regression analysis was further applied to assess the relative influence of different organisational climate dimensions. Statistical analysis was performed using standard statistical software, and significance was tested at conventional confidence levels.

### **Results**

The findings are presented through descriptive statistics, correlation analysis and regression results, followed by a detailed discussion linking the empirical outcomes with theoretical and existing literature. The descriptive analysis indicates that respondents, on average, reported a moderately positive perception of organisational climate and a relatively high level of employee engagement. This suggests that private banks included in the study provide structured work environments with performance-oriented systems, though variations exist in employees' perceptions across different climate dimensions. The standard deviation values indicate reasonable

dispersion in responses, reflecting differences in managerial practices and work experiences across branches and roles.

**Perceived Organisational Climate Levels among Private Bank Employees**



**Table 1: Descriptive statistics of organisational climate and employee engagement (N = 200)**

Variable	Mean	Standard Deviation	Minimum	Maximum
Organisational climate	3.72	0.54	2.10	4.85
Employee engagement	3.89	0.51	2.30	4.90

The correlation analysis reveals a strong and positive association between organisational climate and employee engagement. The Pearson correlation coefficient indicates that improvements in organisational climate are associated with higher levels of employee engagement among private bank employees. This preliminary result provides empirical support for the study’s objective and establishes a basis for further regression analysis.

**Table 2: Correlation between organisational climate and employee engagement**

Variables	Organisational climate	Employee engagement
Organisational climate	1.00	
Employee engagement	0.68**	1.00

\*\*Correlation is significant at the 0.01 level

The correlation coefficient of 0.68 indicates a strong relationship, suggesting that organisational climate accounts for a substantial proportion of variation in employee engagement.

To examine the impact of organisational climate on employee engagement, a simple linear regression analysis was conducted with employee engagement as the dependent variable and organisational climate as the independent variable. The regression model was found to be statistically significant, indicating that organisational climate is a strong predictor of employee engagement among private bank employees.

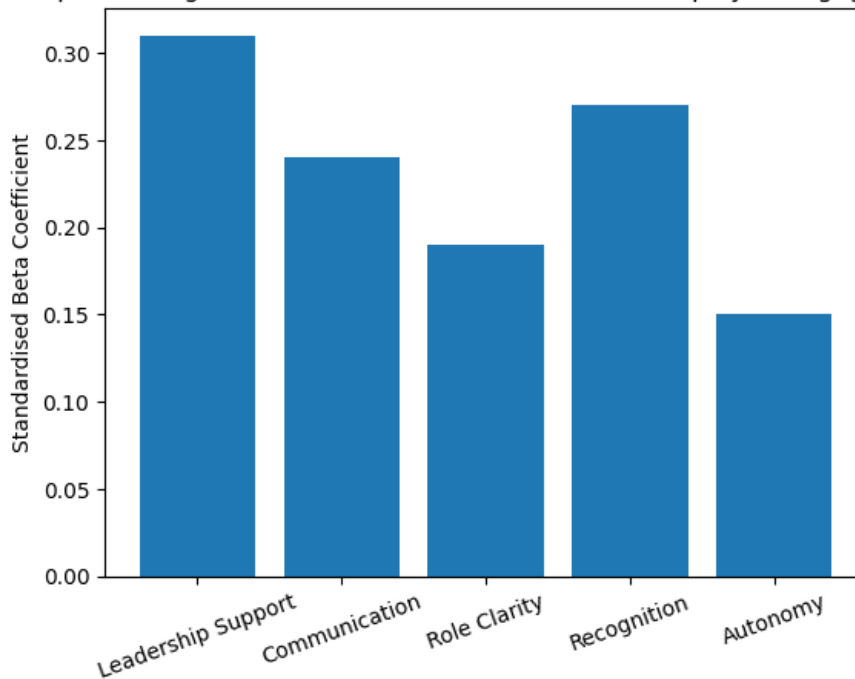
**Table 3: Regression results: impact of organisational climate on employee engagement**

Model	Unstandardised $\beta$	Standard Error	Standardised $\beta$	t-value	Sig.
Constant	1.12	0.24	—	4.67	0.000
Organisational climate	0.74	0.06	0.68	12.33	0.000

Model summary:  $R = 0.68$ ,  $R^2 = 0.46$ , Adjusted  $R^2 = 0.45$ ,  $F = 152.0$ ,  $p < 0.001$

The regression results show that organisational climate has a positive and statistically significant impact on employee engagement. The standardised beta coefficient of 0.68 indicates that a one-unit improvement in organisational climate leads to a substantial increase in employee engagement. The  $R^2$  value of 0.46 suggests that approximately 46 per cent of the variance in employee engagement is explained by organisational climate alone, which is considerable for behavioural research based on primary survey data. This finding underscores the central role of the internal work environment in shaping employee engagement outcomes in private banks.

