# The Impact of Human Resource Management Practices on Employees' Performance: The Evidence from Selected Commercial Banks in Jaffna District.

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*Abstract*

In the current scenario, Human Resource Management Practises play an important Role in Organization to increase the Employees' Performance. The purpose of this paper is to examine the impact of human resource management (HRM) practices on Employees' performance. If it Managed efficiently and effectively, Human Resource can play an important role in realizing the objectives of the organization, as an integral source. For the purpose of this study data collection was done through the questionnaire and reliability of the items ware confirmed further 184 respondents were selected based on convenient sampling method from managerial and non-managerial staffs from selected most leading Commercial banks in Jaffna District. Statistical Package for Social Sciences (SPSS) was used to analyze the data and statistical tools such as correlation and regression the related variables. The results indicate that HRM practices Recruitment and selection, Training and Development, Compensation and Performance Appraisal have a positive impact on employee's performance. Hence that independent variables contribute positively towards change in the dependent variable.

**Keywords:** hrm practices recruitment and selection, training and development compensation, performance appraisal and employees' performance.

## Introduction

In any organization, employees are considered the essential strategic asset. Therefore, employees could be a competitive advantage if their organization provides more attention and invest in developing employees' skills at the workplace (Danish and Usman, 2010; Zaharie and Osoian, 2013). A number of researchers have reported that HR practices are positively linked with organizational and employee performance (e.g. Guest, 2002; Harley, 2002; Gould-Williams, 2003; Park et al., 2003; Wright et al., 2003; Tessema and Soeters, 2006). The focus and thrust of these studies have been towards developed countries. Little research has been done to test the HR-performance link in developing countries like Sri Lanka. The present study is an attempt to test the relationship between HR

practices and employee performance in a developing country i.e. Sri Lanka among Bank Staffs.

The most relevant HRM practices (training and development, performance appraisal, Recruitment and selection, and compensation system) have been selected for the study. Correlation and Regression technique was used to analyze the data. As human resources are the most important asset of an organization and being the base of achieving competitive advantage, managing HR is extremely challenging when compared to managing technology and/or capital for its effective management. It goes without saying that an effective organization requires an effective system of HRM. Human Resource Management system should be supported by sound HRM practices. These HRM practices denote organizational activities aimed at managing the collection/team of human resources and ensuring that resources are utilized towards the accomplishment of organizational goals.

The assumption supporting the practice of HRM is that people are the organization's major resource and organizational performance mostly depends on the employees. If, as a result, a suitable range of HR policies and processes are developed and carried out efficiently, then HR will make a significant impact on firm performance (Armstrong (2006). In the words of (Bernardin and Russell, (1998) companies now becoming more aware that it employees could be its greatest strength. They went on by saying that for a company to achieve this, it must have a team of HR and line management who are very knowledgeable and have accepted the fact that the practice of HR will lead to a competitive advantage in the organization.

Human resource management (HRM) is the policies, practices, and systems that influence employees' behavior, attitudes, and performance. Many companies refer to HRM as involving "people practices". There are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many employees with specific knowledge and skills are needed (human resource planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding employees (compensation), and creating a positive work environment (employee relations). An organization performs best when all of these practices are managed well. At companies with effective HRM, employees, and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favorable reputation in the community (Raymond Noe, 2011).

The main aim of this study is to explore the relationship between HRM practices and Employees' performance of selected commercial banks in

Jaffna district. as well as examining whether there is a positive impact of HRM practices on Employees' performance.

## Literature Review

This chapter reviews previous works done by researchers in the field of HRM. What is known as literature review in research does not only provide knowledge on what has been done on an area of study but the strengths and weaknesses that could propel a meaningful and insightful study? This chapter casts light on the concepts of HRM, various bundles of HR practices, contentions surrounding theories, models, and previous findings. It ends with the HR practices that have been found to impact greatly on the organizational performance of especially the Banking Sector.

The term Human Resource Management (HRM) is a strategic, integrated and coherent approach to the employment, development, and well-being of the people working in organizations. To Boxall et al, (2007), it is the management of work and people towards desired ends. Som, (2008) described HRM as carefully designed combinations of such practices geared towards improving organizational effectiveness and hence better performance outcomes.

