

Employee Loyalty Creation By recommendation system , A Lesson from Grameen Bank Experiment

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Received: 07/09/2022

Accepted:08/12/2022

Published:31/12/2022

Abstract:

In this study, we try to shed light on the experience of Grameen Bank, which was able, through its leader Younis Mahmoud, to win the loyalty of its customers through a number of procedures . It is a set of individual and collective incentives in order to raise the level of loyalty among employees.

Younis mahmoud used the recommendation system in Approval of new borrowers' applications; so that gives the bank more confidence and more guarantee.

In this study we suggest applicating recommendation system in human resource Employment by building groups as snowballs using recommendation and confidence to get a strong loyal small society in the long term It is a manner for organizations to avoid lot of the disadvantages of the traditional method.

Keywords :Employee Loyalty, Grameen Bank, Employment, recommendation system.

JEL Classification Codes: C92, G21, J21, E24

ملخص:

نحاول في هذه الدراسة الدراسة إلقاء الضوء على تجربة بنك جرامين الذي استطاع من خلال قائده يونس محمود كسب ولاء عملائه من خلال عدد من الإجراءات. هي مجموعة من الحوافز الفردية والجماعية من أجل رفع مستوى الولاء لدى الموظفين .

استخدم يونس محمود نظام التوصية في الموافقة على طلبات المقترضين الجدد. بحيث يمنح البنك مزيداً من الثقة والمزيد من الضمان.

في هذه الدراسة نقترح تطبيق نظام التوصية في توظيف الموارد البشرية من خلال بناء المجموعات على شكل كرات ثلج باستخدام التوصية والثقة للحصول على مجتمع صغير قوي على المدى الطويل، ويتمتع بالولاء التنظيمي العالي وهي طريقة تجنب المنظمات كثيراً من مساوئ الطريقة التقليدية. كلمات مفتاحية: ولاء الموظفين، جرامين بنك، التوظيف، نظام التزكية.

تصنيف JEL: C92, G21, J21, E24

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Introduction:

Although the concept of loyalty is old in the field of humanities, it is not in the field of management with due attention until after the emergence of the behavioral school, which emphasized human relationships and its importance, in the field of organizations the various researchers increased their interest in this field in the sixties and seventies of the twentieth century, where the administration was demanding not to divide the loyalty of workers, but rather this loyalty must be represented in belonging to these organizations, sincerity in the work, and exertion maximum effort to increase productivity.

The recent interest in the issue of organizational loyalty in the field of management was the reason for the lack of studies that discussed it, It led to the difficulty in defining his concept, as his definitions were multiplied by the multiplicity of researchers in this field, and the different entries of his study, and the results of the studies examined.

Study problematic:

How did Grameen Bank achieves organizational loyalty for employees and what are the lessons learned from its experience

1- Loyalty definition:

The term loyalty, although widely used, is defined in various ways. It is a subject of representatives of various scientific disciplines, in next lines we will summarize some of definitions to understand this concept:

Employee loyalty represents a sense that grows in the character to belong to something in his existence simply because it represents a feel of duty toward that thing (Djemil Ahmed, 2019)

Loyalty, according to Anam Iqbal and others, can be defined as employees who are committed to the organization's success and believe that working for that organization is their best option. (Anam Iqbal, Employee Loyalty And Organizational Commitment In Pakistani Organizations, 2015).

Employee loyalty is described via way of means of Pina e Cunha, because the dedication personnel must the achievement of a corporation, and the recognition that running for that corporation is their great option (Gill, 2011)

While J.K. Eskildsen, M.L. Nussler defined loyalty as: All that can consist of a "unique obligation" understood as a particular dedication to a particular person, organization or group. Loyalty from time to time calls for commitment and sacrificing one's very own goals and interests (Swiatek-Barylska, 2013)

Shweta Rajput and others define employee loyalty as a mental attachment or commitment to the enterprise and develop because of improved Job satisfaction (Shweta Rajput, 2016).

