

# ASSESSING HRM EFFECTIVENESS AND PERFORMANCE ENHANCEMENT MEASURES IN THE BANKING SECTOR

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## Abstract

This study employs an exploratory and quantitative research approach to systematically investigate the impact of Human Resource Management (HRM) practices on Organizational Performance within the Indian Banking sector. The research approach combines exploratory research, aimed at gaining insights into HRM practices, with a quantitative approach using a purposive sampling technique. Data is collected through a questionnaire from employees in both public (SBI) and private banks (HDFC Bank) who work in HR departments or are involved in HR activities. The Likert scale is utilized in the questionnaire to measure participant perceptions of HRM practices. The study utilizes two statistical tools: Neural Network and Exploratory Factor Analysis (EFA). The findings of the study highlight the significance of promotion and transfer policies, considered paramount in influencing organizational performance in both public and private banks. Additionally, the study underscores the importance of training and development initiatives in enhancing employee skills and competencies. Clear and effective communication within HR policies is identified as pivotal in improving organizational performance. Lastly, aligning HRM practices with sector-specific goals is recognized as a significant contributor to improved employee satisfaction and overall performance in the banking sector. The findings offer guidance for HR practitioners and policymakers in optimizing HRM practices to achieve better organizational performance.

**Keywords:** HRM Practices, Human Resource Management, Organizational Performance, Indian Banking Sector, Training and Development, Communication, Employee Satisfaction, HR practitioners.

## INTRODUCTION

The banking sector, like many other industries, operates in a dynamic and competitive environment characterized by rapid technological advancements, evolving customer expectations, and stringent regulatory requirements. In this context, Human Resource Management (HRM) plays a pivotal role in shaping the performance and success of banking institutions. HRM practices encompass a wide range of activities, including recruitment, training and development, performance appraisal, compensation, and employee engagement. The effectiveness of these HRM practices can significantly influence the overall performance and competitiveness of banks. Effective Human Resource Management (HRM) practices play a pivotal role in the banking sector for several compelling reasons. Firstly, talent acquisition and retention are paramount. Attracting and retaining top-tier talent are essential to maintaining a skilled and motivated workforce. Banks must employ effective recruitment and retention strategies to ensure that they have the right individuals in the appropriate roles, contributing to the institution's overall success. The banking industry operates within a highly regulated environment, demanding strict compliance and risk management. HRM practices are instrumental in ensuring that employees are well-informed about compliance requirements and adhere to them rigorously. This not only mitigates legal and operational risks but also upholds the bank's reputation and trustworthiness. Continuous employee development is critical in the ever-evolving banking sector,

where employees must stay updated with the latest financial products and services. HRM should facilitate ongoing training and development opportunities, empowering employees to adapt to changing industry dynamics and enhance their skills. Furthermore, HRM assumes a pivotal role in performance management. This involves setting clear performance expectations, providing regular feedback, and conducting fair and objective performance appraisals.

Effective performance management fosters a culture of excellence, motivating employees to strive for their best and contribute positively to the bank's objectives. By fostering employee engagement is essential. Engaged employees are more likely to provide excellent customer service and remain committed to the organization's goals. HRM practices should nurture a culture of engagement through open communication, meaningful recognition, and opportunities for employee involvement in decision-making processes. By doing so, banks can create a more vibrant and productive work environment, ultimately contributing to their overall success in the competitive banking industry. In the banking sector, HRM effectiveness is closely linked to organizational performance and success. Assessing HRM effectiveness and implementing performance enhancement measures are essential to remain competitive in a rapidly changing environment. By focusing on talent acquisition and retention, compliance, employee development, performance management, and engagement, banks can create a high-performance culture that drives excellence and customer satisfaction. Continuous monitoring, feedback, and adaptation of HRM practices are key to achieving sustained success in the banking industry.

## REVIEW OF LITERATURE

- **Huselid (1997)** - "Technical and strategic human resource management effectiveness as determinants of firm performance": This study investigates the impact of HRM effectiveness, both in technical and strategic aspects, on firm performance. It explores how HRM practices contribute to an organization's overall success. The findings have broader implications for various industries, including the banking sector, where HRM plays a crucial role in achieving performance goals.
- **Budhwar, P. S. (2013)** - "Effects of HRM practices on organizational performance in India": This study explores the impact of Human Resource Management (HRM) practices on organizational performance in the Indian context. It investigates how HRM practices influence the overall effectiveness and success of organizations operating in India. This research is pertinent to the banking sector in India, shedding light on the relationship between HRM practices and organizational performance within this specific industry.
- **Zhang, M. (2018)** - "Human Resource Management Practices and Organizational Performance: Evidence from the Banking Industry in China": The study offers a focused investigation into the Human Resource Management (HRM) practices within the banking sector in China and their direct influence on organizational performance. Drawing from empirical evidence, the research assesses the relationship between HRM practices and key performance outcomes in the Chinese banking industry. By examining this sector-specific context, the study contributes valuable insights into the strategic significance of HRM practices and their role in enhancing organizational performance within dynamic and rapidly evolving Chinese banking.