There is a number of HR practices that could be tested in connection with employee performance. Teseema&Soeters (2006) have studied eight HR practices and their relationship with perceived employee performance. These eight practices include recruitment and selection practices, placement practices, training practices, compensation practices, employee performance evaluation practices, promotion practices, grievance procedure and pension or social security. Huselid (1995) used eleven HRM practices in his study which are personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labor management participation, recruitment efforts, employee training and promotion criteria. This study examines the relationship between four HR practices i.e. Recruitment & selection, Training & Development, Compensation and Performance Appraisal. the organization (Schuler and Jackson, 1987). HRM practices are designed and implemented in such a way that human capital plays a significant role in achieving the goals of the organization (Delery and Doty, 1996). The appropriate use of HRM practices positively influences the level of employer and employee commitment (Purcell, 2003). HRM practices such as training and development, performance appraisal encourage the employees to work better in order to increase the organizational performance (Snell and Dean, 1992; Pfeffer, 1998). The practices selected for this study are based on its importance in relation to the industry selected for the analysis.

Human Resource Management Practises are essential for ideal integration for success in the global business environment. The challenges and trends of Human Resource Management Practises have been revolutionized over the years. Thus, HRMPs is vital for successful implementation of HR policies effectively and efficiently to achieve the organizational goals (Mathis and Jackson, 2008). Likewise, practices of HRM are valuable for the organization to take practical measures for improving the efficiency of the workers and enhancing commitment among them (Deb, 2006). Moreover, implementing Human Resource Management Practises effectively leads to attract motivate, retain employees in order to enhance individual and organizational level performance (Pablos and Lytras, 2008). There is a growing concern based on the belief that human resource should be valued as essential assets rather than a cost for the organization and as a strategic factor which supports and source of sustained competitive advantage (Delaney and Huselid, 1996; Wright et al., 2001; Sun et al., 2007). In addition, successful Human Resource Management Practises lead to an improved level of individual and organizational performance (Chang and Huang, 2005).

Recruitment and selection are one of the most important functions in Human Resource Management. It is a process of finding, assessing, and having the right people in the right job. A positive relationship has been reported among recruitment, selection, and other procedures that are used for selection of the applicants effectively which have a significant effect on the firms' profits (Hausdorf and Duncan, 2004). In addition, it is the process of searching the applicants for employment and encouraging potential candidates to apply for jobs (Jain and Saakshi, 2005).
Marques (2007) involvement of HR department in hiring process helps to enhance knowledge of the workforce and required skills. It is also helpful for the identification of upgrading skills requirement of the employees. By such involvement, good communication seems to have a synergy effect and helps to unify the workforce.

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Hence, Gomez-Mejia et al. (2010) argue that firms can only outperform others when they have a successful business strategy and good compensation system that helps and gets support from the highest-paid executives and down to the lowest-paid employee. The primary objective of a performance appraisal is to ensure the maximum utilization of every employee's skills, knowledge, and interests (Arthur, 2008). Measuring and fostering employee's performance is a key determinant of organizational success and competitive advantage (Ployhart et al., 2006). In addition, selection and training practices might be changed based on the appraisal information with the desired behaviors and attitudes. Nevertheless, professional employees without being motivated to achieve their tasks, their efficiency will be imperfect (Sani, 2012).

## Research methodology

This study is aimed at examining the HRM practices of Six Selected Commercial banks and the impact of such practices on the Employees' performance of these banks. A conceptual framework provides an outline to understand the impact of Human Resource Management practices on employees' Performance. Based on relevant literature the Human resource management practices include Recruitment & selection, Training & Development, compensation and Performance Appraisal. This research study has four independent variables includes recruitment and selection, training and development, compensation and performance appraisal and one dependent variable i.e., Employees' performance.

$H_1$: HR Practices have Significant Relationship with Employees'
Performance.
$H_{1a}$: Recruitment and selection have Positively Related with Employees'
Performance.
$H_{1b}$: The Training & development have positively related to employees'
performance.
 $H_{1c}$: The Compensation & Reward have positively related to employees'
performance.
$H_{1d}$: The Performance appraisal has positively related to employees'
performance.
$H_2$: HR Practices have a significant impact on Employees' Performance.

## Data Analysis

Data analysis would consist of two major components. The first part of the analysis presents the background information of the research sample and the second one identifies the relationships conceptualized in the Study. More specifically, it used descriptive statistics, reliability analyses, and correlation analyses. Descriptive statistics (means, standard deviations, and frequencies) ware used to describe characteristics of the sample such as age,

gender, marital status, experience, educational level, possession, and income. t-test, one-way ANOVA, bivariate correlation and regression analysis ware used in the cases. All hypothesized bivariate relationships ware tested at the 5 level of significance. For this purpose, the researcher used the Statistical Package for Social Sciences (SPSS).