Loyalty as described by Logan (1984) is “a robust tie that binds an employee to his [or her]group or enterprise even if it can now no longer be economically sound for him [or her] to live there (Logan, 1984).

However Organizational loyalty was defined by Kuruvilla and Iverson as The employee’s adoption of the values, attitudes, and beliefs of the organization, and his willingness to exert extra attempts to acquire the strategy of the organization (Mohammad Qasem Ahmad Al-Qarioti, 2009)

2- Loyalty types:

According to Hona swiatek , can differentiate between three types of employees loyalty , passive, active and reform loyalty as bellow (Swiatek-Barylska, 2013):

2-1- Passive loyalty:

Is regular for personnel who do now no longer derive satisfaction from work, aren't concerned about it and the charges of changing jobs are very excessive in their opinion, in order that they passively look ahead to the modifications in the situation.

This kind of loyalty in line with J.W. Graham and M. Keeley is (unconscious) and now no longer related to feelings of discontent and diagnosing troubles withinside the organization, and consequently does not result in criticism. Loyalty is seen simplest from the attitude of an outside observer, who factors out rising threats (Swiatek-Barylska, 2013).

2-2- Active loyalty:

Active loyalty is related to an excessive degree of commitment, a belief that development of the state of affairs and similarly improvement is possible. This type includes practical silence, staring at the situation, and anticipation of resolving the problem with the aid of using others.

2-3- Reformative loyalty:

The last form of loyalty (reformist) appears to be maximumly acceptable for managers and organizations, as it's far related to active employee’s behavior validated in voice

3- Loyalty importance:

most employees don’t stay more than one year. The reported average attrition rate faced by the Indian IT industry is around 16-17% (Dwivedi, Kumar, & Papazafeiropoulou, 2006).

The Loyalty of employees can't be decided via direct questioning nobody can anticipate whether or not employees these days work effectively. It is usually known that loyalty and dedication are greater than easy conduct it’s all similar to client loyalty and commitments another manner loyalty is essential to ameliorate the common feeling among employees and their organization.

3-1- Loyalty boosts confidence:

A study based to take a look at employee loyalty conducted in Oakland, California, this study confirmed that almost all in employees do not find loyalty in their employer, do not trust that organizations take their hobbies into account, and do not agree with or admire their managers, at the same time as most managers definitely assessed the situation. and this disparity desires to be very well addressed by organizations as a way to enhance employee loyalty (Aityan, 2012).

3-2- Contributing performance increase :

Employee loyalty, on the other side, contributes substantially to employee performance. According to Kaisiarz (2011), The term loyalty is mentioned employees who're dedicated to the achievement of the organization and accept as true to that operating for this organization is their satisfactory option (Adjetey, 2013).

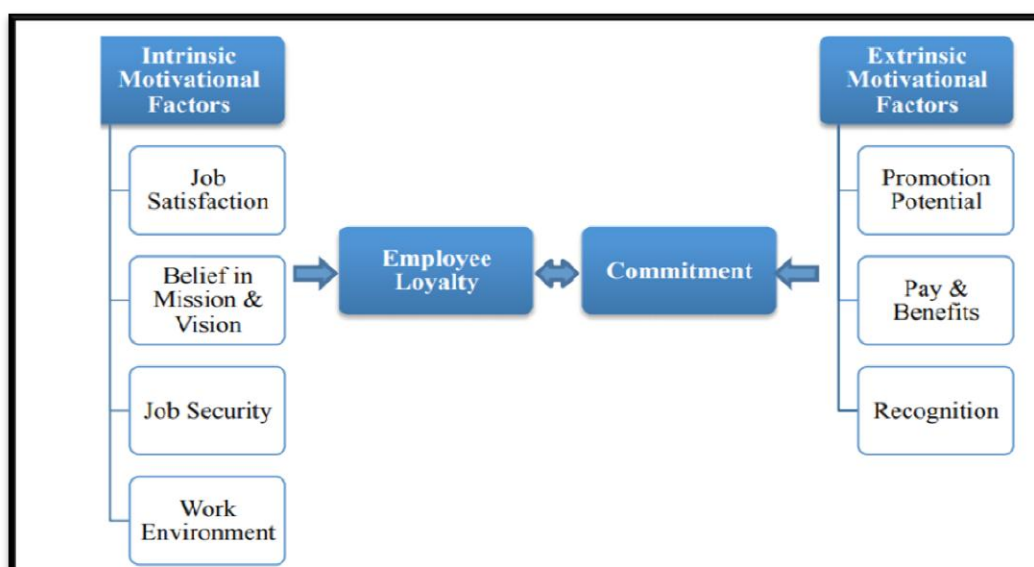
3-3- Enhancing consumer loyalty :