- **Guest, D. E. (2017)** The study presents a new analytical framework that examines the relationship between Human Resource Management (HRM) practices and employee well-being. It explores the impact of HRM practices on the well-being of employees, recognizing the significance of employee well-being as a critical factor in organizational performance. While not specific to the banking sector, the article's insights are particularly relevant to industries like banking, where employee well-being can have a direct influence on overall organizational success. The paper contributes to a deeper understanding of the intersection between HRM practices and employee well-being, offering a valuable perspective for organizations aiming to optimize their HRM strategies to enhance employee welfare and, by extension, organizational performance.
- **Budhwar, P. S. (2013)** The study offers a profound exploration of Human Resource Management (HRM) practices within the distinctive contexts of developing countries. Recognizing that the banking sector often grapples with unique challenges in these settings, the book provides a rich tapestry of insights into how HRM is conceived, implemented, and adapted within diverse developing economies. It delves into the multifaceted dimensions of HRM, considering factors such as cultural diversity, regulatory environments, and economic conditions that significantly impact HRM practices. As a resource for academics, practitioners, and policymakers, the study serves as a pivotal reference for navigating the complexities of HRM in the ever-evolving landscapes of developing nations.
- **Chaudhary and Singh (2022)** aimed to examine the impact of HRM practices on employee engagement and organizational performance in the banking sector of India. The study used a cross-sectional survey design, with data collected from 400 employees of public and private sector banks. The study found that HRM practices had a significant positive impact on employee engagement and organizational performance, and that employee engagement was a significant mediator in the relationship between HRM practices and organizational performance. The study's findings suggest that banks should focus on implementing effective HRM practices in order to improve employee engagement and organizational performance.
- **Bhatti and Iqbal (2022)** The study examines the relationship between human resource management (HRM) practices and organizational performance in the banking sector of Pakistan. The study uses a sample of 300 commercial banks in Pakistan and collects data on HRM practices, organizational performance, and other relevant variables through a survey questionnaire. To examine how HRM practices affect organizational performance in Pakistani banks. A survey questionnaire is used to collect HRM practices, organizational performance, and other variables from 300 Pakistani commercial banks. The study also finds that the impact of HRM practices on organizational performance is mediated by employee engagement. The suggests that HRM practices can improve organizational performance by increasing employee engagement.
- **Khan, Hussain, and Zaman (2023)** investigated the impact of human resource management (HRM) practices on employee satisfaction and organizational performance in the banking sector of Bangladesh. The study used a quantitative research design and collected data from a sample of 300 employees working in the banking sector. HRM practices significantly improved employee satisfaction and organizational performance, according to the study. Employee satisfaction also

mediated HRM practices and organizational performance, the study found. HRM practices affect employee satisfaction and organizational performance. The study found that HRM practices improve employee satisfaction and organizational performance in Bangladeshi banks. According to the study, Bangladeshi banks should implement high-quality HRM practices to improve performance.

