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The Impact of Reward and Recognition Practices on Organizational Capabilities: Evidence from Islamic Bank PLC in Pabna District, Bangladesh

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Abstract
Human Resource Management (HRM) practices play a crucial role in enhancing organizational effectiveness and sustainable competitive advantage. Among these, reward and recognition practices motivate employees, improve job satisfaction, and strengthen organizational capabilities. In Islamic banking, these practices should align with Shariah principles of justice, transparency, and ethical conduct. However, empirical evidence on their impact in Bangladesh remains limited.
This study examines the effects of reward and recognition practices on organizational capabilities among employees of Islamic Bank PLC in the Pabna district of Bangladesh. A quantitative research design was employed, and data were collected from 120 employees using a structured questionnaire. The data were analyzed using IBM SPSS Statistics Version 26 through descriptive statistics, reliability analysis, Pearson's correlation, and multiple regression.
The findings confirm reliable measurement scales (Cronbach's alpha > 0.70) and significant positive relationships between reward practices, recognition practices, and organizational capabilities. Together, these practices explain 74.8% of the variance in organizational capabilities ($R^2 = 0.748$), with recognition practices ($\beta = 0.451$, $p < .001$) exerting a stronger influence than reward practices ($\beta = 0.398$, $p < .001$).
The study concludes that effective reward and recognition practices enhance organizational capabilities and support employee commitment and organizational sustainability in Islamic banking.

Keywords:
Reward practices; Recognition practices; Organizational capabilities; Islamic Human Resource Management; Islamic banking; Bangladesh.

1. Introduction

In the contemporary business environment, human resources are recognized as strategic assets that contribute significantly to organizational effectiveness and sustainable competitive advantage. As organizations face increasing competition and rapid environmental change, Human Resource Management (HRM) has evolved into a strategic function that enhances employee capabilities, innovation, and organizational performance.
Among HRM practices, reward and recognition systems play a vital role in motivating employees and improving organizational outcomes. Reward practices include both financial incentives, such as salaries, bonuses, and promotions, and non-financial benefits, including career development, job autonomy, and professional growth opportunities. Recognition complements these rewards by acknowledging employees' achievements, thereby strengthening motivation, organizational commitment, and positive workplace behaviour.

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The banking sector is a knowledge-intensive industry where organizational success depends heavily on employees' skills, commitment, and service quality. Consequently, organizational capabilities—including innovation, adaptability, knowledge sharing, collaboration, and operational efficiency—have become essential for maintaining competitiveness. In Islamic banking, HRM practices are further guided by Shariah principles that emphasize justice, transparency, accountability, and ethical conduct. Accordingly, reward and recognition systems should not only enhance performance but also reinforce organizational values and employee commitment.

Islamic Bank PLC is one of the leading Shariah-based commercial banks in Bangladesh and places considerable emphasis on ethical banking and employee development. However, empirical evidence on how reward and recognition practices influence organizational capabilities within the bank remains limited. Previous studies in Bangladesh have primarily focused on employee satisfaction, organizational commitment, job performance, and retention, while relatively little attention has been given to the role of these practices in developing organizational capabilities.

To address this gap, the present study investigates the influence of reward and recognition practices on organizational capabilities among employees of Islamic Bank PLC in the Pabna district. It specifically examines whether financial rewards, non-financial rewards, and employee recognition contribute to organizational adaptability, innovation, knowledge sharing, and overall effectiveness.

The study further adopts the Resource-Based View (RBV) and Dynamic Capabilities Theory to explain how strategic HRM practices create valuable organizational resources and strengthen competitive advantage in Islamic banking. The findings are expected to provide practical guidance for managers in designing transparent, merit-based, and Shariah-compliant reward and recognition systems that enhance employee motivation and organizational capability development. By doing so, the study contributes to the growing literature on Islamic Human Resource Management and organizational capabilities in Bangladesh.

2. Literature Review and Conceptual Framework

2.1 Reward Practices

Reward practices are a fundamental component of Human Resource Management (HRM) because they shape employee motivation, commitment, and job performance. Organizations implement reward systems to acknowledge employee contributions, reinforce desired behaviours, and achieve strategic objectives. These rewards are commonly categorized as financial and non-financial. Financial rewards include salaries, bonuses, incentives, promotions, and allowances, whereas non-financial rewards consist of career development opportunities, job security, flexible work arrangements, training, and managerial appreciation (Armstrong, 2021).

An effective reward system links employee performance with organizational objectives, encouraging greater productivity, innovation, and retention (Lawler, 2003; Dessler, 2020). Employees are more committed when reward policies are perceived as fair, transparent, and performance-based. In the banking sector, equitable reward systems improve employee engagement, service quality, and overall organizational effectiveness (Rahman & Chowdhury, 2018). According to the Resource-Based View (RBV), strategic reward practices enhance human capital, creating valuable and difficult-to-imitate organizational resources that support sustainable competitive advantage (Barney, 1991).

