

# **A STUDY ON IMPACT OF HRM PRACTICE ON EMPLOYEE PERFORMANCE**

**KARTIKEYA MUNSHI AND DR. PUJA SAREEN**  
**STUDENT - MBA (HR) AND ASSOCIATE PROFESSOR,**  
**AMITY BUSINESS SCHOOL, AUUP, NOIDA**

## **Abstract**

*HR practice has been confirmed as an important practice for improvisation of employee performance. This research paper helps in identifying the major practices of HR that can lead to enhance employee performance of the banks operating in India. Five major practices are selected for this research study which includes providing security to employee, hiring right set of people, managing employee attitude and behaviour, fair and performance based compensation and proper training to employee, are in favour of these theoretical model that link HR practices and employee performance in the banks located in India. This research paper says that all the variable has an excellent relationship with employee performance, therefore the Indian banks have been recommended to adopt these 5 HR practices to enhance employee performance which can help in improving company's performance.*

**Keywords:** *providing security to people, hiring right set of people, employee attitude and behaviour, compensation, proper training and Employee Performance*

## **1. INTRODUCTION**

In this current world, in this current scenario there is a harsh and a cut throat competition between all of the organizations. To compete with the other industries other organizations there will be absolute requirement of best human resource so that they can survive in this cut throat competition because the performance of the company directly depends upon the people's performance. For the survival in the market it is very important for these managers to keep a close check on these human resources of their organization. Many statements have been recorded during the last year and has been concluded by saying that the previous year's human capital was a major source of firm's competitive advantage and beneficial for them (Ferris,1999). Because of the growing market all of the

successful companies have finally realized that there are many other factors that when combined can bring profit but still the human resource will be also be an important factor. The main task the main duty of a human resource is to evaluate the performance of employees. Caliskan (2010) have also proved that along with the other factors, human resource has also been considered as a main source of competition advantage. Such HR practices are connected and have a significant and positive relationship with the employee's performance. (Delery and doti, 1996; guest, 2002; Harley, 2002; Huselid, 1995; Qureshi et al, 2006; Tessema and Soeters, 2006). Having a good control over HR practices can definitely improve the performance of organization which can lead to better returns.

In this changing world every employee wants to increase their salary from the other employee. They want to have more benefit from that what they are been given and if not provided they became unsatisfied and lack motivation and this is the main thing which fears the employer. The main goal of the organization is to hire a new and a competent employee and keep the experience done within the organization. And if the employee is not satisfied with the job then then problem to retain that employee gets difficult (Ali and Jadoon, 2012). The turnover rate increases and the question about the employee's loyalty also rises. As trustworthy and hardworking are very important for the organization because they work for a very long time without any search of other job of other company. The companies are less likely to pay for the replacement of the employees if it is successful in retaining existing employees.

The banking sector of India is one of the most developed and fastest growing sectors of India. It is connected with the service industry. It is very important for the development of this sector to have a competitive and knowledgeable employee. This banking sector helps by providing services to their customers therefore it is very important for the banks to retain their trustworthy and right people is the only way to retain them is by providing them what they want in addition with their pay. The benefit package also plays an important part in attracting employees like benefit packages including pay scale, with more increments, salary slabs, bonuses and benefits like car and house advance, pension and gratuity (Wheeler and Cohen, 1997; Grindle and Hilderbrand, 1997).

And now the question arises that does the employees of the Indian banks feel that they are fairly given the benefit packages and recruitment and selection.

Therefore, we have to deeply look into this matter to look out for the reason of many complaints and also, what we can study from our research.

## **2. LITERATURE REVIEW**

With the help of human resource practice in an organization the companies are able to understand the task and the behaviour and attitude of the employees. For managing the HR there are various combination, but the main task of human resource management is to make use of the people and maintain a healthy relationship with their employees. Along with the other practices the various organization have understood that these HR practices have also become an important part of their organization.

Cohen et al. (1997) said that there is various type of issues in HR while creating nations like less compensation, less control to fire individually, scarcely any advancement and absence of difficult work. Budhwar and Debrah (2001) confirmed that there are various nations which are confronting various boundaries in the method of advancement because of inefficient human asset that helps in executing the framework. Various scientists have concluded or found various and different practices that essentially will influence the exhibition. Carruth and Handlogten (2001) said that these representatives are been monetarily inspected which straightforwardly helps in improving the presentation. Leonard (1990) said that the organization receives more benefit which than those association which ignores the good motivation force plan. Singh (2001) said that remuneration is one of the practice or the support technique for the workers with exchange arrangements of the firms.