It includes correlation analysis & multiple regression analysis which are used to find out relationship and the significant impact of Human Resource Management Practices and Employee's Performance.

Descriptive Statistics

| Dimensions | Range | Mean | Std. Deviation | Variance |
|---|---|---|---|---|
| Recruitment & Selection | 2.25 | 4.13 | 0.52 | 0.27 |
| Training & Development | 2.80 | 4.28 | 0.49 | 0.24 |
| Compensation & Reward | 3.00 | 4.10 | 0.57 | 0.33 |
| Performance Appraisal | 3.33 | 3.70 | 0.46 | 0.21 |
| Employees' Performance | 2.00 | 4.18 | 0.49 | 0.24 |

Source: Survey Data, 2017.

According to Table, Training & Development has the highest mean of 4.28 whereas Performance Appraisal has the lowest mean of 3.70. Even though mean & standard deviation is in the same level among all the constructs approximately. Base on the mean value all the respondents perceived the HRM Practices and Employees' Performance favorable.

**Pearson Correlation Analysis**

The Pearson correlation coefficients are presented to illustrate the relationship as well as the statistical significance between independent variables and dependent variables. In addition, Pearson's correlation analysis method is chosen because the correlation can be compared without regard to the amount of variation exhibited by each variable separately. Purpose of the correlation analysis in this study is to find out the significant relationship between HRM Practices and Employees' Performance. Further,

it is utilized to find out the relationship between the dimensions or factors influencing on HRM Practices as Recruitment & Selection, Training & Development, Compensation & Reward, Performance Appraisal and Employees' Performance.

Pearson Correlation Analysis

| Variables | R & S | T & D | C & R | PA | EP |
|---|---|---|---|---|---|
| Recruitment & Selection | 1 | | | | |
| Training & Development | $0.35^{**}$ | 1 | | | |
| Compensation & Reward | $0.56^{**}$ | $0.45^{**}$ | 1 | | |
| Performance Appraisal | $0.40^{**}$ | $0.15^{*}$ | $0.40^{**}$ | 1 | |
| Employees' Performance | $0.17^{*}$ | $0.38^{**}$ | $0.35^{*}$ | $0.16^{*}$ | 1 |

Correlation is significant at the 0.01 level (2-tailed).∗∗
Correlation is significant at the 0.05 level (2-tailed).∗
Source: Survey Data, 2017.

Pearson correlation was applied on the data to check the relationship between HRM practices. Pearson correlation for the Employee Performance with Recruitment & Selection (r=0.17), Training & Development (r=0.38), Performance Appraisal(r=.16), and Compensation & Reward (r=0.35) show a positive relationship. All correlations were significant at 0.01 levels and had the Weak positive relationship with employee performance.

Thus, the result has shown that there is a significant positive relationship between independent variables (Training & Development, Recruitment & Selection, Compensation & reward and Performance Appraisal), and the dependent variable (Employees' Performance).

## Multiple Regression Analysis

The objective of multiple regression analysis is to predict the single dependent variable by a set of independent variables (Heppner and Heppner, 2004). Regression analysis determines the nature of the relationship. When choose to analyze data using linear regression, part of the process involves checking to make sure that the data want to analyze can actually be analyzed using linear regression. The purpose of regression analysis is to find out the significant impact or influence of the independent

variable on the dependent variable (Ndubisi, 2006). In this study, HRM Practices Are considered as the independent variable or predictor variable, and the Employees' Performance is considered as the dependent variable.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. The error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | 0.44[a] | 0.19 | 0.18 | 0.44 | 1.72 |

Predictors: (Constant), Performance Appraisal, Training & Development, Recruitment & Selection, Compensation & Reward
Dependent Variable: Employee Performance
Source: Survey Data, 2017

From the Table Model Summary, the value of the adjusted R Square is 0.18. It revealed that there is a 19.8% of the impact of the independent variable on the dependent variable. Hence there is 19.8% of the impact of the HRM Practises on employees' Performance. Furthermore, the other 44.9% of the model is explained by other factors which are able to influence the Employees' Performance.

Coefficients table in the Regression analysis

| Model | Unstandardize | | Standardi Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 2.18 | 0.37 | | 5.79 | 0.00 |
| Recruitment & Selection | 0.16 | 0.07 | 0.17 | 2.39 | 0.01 |
| Training & Development | 0.38 | 0.06 | 0.38 | 5.64 | 0.00 |
| Compensation & Reward | 0.30 | 0.05 | 0.35 | 5.175 | 0.00 |
| Performance Appraisal | 0.17 | 0.07 | 0.16 | 2.23 | 0.02 |

Dependent Variable: Employee Performance.

