



Impact of HRM Practices on Organizational Performance: Evidence from Banking Sector

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The aim of current research is to check the impact of HRM practices on organizational performance. The current study uses incentives, employee training, recruitment, and job security as the main HRM practices. The current study considers the officer-rank employees of Shukkar as target population. The current research used a purposive sampling technique for data collection. Around 379 questionnaires were distributed to employees 315 complete questionnaires were used for final analysis. Data was analyzed with the help of SPSS 24. Reliability, Correlation, and Regression analysis are tests that are employed. Results indicate that incentives, employee training, recruitment, and job security have positive and negative impacts on organizational performance. Incentives for Employees and Job Security have a negative impact on organizational performance. This means that Recruitment and employee training has a positive impact on organizational performance. In the future, more HRM practices like teamwork, and leadership style may also be included. For generalizability, data will be collected from other sectors like the education sector, telecom sector, textile sector, and engineering sector.



1. Introduction

It is partially assuaged that any concerns about social desirability and support the inclination of personal and forwarding of emergent leadership behavior using two different validation procedures. Moreover, our primary study's outcomes facilitate us to build a substantial homological network around our self-reported indicator of significant leadership to conduct. Important theoretical outcomes like objective firm performance are included in this network, along with key theoretical predictors of permanent leadership including extraversion, generations, parts, and knowledge (Badura et al. 2023; Hanna et al. 2021). One important topic in HR management is how to use people' potential as a source of competitive advantage (Jiang & Messersmith, 2018). Researchers have made varying degrees of progress over the past few decades in establishing the value of investing in people in the workplace. While all versions gathered basic personal and professional data, only one version addressed the factors we were interested in analyzing (decentralization, emergent leadership, and empowering leadership), providing us with information from share of the stakeholders for a comparable methodology (Reinwald et al. 2019).

Therefore, organizational design of this basic research has enormous potential to communicate the benefits of decentralized decision-making to HR management. However, in spite of its detailed lengthy history of working the parameters, the organizational structure in majority of design literature is equivocal about whether decentralization fulfils its objective of raising organizational effectiveness (Sandhu & Kulik, 2024). Organizational performance is a broad concept encompassing various dimensions such as financial outcomes, operational efficiency, customer satisfaction, employee engagement, and strategic goal achievement. Over the years, scholars have developed multiple frameworks and models to understand and measure organizational performance. Neely, Gregory, and Platts (1995) provide a comprehensive literature review on performance measurement systems, highlighting the need for alignment with organizational strategy and the importance of a balanced approach to performance metrics. Kaplan and Norton (1992) and Singh and Kushawaha (2020) introduced the Balanced Scorecard, a strategic planning and management system that incorporates financial and non-financial performance measures. This framework helps organizations translate their vision and strategy into actionable objectives across four perspectives: financial, customer, internal processes, and learning and growth. Current study is design to check impact of incentives, employee training, recruitment and job security on organizational performance. In this regard, current study proposes the following research questions.

1.1 Research Questions

- i) What is relationship of incentives and organizational performance?
- ii) What is relationship of employee training and organizational performance?
- iii) What is relationship of recruitment and organizational performance?
- iv) What is relationship of job security and organizational performance?



2. Literature Review

2.1 Organizational Performance

For organizations, performance is one of the ways to measure the extent of its effectiveness. The need for the ability to set goals and objectives to achieve its performance and how to improve the overall organizational performance is undoubtedly the most important organizational goals and objectives. Definition and measurement of performance is a challenge for researchers because organizations have many, frequently conflicting, goals (Chow et al., 1994). Sarah and Tricia (2005) indicated that performance is often used to measure the overall status of the organization and its related policies. Organizational performance can be measured by both financial and non-financial performance (Yang et al., 2009). Venkatraman and Ramanujam (1986) considered three factors to corporate performance measurement, namely, financial performance (i.e. return on investment, earnings per share, etc.), operational performance (i.e. market share, product quality, etc.) and organizational effectiveness (i.e. employee's morale, work atmosphere, etc.). Stella (1987) explored the relationship between human resource planning and organizational performance. From a human resources viewpoint, six financial factors were found to be the main determinants of organizational performance – turnover growth rate, profitability, earnings per share, return on assets, average annual profitability per employee and proportion of company assets per employee.

Strong HR systems and horizontal and vertical alignment are the foundations of this concept (Bowen & Ostroff, 2004; Ostroff & Bowen, 2016). There is a greater chance that HRM and Leadership deliver a comparable message when everyone is in agreement. On the other hand, followers become unclear about what is expected of them when HRM and leadership contradict one another (Kerr, 1975), undermining each other's efforts. The enactment model, which seeks to align leaders and HRM, and the concept of supplemental fit are similar. It does, however, more clearly acknowledge the possibility of conflicts between Leaders and HRM as separate entities and sources of influence.

This viewpoint differs from the preceding viewpoint in that it contends that having HR and leadership hold opposing views can lead to better outcomes. When merging opposing value viewpoints, it can occasionally be helpful to have a complementary fit, according to a number of the papers in this special issue (Hanna et al., 2021).

2.2 Incentives and Organizational Performance

A comprehensive meta-analysis by Stajkovic and Luthans (2003) found that incentives significantly enhance employee performance, with a notable effect size indicating substantial practical significance (Stajkovic & Luthans, 2003). This study confirms that incentives are powerful motivators across various organizational contexts. Research indicates that the effectiveness of incentives is moderated by several factors, including job type, organizational culture, and individual differences. For instance, Eisenberger and Cameron (1996) found that

incentives can be particularly effective in roles with clearly defined performance metrics, such as sales and manufacturing, compared to roles requiring high levels of creativity and intrinsic motivation (Eisenberger & Cameron, 1996).