There is a design or a system where the information of the representatives is been evaluated once in a year without giving any criticism and preparing, it is just an exhibition and not the presentation of the broad framework. This exhibition basically includes telling of the representative's quality and shortcoming (mello,2005). Evaluation, execution and remuneration are three such types which are taken into consideration by the organization to improve the effectiveness of the employees. With the

help of these 3 types the employees will utilize more force with less limitations and will also agree with their current PayScale. Coens et al (2000) concluded that the presentation is the one main thing and is a compulsory procedure under which we can rate or get to know about our employees and according to the presentation we can improvise or bring effective changes in the employees and then the results are been held by partnership. Executing this assessment or this presentation is a piece of the “greater entire” (Halachmi,2005). Various researchers have said that these assessments and these executions have a good relationship (Baloch et al. 2010; becker and huselid, 1998). .

## **2.1 HIRING RIGHT SET OF PEOPLE**

This HR practice can also be called as recruitment and selection. with the help of this practice, companies are able to select the most skilled and qualified candidate for the required job profile (Sheehan, Holland, and De-cieri, 2006). Recruitment is the process of finding the best candidate for the job (Wright and Kehoe, 2008) Selection is the process that includes the various steps through which candidates are qualified for the job (Sheehan, Holland, and De-cieri, 2006). Various studies have shown the significant positive relationship between hiring right set of people and employee performance.

## **2.2 PROPER TRAINING TO THE EMPLOYEES**

This HR practice can also be called as training and development. After studying about this practice, we get to know that it is the helpful tool for improving individual performance and is one of the HR practices that effect results of organization in the form of improved employee behaviour (Khilji, 2004). It is the process of improving the employee skills and at the same time helps change of attitude behaviour in order to enhance the performance level of employees (Naris and Ukpere, 2009)

## **2.3 EMPLOYEE ATTITUDE AND BEHAVIOUR**

Employee attitude and behaviour problems are based on organizational or personal factors, meaning behaviour can come from employee discontent with the organization or because of conflict between employees or with supervisors. HR can assist supervisors and managers with correcting the behaviour caused by the poor workplace attitude. HR encourage the employees to focus on behaviour instead of attitude.

## **2.4 FAIR AND PERFORMANCE BASED COMPENSATION**

HR is the most important and organized tool for organizational development (Khilji, 2002) and in this study it has been shown that performance-based compensation has an excellent impact on employee performance. Compensation include benefits like bonus, sharing of profit, and rewards include rewards like house rent and car facilities against hired service of employees (Wright, Gardner, and Moynihan, 2003)