More than a study discovered that employee loyalty can directly or indirectly create and ameliorate consumer loyalty, for example, Rachel W.Y.Yee and Others observed that the impact of worker loyalty on organization profitability via service quality, client satisfaction and client loyalty is strong below different situations of worker–client contact level, marketplace competitiveness, and switching cost with inside the sampled shops (Cheng, 2010).

4- Relationship between employee loyalty and commitment:

As a summary of what theorists have added to management science, it is able to be stated that each organizational dedication and loyalty is a reason and result to the other, and the relationship can be summarized in the following image:

Figure 1: Relationship between employee loyalty and commitment



Source: Marquita Chanel Smith, Motivation and its Impact on Employee Loyalty and Commitment: A Qualitative Analysis, Trinity Washington University, spring 2015,p194-207.

5- Loyalty causes:

In this part we will answer how can organizations get increase employees loyalty:

5-1- Financial benefits :

(J.Kreisman, 2002) determined that economic advantages beautify employee loyalty and organizational commitment. He argued that financial advantages play a superb position in employees' loyalty enhancement. (Bakalis, 2006) It was observed also that organizational commitment and employees' loyalty may be improved with economic advantages and rewards (Anam Iqbal, Employee Loyalty and Organizational Commitment in Pakistani, 2015).

5-2- Job satisfaction:

Hoppock defined job satisfaction as :any combination of psychological, physiological and environmental situations that reason to someone easily to mention I am happy with my job (Shweta Rajput, 2016).

From the researche it's far pretty seen that an amicable Workplace Environment will result in higher job satisfaction which facilitates in enhancing worker loyalty closer to organization (Prabhakar, 2016), In identical which means Mai Ngoc stated that worker reimbursement has a good sized and advantageous impact on worker job satisfaction, additionally the advanced employee job satisfaction results in a better degree of personnel organizational loyalty (Mai Ngoc Khuong, 2013).

5-3- Level of meet employees' expectations:

If an employee's expectation degree is met or exceeded, then satisfaction grows. Employee loyalty then develops right into a generalized emotional behavior to the employer. In different words, the greater satisfied an employee is concerning his or her working environment, the much more likely that he or she can be able to increase a feel of commitment toward the employer in general (Shweta Rajput, 2016)

5-4- Transparency:

If there may be transparent withinside the work rules, and increment or incentive rules than it improves the satisfaction degree amongst employees associated with a specific job. Therefore, efforts should be made to deliver this detail into movement withinside the workplace environment to enhance job pleasure degree in order that ameliorate employee loyalty (MS, 2009).