2.2 Recognition Practices

Recognition practices involve acknowledging and appreciating employees for their achievements, contributions, and commitment to organizational success. Recognition can be delivered through both formal and informal approaches, including awards, certificates, appreciation letters, public commendations, promotions, or verbal praise from supervisors. Unlike financial compensation, recognition primarily satisfies employees' intrinsic motivational needs by enhancing their sense of value, competence, and belonging within the organization (Deci & Ryan, 2000).

Numerous studies have shown that consistent and meaningful recognition increases employee satisfaction, organizational commitment, teamwork, creativity, and innovative behaviour (Milne, 2007). Employees who receive appreciation for their efforts are generally more willing to demonstrate organizational citizenship behaviours, share knowledge, and exceed minimum job requirements (Eisenberger et al., 2001). Consequently, recognition has become an essential strategic HRM practice for strengthening employee engagement and improving organizational effectiveness.

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2.3 Reward and Recognition from the Perspective of Islamic Human Resource Management

Islamic Human Resource Management (IHRM) integrates contemporary HRM practices with the ethical principles and moral values prescribed by Islamic teachings. It promotes fairness (Adl), trustworthiness (Amanah), accountability (Mas'uliyyah), consultation (Shura), and social responsibility as guiding principles for managing employees. Accordingly, reward and recognition systems in Islamic organizations should be transparent, equitable, merit-based, and fully consistent with Shariah principles.

Islamic work ethics emphasize honesty, dedication, responsibility, and sincerity, viewing work not merely as an economic activity but also as an act of worship and service to society (Ali & Al-Owaihan, 2008). Therefore, employee motivation in Islamic organizations is influenced by both material incentives and moral recognition. Previous empirical studies suggest that Shariah-compliant HRM practices strengthen employee trust, organizational commitment, ethical behaviour, and overall organizational performance within Islamic financial institutions (Noor & Dola, 2020; Rahman & Morshed, 2021). These findings indicate that integrating ethical values into HRM can contribute significantly to sustainable organizational development.

2.4 Organizational Capabilities

Organizational capabilities represent an organization's capacity to effectively mobilize and coordinate its resources, knowledge, technologies, and workforce in pursuit of strategic objectives. These capabilities enable organizations to respond to environmental changes, improve operational performance, and sustain competitive advantage over time. Important dimensions of organizational capability include innovation, organizational learning, adaptability, knowledge sharing, collaboration, and operational flexibility.

The Resource-Based View (RBV) argues that organizations achieve superior performance by developing unique and valuable internal resources, particularly skilled and committed employees who cannot be easily imitated by competitors (Barney, 1991). Complementing this perspective, Dynamic Capabilities Theory explains that organizations must continually renew, integrate, and reconfigure their internal competencies to remain competitive in rapidly changing environments (Teece et al., 1997). Since employees are central to these processes, HRM practices play a vital role in building and sustaining organizational capabilities.

2.5 Relationship between Reward and Recognition Practices and Organizational Capabilities

The relationship between reward and recognition practices and organizational capabilities has received increasing attention in HRM research. Existing empirical evidence generally supports the view that organizations with effective reward and recognition systems demonstrate stronger organizational capabilities and improved performance. Financial rewards motivate employees to achieve higher productivity and greater efficiency, whereas recognition practices encourage collaboration, creativity, innovation, and knowledge-sharing behaviours (Hafeez & Akbar, 2015).

Within banking organizations, equitable compensation and transparent recognition systems improve employee commitment, reduce turnover intentions, and enhance operational effectiveness (Rahman & Chowdhury, 2018). Similarly, Islamic banking institutions that implement ethical and Shariah-compliant recognition practices foster greater trust, organizational learning, adaptability, and employee engagement (Noor & Dola, 2020). These findings provide empirical support for the expectation that reward and recognition practices positively influence the development of organizational capabilities in Islamic Bank PLC.

2.6 Theoretical Foundation

The present study is grounded in two complementary theoretical perspectives: the Resource-Based View (RBV) and Dynamic Capabilities Theory.

The Resource-Based View, introduced by Barney (1991), proposes that sustainable competitive advantage originates from valuable, rare, inimitable, and non-substitutable organizational resources. Human resources become strategic assets when organizations invest in practices that enhance employees' knowledge, motivation, and commitment. Consequently, effective reward and recognition

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systems contribute to strengthening organizational resources by improving employee performance and capability development.

Dynamic Capabilities Theory, developed by Teece et al. (1997), extends this perspective by emphasizing an organization's ability to continuously integrate, renew, and reconfigure internal resources in response to changing business conditions. Organizations that encourage learning, innovation, collaboration, and adaptability through appropriate HRM practices are better positioned to sustain competitive advantage. In this context, reward and recognition systems act as important mechanisms for developing the organizational capabilities required to respond effectively to environmental changes.