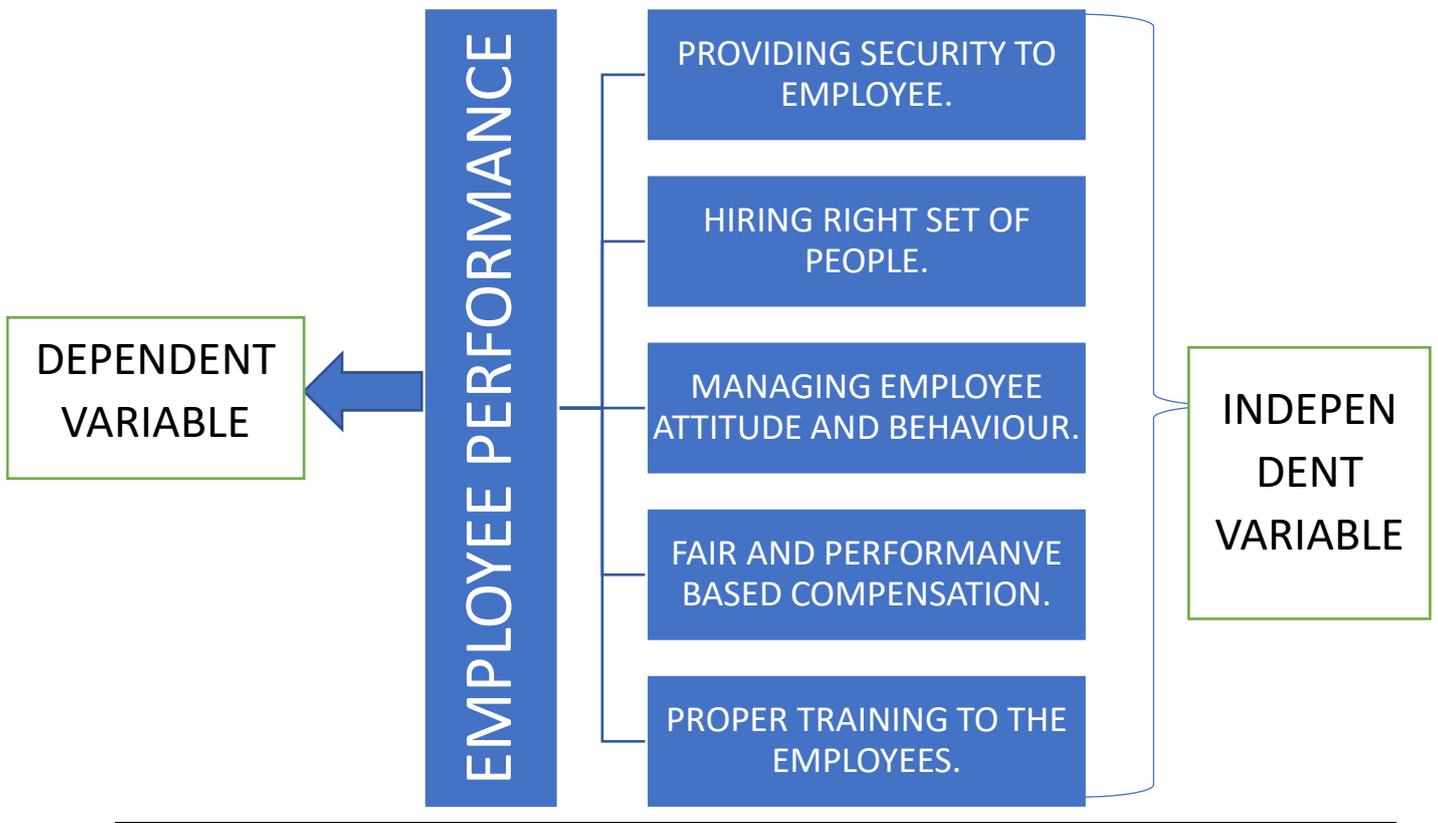
## **2.5 PROVIDING SECURITY TO EMPLOYEES**

For any employee job security is the first and the foremost important factor before taking any of the job. The sense of security in job will develop confidence in employees which makes themselves to push forward in handling critical situations. The HR set a motivational tone for your office and empower the employee with the sense of well-being at the office so he/she will not need to question his/her job security.

## **2.6 EMPLOYEE PERFORMANCE**

Employee performance of the company can be said with a different type of ways which include behaviour, attitude, and motivation to fulfil goals (Ali and Jadoon, 2012). Various research paper conclude that HR practices are found to be directly related with the performance of the employees (Wright and Kehoc, 2008). HR have understood that employees are an important factor to achieve organizational goals and help in reaching a competitive edge against all the competitors (Wright et al., 2003).

## **SCHEMATIC DIAGRAM**



### **3. RESEARCH METHODOLOGY**

#### **3.1 PURPOSE OF THE STUDY**

This research aims to understand the impact of HR practice on employee performance. For this various HR practices and the employee performance have been studied.

#### **3.2 RESEARCH OBJECTIVE**

The study aims to understand

1. The nature of HR practices and employee performance in organization.
2. The impact of HR practices on employee performance.

#### **HYPOTHESIS**

There is a significant relationship between providing security and employee performance.

There is a significant relationship between hiring people and training and development.

#### **3.3 RESEARCH DESIGN**

The way in which an organization manages its HR practices greatly impacts employee commitment. To understand the relationship between HR practices and employee performance, a descriptive study has been conducted. Both primary and secondary data has been used to support the claim made in the study.

For primary research, a questionnaire was framed. This questionnaire focused on the different HR practices (such as recruitment and selection, training and development, attitude and behaviour, fair and performance-based compensation, providing security to employees) and employee performance that can be observed in an organization. The questionnaire was then sent to employees (sample size- 100) of banking sector for data collection.

### **3.4 RESEARCH INSTRUMENTS**

A structured questionnaire with statements on independent variables (recruitment and selection, training and development, attitude and behaviour, fair and performance-based compensation, providing security to employees) and dependent variable have been included for better understanding of the impact of HR practice on employee performance. Five-point Likert scale (1= strongly agree, 2= agree 3= neutral 4= disagree 5= strongly disagree) has been used to get the responses.