Impact of Organisational Climate Dimensions on Employee Engagement



To gain deeper insight, a multiple regression analysis was conducted by disaggregating organisational climate into its key dimensions. This allows for an understanding of which aspects of organisational climate exert the strongest influence on employee engagement.

Table 4: Multiple regression results: dimensions of organisational climate and employee engagement

Organisational climate dimension	Standardised $\beta$	t-value	Sig.
Leadership support	0.31	4.98	0.000
Communication	0.24	3.89	0.000
Role clarity	0.19	3.12	0.002
Recognition and rewards	0.27	4.41	0.000

Autonomy	0.15	2.47	0.014
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Model summary:  $R^2 = 0.58$ , Adjusted  $R^2 = 0.56$ ,  $F = 53.6$ ,  $p < 0.001$

The results indicate that leadership support and recognition and rewards are the most influential dimensions of organisational climate affecting employee engagement, followed closely by communication and role clarity. Autonomy, while statistically significant, exhibits a comparatively lesser effect size. These findings reflect the realities of private banking environments, where managerial support, transparent communication and fair recognition systems play a crucial role in sustaining employee motivation under high performance and compliance pressures.

## **DISCUSSION**

Organisational climate has a significant and positive impact on employee engagement, confirming the central premise of the study. Employees who perceive their work environment as supportive, transparent and well-structured are more likely to exhibit higher levels of vigour, dedication and absorption in their roles. This highlights the importance of the internal organisational environment in shaping employee attitudes and behaviours in service-intensive sectors such as private banking. The regression results indicate that organisational climate explains a substantial proportion of the variance in employee engagement, underscoring its strategic relevance. Arya (2017) while studying factors such as Structure, Responsibility, Standards, Support, Commitment, Reward, Warmth and Risk and Conflict showed that there is a significant relation between organizational climate and Employee Engagement. It also found an effect on the employee's counterproductive behaviours that act as a driver for engaging the bank employees.

The strong explanatory power of the regression models suggests that improvements in organisational climate can yield meaningful gains in employee engagement. organisational climate is not merely an HR initiative but a strategic imperative for sustaining employee engagement, service quality and organisational performance in private banking institutions.

Among the various dimensions of organisational climate, leadership support and recognition emerged as the most influential predictors of engagement, followed by communication and role clarity. These findings suggest that in private banks, where performance pressure and regulatory demands are high, employees value supportive leadership and fair recognition systems that acknowledge effort and performance. Clear communication and well-defined roles further contribute to engagement by reducing ambiguity and work-related stress. Although autonomy showed a relatively smaller effect, its significance indicates that even within structured banking environments, a degree of independence in task execution enhances employee involvement.

Bevaro (2022) showed that the private tertiary school has a very good organizational climate in terms of rewards and clarity but deprived in terms of flexibility, responsibility, and standards. The results also proved that the employees of the private tertiary school are significantly higher in their respective jobs. The results also found that overall Organizational Climate have impact on employee engagement. Only clarity and rewards have positive impact on employee engagement based on climate dimensions. The better climate leads to the higher level of employee engagement.

The discussion of these results suggests that private bank employees are more likely to be engaged when they perceive their organisational climate as supportive, communicative and fair. Leadership support emerges as the strongest predictor, highlighting the importance of immediate supervisors in shaping employees' daily work experiences. Recognition and rewards also significantly influence engagement, indicating that performance-oriented climates must be balanced with appreciation and equitable reward systems. The significance of role clarity underscores the need for clearly defined responsibilities in a sector characterised by complex regulatory and sales-related demands. Pradeepti (2026) found that employee experience significantly affects their perception of job clarity, work objectives, and organizational procedures. However, aspects like communication flow, recognition, supervision, and management support were perceived uniformly across all experience levels, indicating a consistent organizational culture.

Overall, the study reinforces the view that employee engagement is not solely an individual trait but is strongly shaped by organisational conditions. A positive organisational climate fosters trust, motivation and emotional attachment to work, which in turn supports service quality, productivity and organisational stability. For private banks, investing in climate-enhancing practices such as leadership development, transparent communication and equitable reward systems can yield long-term benefits by sustaining employee engagement. The findings contribute empirical evidence to organisational behaviour literature while offering practical insights for bank management seeking to create a more engaged and resilient workforce.

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