Taken together, these theoretical perspectives provide a comprehensive explanation of how strategic HRM practices contribute to capability development and organizational success within Islamic banking institutions.

2.7 Research Gap

Although previous studies have investigated the effects of reward systems on employee motivation, job satisfaction, organizational commitment, and overall performance, relatively little empirical attention has been devoted to examining their influence on organizational capabilities in Islamic banking institutions in Bangladesh. Most available studies have concentrated on conventional banking environments or have emphasized individual-level performance outcomes rather than organizational capability development.

Moreover, research integrating Islamic Human Resource Management principles with organizational capabilities remains limited, particularly in district-level banking operations. Empirical evidence focusing specifically on Islamic Bank PLC branches outside major metropolitan areas is scarce. To address these shortcomings, the present study investigates how reward and recognition practices influence organizational capabilities among employees of Islamic Bank PLC in the Pabna district. By combining Islamic HRM principles with the Resource-Based View and Dynamic Capabilities Theory, this research contributes to the existing literature while providing practical insights for strengthening organizational capability development in Bangladesh's Islamic banking sector.

2.8 Proposed Conceptual Framework

This study proposes a conceptual framework by integrating the **Resource-Based View (RBV)** (Barney, 1991) and **Dynamic Capabilities Theory (DCT)** (Teece, Pisano, & Shuen, 1997). RBV argues that sustainable competitive advantage arises from the effective use of valuable organizational resources, particularly human capital and strategic HRM practices. DCT complements this perspective by emphasizing an organization's ability to develop, integrate, and reconfigure its capabilities in response to dynamic business environments.

Drawing on these theories, the study suggests that reward and recognition practices function as strategic HRM mechanisms that enhance employee motivation. Increased motivation, in turn, promotes innovation, adaptability, knowledge sharing, organizational learning, and integrative capability, thereby strengthening organizational capabilities. Accordingly, employee motivation is proposed as the mediating variable linking reward and recognition practices with organizational capabilities.

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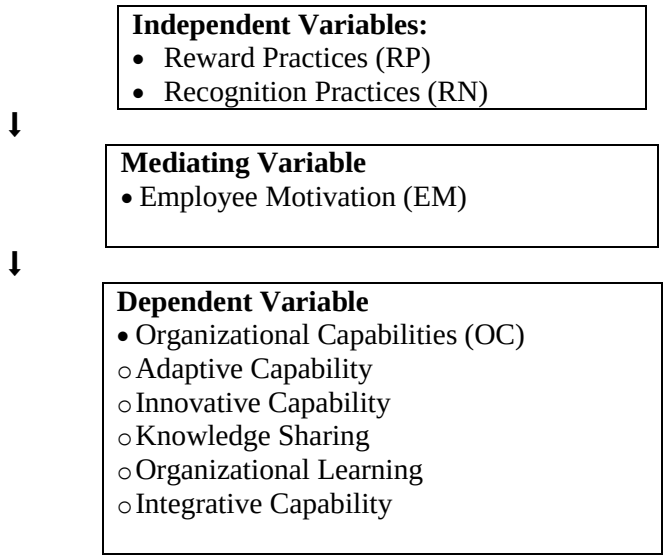
Figure 1. Proposed Conceptual Framework



Source: Developed by the author based on Barney (1991) and Teece, Pisano, and Shuen (1997).

3.1 Research Design

This study employed a **quantitative, descriptive, and explanatory research design** to examine the impact of reward and recognition practices on organizational capabilities in Islamic Bank PLC, Pabna district, Bangladesh. A cross-sectional survey was conducted using a structured questionnaire to collect data at a single point in time. This approach is appropriate for examining relationships among organizational variables and testing research hypotheses through statistical analysis.

3.2 Study Area

The research was carried out at the Islamic Bank PLC branches located in the Pabna district of Bangladesh. This institution was chosen as the study setting because of its established position in the country's Islamic banking sector and its implementation of Shariah-compliant banking operations. The selected branches offered an appropriate organizational context for investigating how reward and recognition practices relate to the development of organizational capabilities among employees.

3.3 Population, Sampling Technique, and Sample Size

The study population consisted of all employees serving at the Islamic Bank PLC branches in the Pabna district of Bangladesh, including managerial personnel, officers, and support staff. These employees were selected as the unit of analysis because they are directly involved in, and affected by, the bank's reward and recognition practices.

A **convenience sampling** approach was adopted due to practical considerations, particularly the availability of respondents and the limited time available for data collection. Using this approach, data were obtained from **120 employees**. This sample size was considered sufficient to perform the planned statistical analyses, including descriptive statistics, reliability testing, Pearson correlation, and multiple regression analysis.