- **Haider and Khan (2023)** examined the role of SHRM practices in organizational performance of the banking sector in Pakistan. They found that SHRM practices have a significant positive impact on organizational performance, mediated by employee engagement. This suggests that banks should focus on implementing SHRM practices to create a positive work environment and engage their employees in order to improve performance.
- **Ro, S. (2023)** The study evaluated the effectiveness of a training program using the four-level Kirkpatrick model in the banking sector in Malaysia. A quantitative research methodology was used, with a sample of 36 trainees who participated in the training program. The training program worked at all four Kirkpatrick model levels, according to the study. Trainees liked the training and learned a lot. Training participants also reported being able to apply their skills and knowledge at work. The training program improved customer satisfaction and employee productivity, the study found. The conclusion of the study is that the training program was effective in meeting its objectives. The findings of the study can be used by other banks in Malaysia to develop and implement effective training programs.
- **Akram, A., & Khan, M. K. (2023)** The study examined the impact of human resource management (HRM) practices on employee innovation in the banking sector of Pakistan. The study used a quantitative research methodology, with a sample of 300 employees from commercial banks in Pakistan. Data was collected using a self-administered questionnaire measuring HRM practices and employee innovation. The study found that HRM practices had a significant positive impact on employee innovation. The study's findings suggest that banks in Pakistan should invest in HRM practices that promote employee innovation. This will help them to develop new products and services, improve their operational efficiency, and gain a competitive advantage.
- **Al-Azaizeh, M. S., & Al-Hmoud, M. A. (2023)** the study examined the mediating role of employee engagement in the relationship between HRM practices and organizational performance in the banking sector of Jordan. The study found that HRM practices had a significant positive impact on employee engagement, which in turn had a significant positive impact on organizational performance. The findings also showed that employee engagement fully mediated the relationship between HRM practices and organizational performance. The study's findings suggest that banks in Jordan should focus on creating a positive work environment and engaging their employees in order to improve organizational performance.
- **Al-Fayoumi, M. A., & Al-Azzam, A. M. (2023)** The study examines the impact of HRM practices on employee well-being and customer satisfaction in the banking sector of Saudi Arabia. The study used a quantitative research methodology, with a sample of 350 employees from commercial banks in Saudi Arabia. The study found that HRM practices had a significant positive impact on employee well-being and customer satisfaction. The study's findings suggest that banks in Saudi Arabia should invest in HRM practices that promote employee well-being and customer

satisfaction. This will help them to attract and retain top talent, and to improve their customer service.

### Objectives of the Study

- To Evaluate the effectiveness of HRM practices of Select Public and Private Sector Banks.
- To Elicit the measures to improve the Organizational Performance with the HRM Practices in the Banking Sector.

### Hypotheses of the Study

- H0:** There is no significant difference of HRM Practices effectiveness between the Public and Private sector Banks.
- H1:** There is a significant difference of HRM Practices effectiveness between the Public and Private sector Banks.

### SCOPE OF THE STUDY

The present study focused on the HRM practices adopted by the public sector Banks to improve organizational Performance. The primary focus of the study was to assess and evaluate the effectiveness of HRM practices within both Public and Private Sector Banks. Additionally, the study aimed to examine how these HRM practices could be strategically integrated with various measures to improve and enhance the overall organizational performance within the Banking Sector.

- SBI - PSU
- HDFC Bank - Private

### RESEARCH METHODOLOGY

- **Research Design:** The research design for this study is an exploratory and quantitative approach. This approach allows for a systematic investigation of the impact of Human Resource Management (HRM) practices on Organizational Performance within the Indian Banking sector.
- **Research Approach:** The research approach in this study combines exploratory research, aimed at gaining insights and understanding the subject matter, with a quantitative approach, which involves the use of numerical data for analysis. This combination helps in exploring the effectiveness of HRM practices and their influence on Organizational Performance.
- **Data Type:** The primary data has collected for this study. Primary data refers to data collected directly from the source for the specific purpose of the research. In this case, it involved collecting data through a questionnaire.
- **Sample Technique:** The study has utilized a purposive sampling technique. Purposive sampling involves selecting specific participants who have relevant knowledge and experience related to the research topic. In this case, the participants have been selected from employees working in the HR departments and those responsible for HR activities in public banks such as SBI and Private sector bank as HDFC bank.



- **Sample Population:** The sample population for this study consist of employees working in the HR department and those responsible for HR activities in public and private banks. This population is chosen because they have direct involvement and insights into HRM practices and their impact on the organization's performance within the banking sector.
- **Questionnaire:** The questionnaire has been designed to measure the perceptions and opinions of the selected participants regarding HRM practices and their impact on Organizational Performance. The Likert scale will be used in the questionnaire to measure the responses. The Likert scale typically consists of statements or questions with response options ranging from strongly agree to strongly disagree, allowing participants to express their level of agreement or disagreement with each statement.

#### **Statistical Tools:**

- **Neural Network:** A Neural Network is a machine learning model inspired by the human brain's structure and function. In your study, it is applied to assess the effectiveness of Human Resource Management (HRM) practices in select Public Sector Banks. Neural Networks are particularly useful for handling complex patterns and relationships within data. In this context, a Neural Network is likely used to analyze and predict how various HRM practices impact different aspects of organizational performance, such as employee satisfaction, productivity, and retention. By processing large datasets, it can identify patterns and correlations that may not be immediately apparent through traditional statistical methods.
- **Exploratory Factor Analysis (EFA):** Exploratory Factor Analysis is a statistical technique used to identify underlying factors or latent variables that can explain patterns in observed data. In your study, EFA is applied to explore and define measures for improving Organizational Performance in the Banking Sector, particularly concerning HRM Practices. EFA helps researchers identify the key components or factors that contribute to organizational performance. By analyzing survey or questionnaire data, EFA can uncover underlying constructs or dimensions related to HRM practices that impact performance. This analysis aids in developing targeted strategies to enhance organizational performance by focusing on these identified factors.