5-5- Stability:

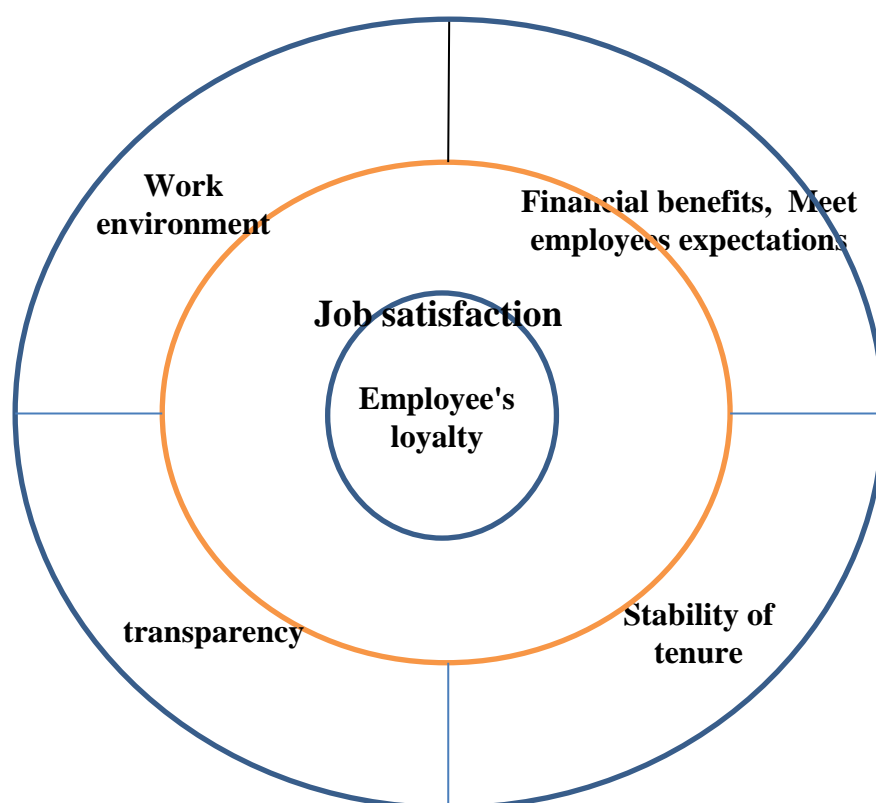
Stability is one of the administrative precept of control given via way of means of Henri Fayol revolved round significance of job safety inside the organization workplace environment, It may be stated and argued that if the personnel are glad and content material with the task safety they'll mechanically be devoted to and loyal to their organizations.

Job protection not just facilitates enhancing job satisfaction, it additionally contributes to enhance performances. Therefore, balance and stability of tenure are important to carry into workplace surroundings for developing stability with inside the employee turnover average for the organizations (Saeed R, 2013).

5-6- Job environment:

The relationship between job satisfaction and organizational loyalty of personnel who have been placed in banking enterprise in Ho Chi Minh City (HCMC), this research additionally elicited personnel perspectives at the various factors contributing to their loyalty closer to their contemporary banks. The sample size became of 201 employees of 11 banks working in HCMC. The findings of this research indicated that the better degrees of satisfaction, manager help, fringe benefits, staff, operating surroundings, and training have been definitely related to the better degree of organizational loyalty. The elements of satisfaction, manager help, staff, and operating surroundings play essential roles and considerably have an effect on employees loyalty. Based at the results of the course analysis, this study argued that so as to obtain excessive employees loyalty, businesses in banking enterprise need to obtain excessive degree of employees activity satisfaction, ameliorate manager help and teamwork amongst employees, and offer excellent working environment (Mai Ngoc Khuong, 2013).

Figure 2: loyalty factors



source: created by searcher

6- Grameen bank experiment

Younis grew the Grameen Bank over 40 years and confirmed that it turned into realistic to lend money to the poorest of the poor. Younis changed conventional banking practices the other way up and advanced modern management practices to deal with his specific situation. There's a good deal for today's managers to learn from him about managing change over an extended duration of time. Katharine Esty in her study (Esty, 2017) compares his manner of management to the ones of John Kotter and Rosabeth Kanter and highlights the differences in their models. Younis' emphasis on the necessary of all types of communication, his capacity to brand his organization, and his flexibility in adapting to change is about key elements show his beautiful successes. so younis tells as how main a success long-time period change differs from main extra time-limited change efforts.