3.4 Sources of Data

The study utilized both **primary** and **secondary** sources of data to achieve its research objectives. Primary data were gathered through a structured, self-administered questionnaire distributed to employees of Islamic Bank PLC. Secondary information was collected from a range of credible sources, including scholarly books, peer-reviewed journal articles, annual reports of Islamic Bank PLC, publications of Bangladesh Bank, and other relevant academic and institutional documents. The

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integration of these data sources provided a comprehensive basis for addressing the research objectives and interpreting the findings.

3.5 Research Instrument

Data were collected using a structured questionnaire designed after a comprehensive review of the Human Resource Management (HRM) and Islamic Human Resource Management (IHRM) literature. The instrument was developed to measure the study constructs in a manner consistent with the research objectives and theoretical framework.

The questionnaire comprised two parts. **Section A** gathered respondents' demographic characteristics, including gender, age, educational qualification, job position, and length of work experience. **Section B** contained **30 measurement items** assessing the three principal constructs of the study: reward practices, recognition practices, and organizational capabilities. All measurement items were adapted from established studies and modified where necessary to suit the context of Islamic Bank PLC.

Table 3.1 Research Constructs and Number of Measurement Items

Construct	Number of Items
Reward Practices (RP)	10
Recognition Practices (RN)	10
Organizational Capabilities (OC)	10
Total	**30**

Source: Developed by the author based on the literature review.

3.6 Measurement Scale

The study measured all questionnaire items using a **five-point Likert-type scale**, with response categories ranging from **1 (Strongly Disagree)** to **5 (Strongly Agree)**. This scale was selected because it is widely recognized as an effective method for measuring respondents' attitudes, perceptions, and opinions in social science and organizational research (Likert, 1932; Saunders et al., 2023). Respondents indicated their level of agreement with statements related to **reward practices**, **recognition practices**, and **organizational capabilities**, where higher scores represented more positive perceptions of the respective constructs.

3.7 Variables of the Study

The study examined the relationship between **reward practices** and **recognition practices** as the **independent variables**, and **organizational capabilities** as the **dependent variable**. Reward and recognition practices were selected because strategic human resource management literature suggests that these practices enhance employee performance and contribute to the development of organizational capabilities (Barney, 1991; Teece et al., 1997; Armstrong & Taylor, 2023).

Independent Variables

- Reward Practices (RP)
- Recognition Practices (RN)

Dependent Variable

- Organizational Capabilities (OC)

The hypothesized relationships among these variables are presented in **Figure 1**, which illustrates the conceptual framework of the study.

3.8 Operational Definition of Variables

For the purpose of this study, the variables are operationally defined as follows:

Reward Practices(RP):

Reward practices refer to the financial and non-financial benefits provided by an organization to

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encourage employee performance, motivation, and commitment. These rewards may include salaries, bonuses, incentives, promotions, allowances, and other performance-based compensation designed to reinforce desired work behaviors (Armstrong & Taylor, 2023; Milkovich et al., 2023).

Recognition Practices(RN):
Recognition practices refer to both formal and informal organizational mechanisms used to acknowledge and appreciate employees' contributions, achievements, and desirable work behaviors. Such practices include verbal appreciation, certificates, awards, public acknowledgment, career advancement opportunities, and other forms of non-monetary recognition that enhance employee motivation and engagement (Armstrong & Taylor, 2023; Aguinis, 2019).

Organizational Capabilities(OC):
Organizational capabilities refer to an organization's capacity to effectively integrate, develop, and deploy its resources and competencies in order to achieve strategic objectives and sustain competitive advantage. In this study, organizational capabilities are reflected through adaptive capability, innovative capability, knowledge sharing, organizational learning, and integrative capability (Barney, 1991; Teece et al., 1997).

Reliability Analysis
The reliability of the measurement instrument was evaluated by examining the internal consistency of each construct using **Cronbach's alpha coefficient**. A Cronbach's alpha value of **0.70 or above** is generally considered to indicate satisfactory reliability for research instruments (Nunnally & Bernstein, 1994; Hair et al., 2022).

Table 3.1 Reliability Statistics of the Study Variables

Variable	Items	Cronbach's Alpha
Reward Practices	10	0.889
Recognition Practices	10	0.871
Organizational Capabilities	10	0.901
Overall Scale	**30**	**0.920**

Source: Authors' computation using IBM SPSS Statistics Version 26 (2026).
The findings demonstrate a high level of internal consistency across all study constructs. The Cronbach's alpha coefficients ranged from **0.871 to 0.901**, while the overall instrument achieved a coefficient of **0.920**, indicating that the questionnaire provides reliable measurements for the variables examined.