#### **Tabulation Analysis:**

##### **Objective -1: To Evaluate the effectiveness of HRM practices of Select Public and Private Sector Banks.**

The study examined the effectiveness of HRM practices of selected public and private sector banks. The study collected the primary data from the respondents. The following hypothesis has been framed.

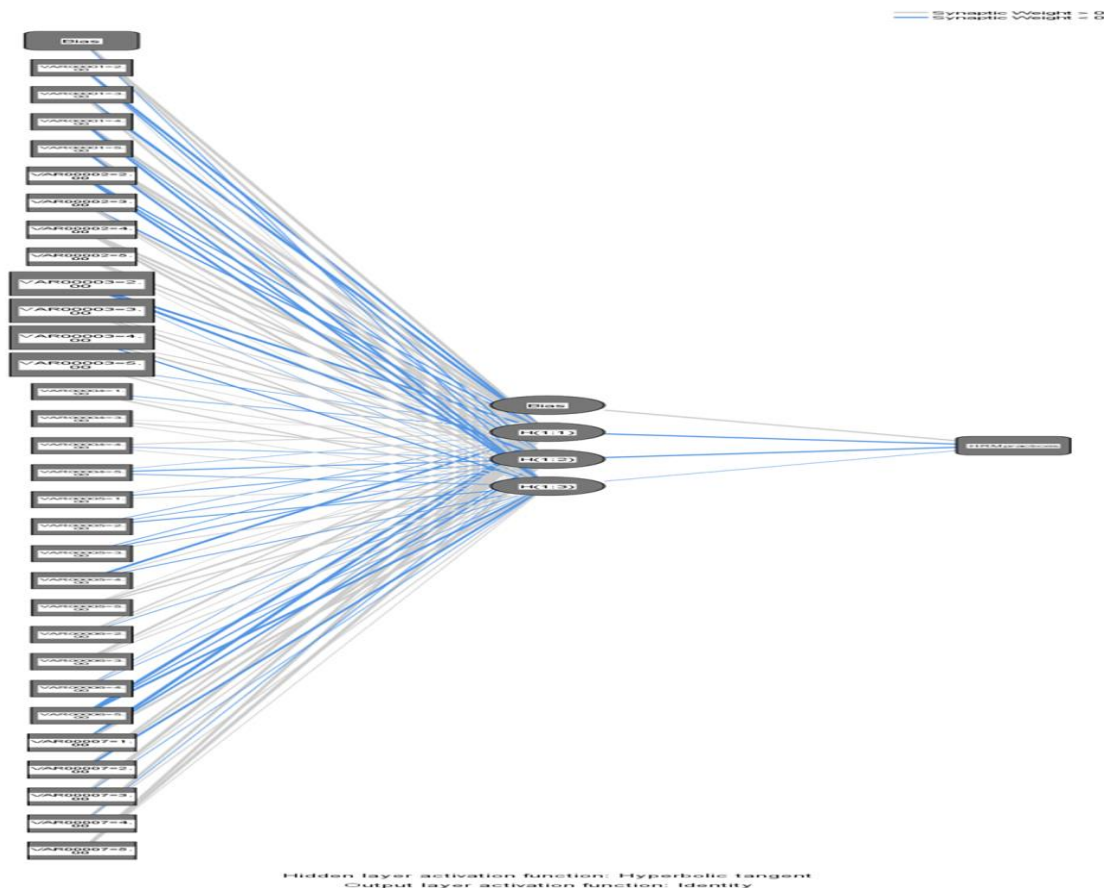
#### **Hypothesis:**

- H0:** There is no significant difference of HRM Practices effectiveness between the Public and Private sector Banks.
- H1:** There is a significant difference of HRM Practices effectiveness between the Public and Private sector Banks.

**Table 1: Case Processing Summary**

		N	Percent
Sample	Training	81	67.5%
	Testing	39	32.5%
Valid		120	100.0%
Excluded		0	
Total		120	

The above table shows the data sampling under training and testing category. 67.5% of the data are under training sample and the remaining 32.5% are under testing sample.