### **3.6 RESEARCH SAMPLE**

Purposive sampling (non-probability sampling) has been used to support the study.

### **3.7 DATA COLLECTION**

The target population for this study are employees of banking organizations.

### **3.8 RESEARCH TOOL**

The collection of primary data and its analysis has been conducted using MS-EXCEL and SPSS.

## 4. RESULTS

### 4.1 CORRELATION ANALYSIS

		Correlations					
		HiringPeople	TrainingandD evelopment	EmployeeAttit udeandBehav iour	Performance BasedCompe nsation	ProvidingSec urity	EmployeePerf ormance
HiringPeople	Pearson Correlation	1	-.074	.362**	-.068	.156	.193
	Sig. (2-tailed)		.552	.003	.588	.212	.120
	N	66	66	66	66	66	66
TrainingandDevelopeme nt	Pearson Correlation	-.074	1	-.069	.075	.242	.047
	Sig. (2-tailed)	.552		.584	.551	.050	.710
	N	66	66	66	66	66	66
EmployeeAttitudeandBeh aviour	Pearson Correlation	.362**	-.069	1	-.245	.304	.239
	Sig. (2-tailed)	.003	.584		.047	.013	.053
	N	66	66	66	66	66	66
PerformanceBasedComp ensation	Pearson Correlation	-.068	.075	-.245	1	-.097	.081
	Sig. (2-tailed)	.588	.551	.047		.440	.518
	N	66	66	66	66	66	66
ProvidingSecurity	Pearson Correlation	.156	.242	.304	-.097	1	.250
	Sig. (2-tailed)	.212	.050	.013	.440		.043
	N	66	66	66	66	66	66
EmployeePerformance	Pearson Correlation	.193	.047	.239	.081	.250	1
	Sig. (2-tailed)	.120	.710	.053	.518	.043	
	N	66	66	66	66	66	66

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

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

## INTERPRETATION

Ho: There is no significant relation between providing security and employee performance.

Ha: There is a significant relationship between providing security and employee performance.

Since the sig. value (P value) is .043, which is less than the alpha value of 0.05. therefore, null hypothesis is rejected and alternate hypothesis is accepted. Therefore, there exist a significant relationship between providing security and employee performance.

Ho: There is no significant relation between hiring people and training and development.

Ha: There is a significant relationship between hiring people and training and development.

Since the sig. value (P value) is .552, which is more than alpha value of 0.05. therefore, null hypothesis is accepted and alternate hypothesis is rejected. Therefore, there exist no significant relationship between hiring people and training and development.

Ho: There exist no significant relation between performance-based compensation and employee attitude and behaviour.

Ha: There exist a significant relation between performance-based compensation and employee attitude and behaviour.

Since the sig. value (P value), which is more than alpha value of 0.01. Therefore, null hypothesis is accepted and alternate hypothesis is rejected. Therefore, there exist no significant relationship between performance-based compensation and employee attitude and behaviour.

### **RELIABILITY ANALYSIS**

<b>VARIABLE</b>	<b>CRONBACH'S ALPHA</b>	<b>NO. OF ITEMS</b>
<b>Hiring right set of people</b>	<b>.704</b>	<b>3</b>
<b>Training and Development</b>	<b>.700</b>	<b>3</b>
<b>Attitude and Behaviour</b>	<b>.808</b>	<b>3</b>
<b>Performance based compensation</b>	<b>.702</b>	<b>3</b>
<b>Providing security to employees</b>	<b>.710</b>	<b>3</b>
<b>Employee Performance</b>	<b>.822</b>	<b>8</b>

From the above table, we can find that hiring set of people, training and development, attitude and behaviour, performance-based compensation, providing security; and employee performance are six potential variables with high reliability and validity.

## 4.2 REGRESSION

Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	Providing Security, Performance Based Compensation, Hiring People, Training and Development, Employee Attitude and Behaviour <sup>b</sup>		Enter

a. Dependent Variable: Employee Performance

b. All requested variables entered.

## REGRESSION ANALYSIS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.352 <sup>a</sup>	.124	.051	.32305

a. Predictors: (Constant), Providing Security, Performance Based Compensation, Hiring People, Training and Development, Employee Attitude and Behaviour

**INTERPRETATION**

From the above data and table given above we can infer that, the variable taken for the study are providing security to employee, hiring right set of people, attitude and behaviour, compensation, training and employee performance. In which employee performance is dependent variable rest all the variables are independent.