Validity
Content validity was established through a comprehensive review of the relevant Human Resource Management and Islamic Human Resource Management literature, together with expert evaluation of the questionnaire items to ensure their relevance, clarity, and coverage of the study constructs. Construct validity was strengthened by adapting measurement items from previously validated instruments and aligning them with the conceptual framework and research objectives (Hair et al., 2022; Sekaran & Bougie, 2020).

3.10 Data Collection Procedure
Before commencing data collection, official approval was obtained from the management of Islamic Bank PLC to administer the survey. Following this approval, structured questionnaires were distributed among employees working in the selected branches located in the Pabna district. Participants were informed about the purpose of the research, assured that their participation was entirely voluntary, and guaranteed that all responses would remain confidential and would be used solely for academic research. Only properly completed questionnaires were considered for further analysis. After verifying the completeness and consistency of the collected data, the responses were

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coded and entered into IBM SPSS Statistics Version 26 for statistical analysis using appropriate quantitative research techniques, following the methodological recommendations of Saunders et al. (2023) and Sekaran and Bougie (2020).

3.11 Ethical Considerations

The study adhered to established ethical standards for social science research. Before data collection, participants were informed about the study's purpose, the voluntary nature of participation, and their right to refuse or withdraw at any time without penalty. Informed consent was obtained from all respondents prior to completing the questionnaire. To ensure confidentiality, no personally identifiable information was collected, and the findings are reported only in aggregated form. All data were used exclusively for academic research and managed in accordance with recognized ethical guidelines (American Psychological Association, 2020; Saunders et al., 2023).

3.12 Data Analysis Techniques

The collected data were coded, screened for accuracy and completeness, and analyzed using **IBM SPSS Statistics Version 26**. Descriptive and inferential statistical methods were applied to address the research objectives and test the proposed hypotheses. Frequencies and percentages were used to summarize respondents' demographic characteristics, while means and standard deviations described perceptions of reward practices, recognition practices, and organizational capabilities.

The reliability of the measurement scales was assessed using **Cronbach's alpha**, with values of **0.70 or above** indicating acceptable internal consistency (Nunnally & Bernstein, 1994; Hair et al., 2022). Pearson's correlation analysis was employed to examine the relationships among the study variables, and multiple linear regression was used to evaluate the effects of reward and recognition practices on organizational capabilities. Statistical significance was determined at the **5% level ($p < .05$)** (Field, 2018). Before estimating the regression model, key assumptions—including normality, linearity, homoscedasticity, independence of errors, and multicollinearity—were tested to ensure the validity and reliability of the results (Hair et al., 2022).

Table 3.2 summarizes the statistical techniques employed in the study and their respective purposes.

Statistical Technique	Purpose
Frequency Distribution	To summarize the demographic characteristics of the respondents
Descriptive Statistics (Mean and Standard Deviation)	To describe the central tendency and variability of the study variables
Cronbach's Alpha	To assess the internal consistency and reliability of the measurement scales
Pearson's Product–Moment Correlation	To examine the direction and strength of the relationships among the study variables
Multiple Linear Regression	To determine the effects of reward practices and recognition practices on organizational capabilities

Source: Developed by the author using IBM SPSS Statistics Version 26.

3.13 Research Hypotheses

Drawing on the literature reviewed in Chapter 2 and grounded in the **Resource-Based View (RBV)** (Barney, 1991) and **Dynamic Capabilities Theory (DCT)** (Teece et al., 1997), this study posits that reward and recognition practices are strategic HRM mechanisms that enhance organizational capabilities. Consistent with these theoretical foundations and prior empirical research (Armstrong & Taylor, 2023; Boxall & Purcell, 2016), the following hypotheses were developed:

H_1: Reward practices have a significant positive effect on organizational capabilities.

H_2: Recognition practices have a significant positive effect on organizational capabilities.

H_3: Reward practices and recognition practices jointly exert a significant positive effect on organizational capabilities.

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4. Results and Discussion

4.1 Respondents' Demographic Profile

The demographic profile of the respondents provides an overview of the characteristics of the study sample and helps establish the context for interpreting the empirical findings. Data were collected from **120 employees** working at different branches of **Islamic Bank PLC** in the Pabna district. The respondents represented various demographic groups and organizational positions, ensuring that perspectives were obtained from employees with different educational backgrounds and levels of professional experience.

Table 4.1 presents the distribution of respondents according to gender, age, educational qualification, job position, and length of service.

Table 4.1 Demographic Profile of the Respondents (N = 120)

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	84	70.0
	Female	36	30.0
	Total	**120**	**100.0**
Age (Years)	Below 30	18	15.0
	30–39	52	43.3
	40–49	36	30.0
	50 and above	14	11.7
	Total	**120**	**100.0**
Educational Qualification	Bachelor's Degree	24	20.0
	Master's Degree	84	70.0
	M.Phil./Professional Qualification	8	6.7
	Ph.D.	4	3.3
	Total	**120**	**100.0**
Job Position	Branch Manager	8	6.7
	Assistant Manager	18	15.0
	Senior Officer	32	26.7
	Officer	46	38.3
	Junior Officer/Support Staff	16	13.3
	Total	**120**	**100.0**
Length of Service	Less than 5 years	22	18.3
	5–10 years	38	31.7
	11–15 years	34	28.3
	More than 15 years	26	21.7
	Total	**120**	**100.0**

Source: Field Survey Data (2026).