The graph illustrates the network information in the form of layers. In this graph, each input is linked to a hidden layer and this hidden layer helps to generate the output layer to identify the the effectiveness of HRM practices of Select Public and Private Sector Banks. It indicates that there is one layer that is used to generate the output layer

**Table 2: The Independent Variable Importance of HRM Practices**

	Importance	Normalized Importance
Recruitment & Selection	.097	28.4%
Training and Development	.143	41.8%
Promotion and Transfer	.343	100.0%
Compensation	.090	26.2%
Welfare facilities	.091	26.6%
Social Security	.101	29.3%
Organizational Relation	.134	39.2%

Source: Primary Data

The table represents the independent variable importance of HRM practices for the evaluation of select Public and Private Sector Banks. Promotion and Transfer stand out as the most critical factor, with a significance level of 100.00%, indicating its pivotal role in influencing organizational performance. Training and Development closely follows with a significance level of 41.80%, underscoring the importance of nurturing employee skills and competencies. Organizational Relation (39.20%) also ranks high, emphasizing the value of maintaining positive workplace interactions. Social Security (29.30%) and Recruitment & Selection (28.40%) demonstrate moderately significant impacts on HRM effectiveness. Compensation (26.20%) and Welfare facilities (26.60%) hold relatively lower but still noteworthy levels of importance in the study. The study results indicate that an emphasis on promotion and transfer policies, alongside investment in training and development, can significantly enhance HRM practices and ultimately contribute to improved organizational performance within the banking sector. While the study rejects the null hypothesis and accepts that there is a significant and effective utilization of HRM practice in the select banks.

**Objective -2: To integrate effective HRM practices with measures to enhance Organizational Performance in the Banking Sector.**

**Table 3: Sample Adequacy Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.722
Bartlett's Test of Sphericity	Approx. Chi-Square	292.085
	Df	21
	Sig.	.000

Source: Primary Data

The Sample adequacy table depicts the result through the KMO and Bartlett's test. The test result indicated that  $0.722 > 0.7$ . The P value was also found to be significant. Hence, the study observed that the sample is adequate to run the exploratory factor analysis for the effectiveness of HRM practices of select banks.

**Table 4: Enhance Organizational Performance in the Banking Sector**

	Component	
	1	2
Aligned HRM strategy with insurance sector goals.	.620	
Clear and well-communicated HR policies.	.739	
Ongoing training for insurance sector staff.	.701	
Fair and regular performance evaluations.		.595
Effective grievance resolution system.	.589	
Promotes diversity and inclusion.		.784
Complies with legal and regulatory requirements.		.334

Source: Primary Data

The table represents the component matrix resulting from exploratory factor analysis, which aimed to identify the relationship between HRM practices and their impact on organizational performance in the banking sector. In this analysis, values above 0.5 are considered high-loading factors, indicating a strong correlation between the HRM practice and the identified component. Clear and well-communicated HR policies (0.739), ongoing training for insurance sector staff (0.701), and the promotion of diversity and inclusion (0.784) all exhibit high loading factors on Component 2, suggesting that these practices are closely linked and contribute significantly to enhancing organizational performance. Aligned HRM strategy with insurance sector



goals (0.620) and effective grievance resolution system (0.589) also exhibit high loading factors on Component 1, indicating their importance in aligning HRM practices with sector-specific goals and maintaining employee satisfaction and engagement. However, compliance with legal and regulatory requirements (0.334) shows a lower loading factor on both components, indicating that while important, it may not have as strong a direct impact on organizational performance as the other practices as per the study.

## FINDINGS OF THE STUDY

1. The study observed that promotion and transfer policies are of utmost significance (100.00%) in influencing organizational performance within select Public and Private Sector Banks.
2. The study examined the importance of training and development initiatives (41.80%) in nurturing employee skills and competencies.
3. The study found that HR policies are characterized by clear and effective communication (0.739) that play a pivotal role in improving organizational performance within the banking sector.
4. The study examines a significant positive correlation between the promotion of diversity and inclusion (0.784) in the workplace and enhanced organizational performance within the banking sector.
5. The study identified that aligning HRM practices with sector-specific goals (0.620) significantly contributes to improved employee satisfaction and enhanced overall performance in the banking sector.

## CONCLUSION OF THE STUDY

The study has highlighted the critical significance of various HRM practices in influencing organizational performance within select Public and Private Sector Banks. Notably, promotion and transfer policies emerged as pivotal factors, emphasizing their substantial impact. Training and development initiatives were found to be crucial in nurturing employee skills, while clear and effective HR policies played a central role in improving overall performance. Additionally, promoting diversity and inclusion in the workplace was positively correlated with enhanced organizational performance. Aligning HRM practices with sector-specific goals was identified as a key driver for improving employee satisfaction and overall performance in the banking sector. The study findings collectively underscore the importance of strategic HRM practices in enhancing organizational effectiveness within the banking industry.

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