7- Social capital:

7-1- Definition:

Social capital represents the 'characters of social organization, inclusive of trust, norms and networks, that could enhance the performance of society via way of means of facilitating coordinated actions'. It normally refers to 'trust, concern for one's associates, a willingness to live by the norms of one's community and to punish people who do not (Hossain, 2013).

The term social capital refers to the ones shares of social trust, norms, and networks that humans can draw upon to resolve social common problems. Social capital represents a completely essential conceptual innovation for inter and transdisciplinary theoretical integration, specifically among sociology and economics (Adam, 2003).

7-2- Social capital advantages:

Most of modern organizations are trying continuously to serve and form their social capital because of the points below:

- Social capital increases cooperative actions for problem solving.
- Social capital facilitates innovation.
- Social capital reduces information imperfection.
- Social capital promotes informal insurance/safety nets.

8- Employees loyalty in Grameen bank:

Grameen financial institution practiced deferent polities to get high level of loyalty, first policy turned into aiming employees' loyalty, however the second turned into aiming client (borrowers) loyalty, so in those subsequent sentences we can describe this experiment:

8-1- Starting and relying on loyal employees first

Grameen Bank is notably depending on the employees who're loyal to the bank and who've deep commitment to changing the destiny of the poor people in Bangladesh. The recruitment method of this company is pretty rigorous and thus, it isn't always

simple to become a member in Grameen Bank, The employee turnover rate of Grameen Bank could be very low.

8-2- Hard training program:

The Grameen Bank workforce regularly works in hard conditions, Employees obtain 6 months of on-the-task education whilst shadowing certified and skilled people from diverse branches of Grameen. The purpose of this education is for the trainee to "estimate the unexplored capability of the destitute" and to find out new approaches to resolve troubles that get up inside the Grameen branch. After finishing the 6-month period, trainees go back to Dhaka headquarters to evaluate and critique earlier than appointment to a bank branch

8-3- Empowerment and participative management:

For each time Grameen Bank use a participative manner of management and right here we provide an explanation for example how can a brand new policy be constructed on this organization: When the bank intends to put down new policies, regulations and rules for the administration, she prepares a draft for it, and then sends it to the department heads of the principle workplace and to my managers sectors, If the subject is of the maximum importance, copies of the draft may be sent to the regional directors, and they'll see them to send their feedback in writing, or possibly every of them holds conferences subordinate to talk about the subject, and then send their responses to the drafting committee, that you view and consider its content material in getting ready an alternative draft that you may skip once more in a similar session, if the second draft meets satisfaction, a decision is made on its content; in any other case the manner may be repeated. If the draft is not satisfied in numerous sessions, the subject may be offered to a directors' convention sectors, that is held 3 instances annually (Abdelkarim, 2006).

8-4- Real and continuous staff evaluation:

It is logical that employees always are motivated by manager evaluation because it became as a type of controlling, so that should increase performance which also makes them loyal.

In Grameen bank workforce assessment has to be executed infrequently and with strict program, for instance at the end of June and December, the Branch Manager have to finish an evaluation file for every Center Manager and send them to the higher authority with his or her recommendations. The higher authority will use those evaluation reports in thinking about promotions, incentives, increases and different financial benefits. They additionally can be used as an argument for termination of an employee for poor job performance. All evaluation reports have to be saved withinside the department office's HR files, under lock and key, for future reference. The Center Manager evaluation format designed from Grameen Bank. It makes use of 20 separate performance benchmarks. The Branch Manager completes

this shape primarily based totally on the general performance of a Center Manager during a given duration and then submits it to the following higher authority (Area Manager). (Nurul Alam, 2010)

8-5- Hard and long way of recruitment:

Mahmoud Younis trusted a totally strict approach for employment in Grameen Bank, in which he did not just carried out the old traditional approach that is based on the candidacy file, and the interview, however additionally supported it in a snowball technique, in line with which every new employee shows the performance of the next candidate in the idea of the recommendation system, because it is not yet final appointment. His achievement in employment is just after a long duration of work due to the fact the reason by the bank is to serve the poor, mainly because the financial institution does not offer massive economic incentives to personnel in comparison to their counterparts in different banks.