The demographic analysis shows that 70.0% of the respondents were male and 30.0% were female, indicating a predominantly male workforce. The largest age category was 30–39 years (43.3%), followed by 40–49 years (30.0%), while respondents aged 50 years and above accounted for 11.7%. This suggests that most participants were at the mid-career stage and had adequate professional experience to evaluate the bank's reward and recognition practices.

Regarding educational qualifications, 70.0% of the respondents held a Master's degree, 20.0% had a Bachelor's degree, 6.7% possessed an M.Phil. or professional qualification, and 3.3% had a Ph.D., reflecting the highly educated nature of the banking workforce.

In terms of job position, Officers represented the largest group (38.3%), followed by Senior Officers (26.7%), Assistant Managers (15.0%), Junior Officers/Support Staff (13.3%), and Branch Managers (6.7%). In addition, 31.7% of respondents had 5–10 years of service and 28.3% had 11–15 years. The considerable organizational tenure of participants indicates that they were well acquainted with the bank's HRM practices and capable of providing reliable assessments of its reward and recognition systems.

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4.2 Reliability Analysis

The internal consistency of the measurement scales was assessed using **Cronbach's alpha coefficient**, which is one of the most widely accepted indicators of scale reliability in social science research (Nunnally & Bernstein, 1994; Hair et al., 2022). A Cronbach's alpha value of **0.70 or higher** is generally considered evidence of satisfactory reliability.

Table 4.2 Reliability Statistics of the Study Variables

Variables	Number of Items	Cronbach's Alpha	Interpretation
Reward Practices (RP)	10	0.889	Excellent
Recognition Practices (RN)	10	0.871	Excellent
Organizational Capabilities (OC)	10	0.901	Excellent
Overall Scale	**30**	**0.920**	ExcellentInternal Consistency

Source: Authors' computation using IBM SPSS Statistics Version 26 (2026).

As presented in Table 4.2, all constructs exhibited high levels of internal consistency. The Cronbach's alpha coefficients ranged from 0.871 for Recognition Practices to 0.901 for Organizational Capabilities, while Reward Practices achieved an alpha coefficient of 0.889. The overall questionnaire produced a Cronbach's alpha of 0.920, indicating excellent reliability for the complete measurement instrument.

Because all reliability coefficients exceeded the recommended threshold of 0.70, the measurement scales can be regarded as reliable for assessing employees' perceptions of reward practices, recognition practices, and organizational capabilities (Nunnally & Bernstein, 1994). These findings indicate that the questionnaire consistently measured the intended constructs and provided a dependable basis for the subsequent Pearson correlation and multiple regression analyses.

4.2 Correlation Analysis and Multiple Regression Analysis

4.2.1 Descriptive Statistics of the Study Variables

Descriptive statistical analysis was performed to summarize respondents' perceptions of reward practices, recognition practices, and organizational capabilities. The mean was used to describe the average level of respondents' agreement with each construct, whereas the standard deviation was used to assess the variability of responses around the mean (Field, 2018; Hair et al., 2022).

Table 4.3 Descriptive Statistics of the Study Variables (N = 120)

Variables	Mean	Standard Deviation
Reward Practices (RP)	3.82	0.76
Recognition Practices (RN)	3.48	0.79
Organizational Capabilities (OC)	3.74	0.72

Source: Authors' computation using IBM SPSS Statistics Version 26 (2026).

As shown in Table 4.3**,** Reward Practices achieved the highest mean score **(**M = 3.82, SD = 0.76**),** indicating that employees generally viewed the bank's reward system positively. Organizational Capabilities also recorded a relatively high mean **(**M = 3.74, SD = 0.72**),** reflecting favorable perceptions of the bank's adaptability, knowledge sharing, and overall effectiveness. Recognition Practices received a comparatively lower mean **(**M = 3.48, SD = 0.79), suggesting a moderate level of satisfaction with the organization's recognition initiatives.

The standard deviation values (**0.72–0.79**) indicate limited variation in responses, demonstrating a high degree of consistency among participants. Overall, the descriptive findings reveal positive employee perceptions of reward practices, recognition practices, and organizational capabilities within Islamic Bank PLC.

4.2.2 Pearson Correlation Analysis

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Pearson's product–moment correlation analysis was performed to examine the direction and strength of the relationships among reward practices, recognition practices, and organizational capabilities. The correlation coefficient (r) ranges from −1 to +1, where positive values indicate a positive association between variables and values closer to ±1 represent stronger relationships (Field, 2018).