From the model summary table, we can see that the value of **R** is **.352 or 35.2%**, which indicates that there exists a high positive relationship between variables.

The **R square** value is **.124 or 12.4%**, which means that independent variables are able to explain **12.4%** of the model, which means that there are only certain (**87.6%**) other factors or variables which are affecting the employee performance; apart from these independent variables.

**Adjusted R square** value is **.051% or 5.1%**, this means that 5.1% of the variance in employee performance is explained by independent variables.

ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.887	5	.177	1.700	.148 <sup>b</sup>
Residual	6.262	60	.104		
Total	7.149	65			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Providing Security, Performance Based Compensation, Hiring People, Training and Development, Employee Attitude and Behaviour

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.824	1.175		.701	.486
Hiring People	.111	.131	.110	.842	.403
TrainingandDevelopment	.010	.134	.010	.078	.938
EmployeeAttitudeandBehaviour	.181	.140	.179	1.292	.201
PerformanceBasedCompensation	.186	.155	.150	1.200	.235
ProvidingSecurity	.202	.141	.190	1.435	.156

a. Dependent Variable: EmployeePerformance

**INTERPRETATION**

Variable	Sig. value	Hypothesis testing at 95%confidence interval	Interpretation
Hiring people	.486	Null hypothesis accepted (.403>.05)	There is no significant impact on hiring people. This is because sig. value is more than 0.05.
Training and development	.938	Null hypothesis accepted (.938>.05)	There is no significant impact on training and development. This is because sig. value is more than 0.05.
Performance based compensation	.235	Null hypothesis accepted (.235>.05)	There is no significant impact on performance-based compensation. This is because sig. value is more than 0.05.

## **5. IMPLICATIONS OF THE STUDY**

### **5.1 HIRING RIGHT SET OF PEOPLE**

We will start with the first independent variable that is **hiring the right set of people** or we can say recruitment and selection. According to the three questions asked on the basis of this topic we get to know that yes, in the banking industry we can surely say that right people are been selected for the right job. The people are selected as per their interest or as per their ability. Along with this no wrong information is been provide to the person who is to be recruited rather adequate and relevant information is been provided about both the organization the job position to be assigned to the chosen person for that position. And the banking industry which all depends upon the finance, so for this the right person has to be selected carefully as it is a matter of finance. So, the employees are been selected strictly on the basis of their merit. So, this implies that yes hiring right set of people is very important for any kind of the organization.

### **5.2 PROPER TRAINING TO THE EMPLOYEES**

The next independent variable is **proper training to the employees**. When that right person is been selected for the job then the real work get start. That employee gets the training and the training is been performed on the basis of his/her job position and unnecessary training is not been provided to them. Along with this as per their performance the level of training is been also decided. The training that is to be provided to the employees, they have themselves told that it is been provided or is been organized in such a manner that it can be used at the time of change of the jobs or the business, which makes it beneficial for them in the future also. Apart from the goals of the organization the social skills, general skills and problem-solving skills are also been taught for having a good relationship with the customers.

### **5.3 EMPLOYEE ATTITUDE AND BEHAVIOUR**

The next independent variable is **employee attitude and behaviour**. Attitude and behaviour are the most important skills that should be properly rehearsed and trained in such a manner that there are no problems in future. Employees attitude depends upon the trust factor. If the organization works according to the promises made by them to their employees, more will be the trust of the employees toward them. Along with the promises if the organization have a proper set of rules and regulations or proper policies and practices, so this will automatically combine the relationship of employees and organization. With the help of the promises and the proper policies and regulations more employees will stick with that organization and will help in bringing more laurels and making reach the organization at greater heights.

### **5.4 FAIR AND PERFORMANCE BASED COMPENSATION**

For any of the employee to stay in the organization apart from the work is his/her salary. For the survival of a person or bring development in one's life, money is very much required. So, the rewards and the incentives are a must for each and every employee. After this question getting filled by the employees, we can conclude by saying that yes, the employees do agree that the rewards and the incentives are fairly distributed in the organization. Which is a must because a sense of partiality, brings a kind of hatred among each other which must be taken care of if such kinds of events occur. So, the employees do agree with the question that yes, the rewards are totally been distributed only on the basis of the employee's performance. And they also do agree that these rewards which are fairly been distributed do help them do motivates them to perform much better and make the organization reach at a greater height.