H1: Incentives g has impact on Organizational Performance

2.3 Employee Training and Organizational Performance

Empirical studies consistently demonstrate a positive relationship between employee training and organizational performance. Tharenou, Saks, and Moore (2007) conducted a meta-analysis and found that training has a significant impact on organizational outcomes, including financial performance, productivity, and innovation (Tharenou, Saks, & Moore, 2007).

H2: Employee Training has impact on Organizational Performance

2.4 Relationship of Recruitment and employee performance

Employee recruitment is a critical function in human resource management that directly influences organizational performance. The effectiveness of recruitment practices determines an organization's ability to attract and retain top talent, thereby impacting productivity, innovation, and overall organizational success. This literature review examines the direct relationship between employee recruitment and organizational performance, summarizing key empirical studies. Research has consistently shown that effective recruitment practices lead to improved organizational performance. Huselid (1995) conducted a comprehensive study demonstrating that firms with sophisticated recruitment and selection systems experienced higher levels of overall performance, including enhanced productivity and reduced turnover. This study underscores the importance of investing in high-quality recruitment processes to achieve better organizational outcomes (Huselid, 1995).

The link between recruitment practices and financial performance is well-documented. Batt (2002) examined the financial outcomes of organizations with rigorous recruitment strategies. The study found that firms focusing on selecting employees with the right skills and cultural fit showed superior financial performance compared to those with less stringent recruitment processes. This evidence highlights the economic benefits of effective recruitment (Batt, 2002).

H3: Employee recruitment has impact on Organizational Performance

3. Methodology

3.1 Scales and Measurements

Incentives for Employees is measured with the help of 6 items (Ismail et al., 2015). Employee training is measured with the help of 3 items (Jun et al., 2006). Employee recruitment is measured with the help of 5 items (Slavković et al., 2018). Job security is measured with the

help of 7 items (Lahey & Kuhnert, 1988). Organizational performance is measured with the help of 2 items (Wu et al., 2013).

Table 1: Scales & Measurements

Items	Crohnbach's Alpha (Sample N=130)	Number of items
Incentives for Employees	0.812	6
Employees Training	0.901	3
Employee Recruitment	0.889	5
Job Security	0.691	7
Organizational Performance	0.881	2

3.2 Population and Sample of the Research

Current study considers the officer rank employees of Shukkar as target population. Current research used purposive sampling technique for data collecting. Around 379 questionnaires were distributed to employees 315 complete questionnaires were used for final analysis.

4. Data Analysis

4.1 Reliability Analysis

Data was analyzed with the help of SPSS 24. Reliability, Correlation and Regression analysis are test which are employed.

Table 2: Reliability Analysis

Items	Crohnbach's Alpha (Sample N=315)	Number of items
Incentives for Employees	0.812	6
Employees Training	0.901	3
Employee Recruitment	0.889	5
Job Security	0.691	7
Organizational Performance	0.881	2

As indicated in the table the analysis done for different items for on proposed variables. The values of Crohnbach's Alpha for proposed variables are present in table no 1. All the values are greater than 0.60. This means data is reliable and will be used for further analysis.

4.2 Correlation Analysis

Table no 3 represent the correlation of among all the variables. Incentives for Employees and Job Security has negative relationships with other variables and both variables have positive relationship with each other's. Similarly, Recruitment and Employees Training and Organizational Performance has positive relationships with each other.



Table No 3: Correlation Analysis

	IE	ET	R	JS	OP
Incentives for Employees (IE)	1				
Employees Training (ET)	0.454**	1			
Recruitment	-0.56**	0.42**	1		
Job Security (JS)	0.362**	-.530**	-0.217**	1	
Organizational Performance (OP)	-0.233**	0.363**	0.422**	-0.354	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.3 Regression Analysis

Table No 3: Multiple Regression Model

Model	Unstandardized Beta	Coefficients S.E	Standardized Beta	t Statistic	Sig 0.000
C	0.621	0.321		2.422	0.123
Incentives for Employees	-0.324	-0.612	0.912	1.7	0.651
Training for Employees	0.35	0.042	0.432	1.5	0
Recruitment	0.28			0.431	0.312
Security of Job	-0.221			4.5	0
Dep; Var: Org Perf.: Sig	Dep; Var: Org Perf.: 0.000	Dep; Var: Org Perf.: 0.000	Dep; Var: Org Perf.: 0.000	Dep; Var: Org Perf.: 0.000	Dep; Var: Org Perf.: 0.000

Results of regression analysis follow the trends of correlation analysis. Incentives for Employees and Job Security has negative impact on organizational performance. This means that Recruitment and Employees Training has positive impact on organizational performance.

5. Conclusion and Policy Recommendations

Effective people management in organizations is essential for the organizations. Current study uses incentives, employee training, recruitment and job security as main HRM practices. Current study considers the officer rank employees of Shukkar as target population. Current



research used purposive sampling technique for data collecting. Results indicates that incentives, employee training, recruitment and job security has positive and negative impact on organizational performance. Incentives for Employees and Job Security has negative impact on organizational performance. This means that Recruitment and Employees Training has positive impact on organizational performance. In future more HRM practices like teamwork, leadership style may also include. For generalizability, data will be collected from other sectors like education sector, telecom sector, textile sector and engineering sector.

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