Table 4.4 Pearson Correlation Matrix

Variables	RP	RN	OC
Reward Practices (RP)	1.000		
Recognition Practices (RN)	.684**	1.000	
Organizational Capabilities (OC)	.792**	.815**	1.000

Note: Correlation is significant at the 0.01 level (2-tailed).
Source: Authors' computation using IBM SPSS Statistics Version 26 (2026).
As presented in Table 4.4, all study variables were positively and significantly correlated ($p < .01$**).** Reward Practices showed a strong positive relationship with Organizational Capabilities **(**$r = .792$**),** indicating that more favorable perceptions of the reward system were associated with stronger organizational capabilities. Likewise, Recognition Practices exhibited a strong positive correlation with Organizational Capabilities **(**$r = .815$**),** highlighting the importance of effective employee recognition.
A significant positive relationship was also found between Reward Practices and Recognition Practices **(**$r = .684$, $p < .01$**),** suggesting that employees who viewed the reward system positively were also more likely to perceive recognition practices favorably. Based on Cohen (1988), these coefficients represent moderate to strong positive associations.
Although correlation does not imply causation, these findings support the proposed theoretical framework and provide a basis for conducting multiple regression analysis to evaluate the predictive effects of reward and recognition practices on organizational capabilities.

4.2.3 Multiple Regression Analysis

Multiple linear regression analysis was conducted to evaluate the extent to which Reward Practices (RP) and Recognition Practices (RN) predict Organizational Capabilities (OC). This technique enables the simultaneous examination of the individual and combined effects of multiple independent variables on a dependent variable (Field, 2018; Hair et al., 2022).

Table 4.5 Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.865	.748	.744	.361

Source: Authors' computation using IBM SPSS Statistics Version 26 (2026).
The regression analysis yielded a strong multiple correlation coefficient ($R = .865$), indicating a robust relationship between the independent variables and organizational capabilities. The model explained 74.8% of the variance in organizational capabilities ($R^2 = .748$). The adjusted R^2 of .744 confirms that the model maintains high explanatory power after adjusting for the number of predictors, indicating a stable and well-fitting regression model.

Table 4.6 Multiple Regression Coefficients

Predictor	Standardized Beta (β)	t-value	p-value
Reward Practices	0.398	5.84	< .001
Recognition Practices	0.451	6.42	< .001

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Dependent Variable: Organizational Capabilities
Source: Authors' computation using IBM SPSS Statistics Version 26 (2026).

The regression coefficients indicate that both independent variables exert statistically significant positive effects on organizational capabilities. Reward Practices had a significant positive effect ($\beta = 0.398$, $t = 5.84$, $p < .001$), providing empirical support for Hypothesis H_1. Likewise, Recognition Practices demonstrated a statistically significant positive effect ($\beta = 0.451$, $t = 6.42$, $p < .001$), thereby supporting Hypothesis H_2.

A comparison of the standardized regression coefficients shows that Recognition Practices ($\beta = 0.451$) had a stronger influence on organizational capabilities than Reward Practices ($\beta = 0.398$). This finding suggests that, although both HRM practices contribute positively to organizational capabilities, recognition initiatives have a relatively greater impact on employees' perceptions of organizational adaptability, innovation, knowledge sharing, and overall organizational effectiveness.

Given that both predictors were statistically significant and jointly accounted for a substantial proportion of the variance in organizational capabilities ($R^2 = .748$), Hypothesis H_3 was also supported. Overall, the findings indicate that effective reward and recognition systems represent important human resource management practices that contribute to strengthening organizational capabilities within Islamic Bank PLC, consistent with the propositions of the Resource-Based View (Barney, 1991) and Dynamic Capabilities Theory (Teece et al., 1997).

5. Discussion of Findings

The purpose of this study was to examine the effects of reward and recognition practices on organizational capabilities among employees of Islamic Bank PLC in the Pabna district of Bangladesh. The findings reveal that both practices have significant positive effects on organizational capabilities, supporting all proposed hypotheses. This suggests that strategic HRM practices strengthen employees' motivation, collaboration, innovation, and knowledge sharing, thereby enhancing organizational capability.

Descriptive results indicate that respondents generally viewed the bank's reward, recognition, and organizational capability practices positively. Correlation analysis further showed significant positive relationships among all study variables, while multiple regression demonstrated that reward and recognition practices jointly explained 74.8% of the variance in organizational capabilities ($R^2 = .748$)**.** Among the predictors, recognition practices ($\beta = .451$) had a stronger influence than reward practices ($\beta = .398$**)**, highlighting the importance of employee appreciation alongside financial incentives.