## **5.5 PROVIDING SECURITY TO THE EMPLOYEES**

It is pretty much obvious that for the survival a security or a surety is a must, and according to the questions related with the job security the employees do agree that yes they have been assured by the organization that they do not work under the threat of losing their job. For people whose goal is to make the organization reach at a greater height for them the growth opportunity is available which will surely motivate them to perform much better. Apart from the growth opportunity the organization also do believe that apart from work life, personal life also does matter. And for that the organization provide programs to assist the balancing demand of families with children or their elderly family member.

## **5.6 EMPLOYEE PERFORMANCE**

Now we can conclude by our dependent variable that is the **employee performance**. In this variable 8 questions were framed out for the employees and instead of just strongly agreeing there were certain mix reaction like neutral, or disagree. It's not always that every person will be able to adapt the change in the work environment. It takes time to adjust in the frame. Sometimes being a new person in the organization or coming out of some wrong thing, makes the other employee confused that whether the expectations can be met with that employee. Patience is the key to success and gain trust. Having a helping hand is also must in an organization. Not everything can be done by you alone, so as told in above lines the most reason you don't have helping hand is that you might be new or because of your unmatched attitude and behaviour leading to lack of trust, but one day soon the trust will be gained back.

So just like these questions, few more were asked through which it can be concluded by saying that the employee performance should be regularly checked or supervised and if any problem occurs should be solved by the HRM practices as these employees are like the building blocks which helps the organization to grow for the future.

## **6. CONCLUSION**

The main purpose of this study was to study the impact of HRM practice on employee's performance in banking sector. For this study a set of questionnaires was made to check the proposed model in banking sector of India. The sample size of the study was 100 employees. The literature review tells about the theoretical evidence from the past regarding the link between the HRM practices and employee performance. This present study has taken 5 practices which are considered to enhance and motivate the employees. The 5 practices are; hiring right set of people, providing security to employees, attitude and behaviour, fair and performance-based compensation and proper training to employees. To evaluate these responses of these employee's descriptive analysis, correlation and regression analysis were taken into consideration. Hypothesis test was also done between these independent and dependent variables.

The banking sector of India can quickly redefine these practices to boost their employee's performance. The salaries and the various other financial incentives should be taken onto consideration to adjust the performance of the employees. This study include these 5 practices which were not been taken into consideration in the past because nobody thought that HRM practices were an important part of their organization' but as there was advancement of technology, rules and regulation the managers understood the importance of these HRM practices and later on was taken into consideration.

## **7. LIMITATIONS**

Due to the covid-19 pandemic and lockdown worldwide responses were not collected in-person. So, there was no personal interaction with the respondents while collecting the survey due to which we were unable to know the state of mind of the respondent while filling the survey. The study is limited to a specific group of people due to the lockdown. Our study was totally based on perception of the respondents. Study of virtual training and development during covid-19 was difficult as it is ongoing pandemic. Some organizations recently started virtual training and development so they were neutral about their thoughts. This was the major constrain in the study.

## **8. SCOPE OF FURTHER RESEARCH**

As the topic says “**IMPACT OF HRM PRACTICE ON EMPLOYEE PERFORMANCE**” the significance of this present study is to know that with the increase in competition in the market the demand of highly skilled and trained employees has been increased and to select the right set of people the HR helps the organizations in hiring them. And the organization grows when their employees are satisfied with the rules and regulation and if not then it is the duty of HR to keep a proper record on their employees.

### **1. Whether the research deviated from its initial objectives?**

No, the objective was to find the impact of the HRM practice on employee's performance so as per the objective the questionnaire were prepared and distributed among the employees.

### **2. From where was the inspiration drawn?**

Myself being as a part of banking sector for 1 year was a good experience. Was a part of retail banking so from here my inspirations were drawn to know more about the employee but now as being a part of HR person.

### **3. What should be explored by others?**

The 5 practices that have included in this research are not the only practices of HRM. There are many other practices, so apart from these 5 practices, research can be done on other various practices.

### **4. What can be achieved from it?**

By studying this research, we can get to know that apart from sales, marketing and finance, HR also plays an important role for the organizations and if understood well by the companies, can for sure help in hiring right set of people leading to profit and growth for the organization.

## **REFERENCES**

1. Saleem, I. & Khurshid, A. (2014). Do Human Resource Practices affect Employee Performance?
2. 11 January, 2012, African Journal of Business Management Vol. 6(1), pp. 323-332
3. Issue: 1 (January 2014), Euro-Asian Journal of Economics and Finance, Volume: 2, Pages: 86-99
4. June 2011, International Journal of Business and Management Vol. 6, No. 6