9- Borrowers loyalty in Grameen bank:

Here are some of Strengths that Grameen bank based on to get borrowers loyalty summarized by Hui-Shung and others:

9-1- Group formation: Groups of five self-chosen members from similar socio-economic background are formed. Each group elects its own chairperson and secretary, whose responsibilities include ensuring that all members attend the compulsory meeting. Groups are federated into centers. Centre chief and deputy chief are selected from among the group chairpersons. The groups and centers are responsible for the approval, disbursement and recovery of loans under the guidance and supervision of the Trust staff.

9-2- Joint liability: Groups are collectively responsible for the repayment of loans. Group liability and peer pressure are used as a substitute for collateral against loans.

9-3- Comprehensive seven-day training: Before the group is recognized, members must satisfy Trust staff of their integrity and commitment, and their understanding of the principles of the Grameen Bank Approach and group responsibility by going through the training.

9-4- Loans are disbursed on a staggered basis. Under this approach, the two most disadvantaged group members receive their loans first. To be manageable, loans are repaid in small weekly installments over a one-year period. The upper limit of the first loan is relatively small (less than 50 US\$) and the loan size progressively increases with each loan cycle. The loan amount is determined by investment requirements of the borrowers.

9-5- Savings: Five percent of the loan quantity is deducted at the start and is going into the group's fund. The fund affords get admission to coins for man or woman participants with the group's approval. In addition, every member makes a private financial savings every week.

9-6- Loan interest rate: The project charges 20% interest at a fixed annual rate with the aim of achieving financial sustainability (Hui-Shung(Christie) Chang, 2013).

All the organizations should deal with human resources carefully, especially in the employment period, because the deviation in it can be very expensive and with durable costs, so modern management in our look should also correct some Concepts, applications and practices.

We see that one of Secrets and keys to success of Grameen bank was in the employee selection phase where Mahmoud younis preferred loyalty over efficiency, the employee with less efficiency can be motivated and under training, however employee with less loyalty will be very difficult to be Strengthened.

Grameen bank Fortunately, and managerially enjoyed with two kinds of loyal humans (employees , customers) and with third which was all of society as a logic result of good reputation.

Table 1 : A comparison between Grameen bank and our suggested method in loyalty creating.

| | Grameen bank experiment | Suggested method |
|------------------------------|--|--|
| Aim and goal | Borrowers and employees loyalty | Employees loyalty only |
| Legality | From the bank | From work law and all society trust |
| Based idea | Recommendation | Recommendation |
| Field of application | The bank and its own borrowers | All of the public and private organizations |
| Application obstacles | Suitable field of application except of low purchasing power | Legal obstacles Behavioral and cultural obstacles |
| The manner | Snow ball | Snow ball+ society recommendation |

Source: created by author

Conclusion:

Mahmoud Younis’s goal was through building borrowers ’groups to gain their loyalty and make it a way to collectively monitor them, while in this research we seek to copy this experience and apply it to workers during their job careers, especially in the recruitment phase, by:

1. Since Paper qualifications (such as academic certificates, experience) are not often sufficient to evaluate candidates for vacancies, the recommendation should be applied and strengthening the employment system with field facts about the candidate and

this true balance can only be found through information from his loyal friends of the organization.

2. Linking the evaluation of the cost-effectiveness of the new worker to the cost-effectiveness of the workers recommended in his favor within the profitability of one group, which makes every employee in the organization bear his responsibility in recommending the direction of each candidate to work on the one hand while the new employee bears his responsibility towards the group that recommended him.
3. Finding a way to recommend, this method in line with the legal frameworks for employment (the labor law), such as the interview mark, which can create a differentiation in evaluation among the candidates often.

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