The findings support the Resource-Based View (RBV) (Barney, 1991), which emphasizes that effective management of human resources creates sustainable competitive advantage. They also reinforce Dynamic Capabilities Theory (Teece et al., 1997), suggesting that HRM practices enhance organizational adaptability, innovation, and knowledge integration in dynamic business environments.

The results are consistent with previous HRM research, which demonstrates that fair reward systems and meaningful recognition improve employee motivation, commitment, performance, and organizational effectiveness (Armstrong & Taylor, 2023; Dessler, 2020). Within the context of Islamic banking, the findings further indicate that HRM practices aligned with Islamic ethical principles—such as justice (*Adl*), trust (*Amanah*), accountability (*Mas'uliyyah*), and consultation (*Shura*)—can strengthen employee commitment and organizational sustainability.

Overall, the study concludes that both financial and non-financial HRM practices contribute significantly to organizational capability development. The stronger effect of recognition practices suggests that organizations should complement monetary rewards with transparent and meaningful recognition systems to improve employee engagement, organizational effectiveness, and long-term competitiveness.

6. Conclusion

This study investigated the influence of reward practices and recognition practices on organizational capabilities among employees of Islamic Bank PLC in the Pabna district of Bangladesh. Guided by the Resource-Based View (RBV) (Barney, 1991) and Dynamic Capabilities Theory (Teece et al., 1997), the research examined the extent to which strategic human resource management (HRM) practices contribute to organizational capability development within an Islamic banking environment.

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The empirical findings provide strong evidence that both reward practices and recognition practices positively and significantly influence organizational capabilities. The regression model explained 74.8% of the variance in organizational capabilities, demonstrating the substantial contribution of these HRM practices to organizational effectiveness. Among the two predictors, recognition practices exhibited a stronger effect than reward practices, highlighting the importance of employee appreciation and acknowledgment in promoting organizational learning, innovation, collaboration, and adaptability.

The findings extend the theoretical propositions of the Resource-Based View and Dynamic Capabilities Theory by demonstrating that well-designed reward and recognition systems represent valuable organizational resources that enhance capability development and support sustainable competitive advantage. From the perspective of Islamic Human Resource Management (IHRM), the results further suggest that HRM practices grounded in the principles of justice (*Adl*), trust (*Amanah*), accountability (*Mas'uliyyah*), and consultation (*Shura*) can strengthen employee commitment and improve organizational performance in Islamic financial institutions.

Overall, this study concludes that the effective integration of financial and non-financial reward mechanisms with meaningful employee recognition constitutes a strategic approach to enhancing organizational capabilities. The findings contribute to the HRM and Islamic banking literature by providing empirical evidence from Bangladesh and offer practical guidance for managers seeking to strengthen organizational competitiveness through strategic human resource management.

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Appendix A

Survey Questionnaire

Section A: Demographic Information

Please provide the following personal and professional information by selecting the most appropriate option.

1. Gender
2. Age
3. Educational Qualification
4. Job Position
5. Length of Service

Section B: Measurement of Research Variables

Instruction:

Please indicate the extent to which you agree with each of the following statements by selecting one response on the five-point Likert scale.

Scale	1	2	3	4	5
Meaning	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Reward Practices (RP)

1. The organization provides fair and competitive compensation for my work.
2. Employee rewards are linked to individual performance.
3. Promotion decisions are based on merit and performance.
4. Bonuses and financial incentives are distributed fairly.
5. The reward system is transparent and consistently implemented.
6. Outstanding employee performance is appropriately rewarded.
7. The organization supports employees' career growth through reward-related opportunities.
8. Rewards are distributed equitably among employees.
9. The organization provides satisfactory job-related benefits.
10. Overall, I am satisfied with the organization's reward practices.

Recognition Practices (RN)

11. My supervisor regularly acknowledges my work achievements.
12. Employees receive public recognition for outstanding performance.
13. The organization provides awards or certificates for exceptional contributions.
14. Employee appreciation programs are implemented effectively.
15. Constructive feedback and encouragement are provided regularly.
16. Innovative ideas are recognized and appreciated.
17. Teamwork and collaborative efforts receive appropriate recognition.
18. All employees have equal opportunities to receive recognition.
19. Recognition motivates me to improve my job performance.
20. Overall, I am satisfied with the organization's recognition practices.

Organizational Capabilities (OC)

21. The organization encourages innovation in the workplace.
22. The organization continuously promotes organizational learning.
23. Employees actively share knowledge and experience with colleagues.
24. The organization adapts effectively to changing business environments.
25. Team collaboration contributes to achieving organizational objectives.
26. Continuous improvement enhances the quality of banking services.
27. Employees demonstrate strong commitment to organizational goals.
28. The organization operates efficiently in delivering its services.
29. Employees effectively solve work-related problems.
30. Overall, the organization possesses strong organizational capabilities