Source: Survey Data, 2017

According to the equation above, the regression coefficient for Recruitment & Selection is 0.16. It means that the employee performance will increase by 0.16 units when Recruitment & Selection increased 1 unit while others remain. Furthermore, the regression coefficient for Training & development is 0.38. It means that Employee Performance will increase 0.38 units when Training & Development increased 1 unit while others remain the same. In addition, the regression coefficient of Compensation & reward is 0.30. It means that the Employee Performance will increase 0.30 when Compensation & Reward increased 1 unit while others remain the same. As well, the regression coefficient of Performance Appraisal is 0.17. It means that the Employee Performance will increase 0.17 when Performance Appraisal increased 1 unit while others remain the same. Among the four independent sub-variables, Training & Development has the strongest influence on employees' performance where standardized beta equal to 0.38. Thus, compensation & Reward is the most important predictor of Employees performance and followed by Recruitment & Selection 0.16, and 0.17.

In addition, From the Table: Coefficients table in the Regression analysis, Beta value between employee performance and other predictor variables as Recruitment & Selection, Training and Development, Compensation and reward and performance Appraisal is 0.16, 0.38, 0.30 and 0.17 respectively. These are insignificant at 0.05 levels ($P < 0.05$). all the predictor variables have a positive trend towards the dependent variable.

Finally, in terms of the Multiple Regression analysis, the researcher can come to the conclusion that the predictor power of the employee performance is at the moderate level. The results of the regression analysis summarized in the above tables show that HRM Practices contribute significantly to Employees performance (F= 11.06; $P < 0.05$) and predicts 19.8 percent of the variation found. Recruitment & Selection, Training & Development Compensation and Reward and performance Appraisal contribute significantly to employee's performance.

## Hypotheses Testing

Summary of the data analysis is given below through the hypotheses testing.

Hypotheses Testing

| Hypotheses | Values scored | Result | Tools |
|---|---|---|---|
| **$H_1$: HR Practices have Significant Relationship with Employees' Performance.** | **0.37** | **Supported** | **Correlation** |
| $H_{1a}$: Recruitment and selection Positively Related with Employees' Performance. | 0.17 | Supported | Correlation |
| $H_{1b}$: The Training & development have positively related to employees' performance. | 0.38 | Supported | Correlation |
| $H_{1c}$: The Compensation & Reward have positively related to employees' performance. | 0.35 | Supported | Correlation |
| $H_{1d}$: The Performance appraisal has positively related to employees' performance. | 0.16 | Supported | Correlation |
| **$H_2$: HR Practices have a significant impact on Employees' Performance.** | **0.18** | **Supported** | **Regression** |

## Discussions of findings

The main purpose of this research study focuses on the relationship & the impact between the determinants of HRM Practices and employee's Performance.

This study was carried out to understand the role of Recruitment & Selection, Training & Development, Compensation & Reward and Performance Appraisal on employees' performance. Researcher circulated questionnaires in selected commercial banks and got the responses, the researcher found out that a larger number of respondents' ware female and the percentage of the male was relatively by less i.e. female 50.5% and male 49.5%.
In my questionnaire, the Likert scale was used to measure the degree to which people agree or disagree to the HR Practices. The employees gave their opinion about How far they have understood the role of the practice in

employees' performance. Most of the employees strongly agreed with the employee's performance in the organization. They were totally satisfied with the HR practices and had no problem and confusion about the HR practices our first independent variable of the research is recruitment and selection which effect on the employees' performance is determined? The finding suggests that the value of correlation analysis of recruitment and selection practices over employees' performance is 0.175* (Significant at 0.05) which shows that the values are highly significant and the employees are satisfied with the relationship between the recruitment and selection practices and employees' performance. Training and Development, Compensation & reward and performance Appraisal also the independent variables of the research also show that the employees are satisfied with this practice.

## Conclusion

The purpose of this study is to explore the impact of Human Resource Management Practices on employee performance at selected commercial Banks in Jaffna and to suggest recommendations for its improvement. The findings of the current research study illustrate that the Human Resource Management Practices (recruitment and selection, training and development, compensation and Reward, performance appraisal) are positively related to employees' performance. Employees are one of the critical strategic assets for any organization. Likewise, Banks should strive to attract the talent, well trained and enthusiastic employees and improve their performance. Successful and good effective implementation of Human Resource Management Practices empowers Bank employees and improves their performance positively. Therefore, best practices of HRM stimulate Bank employee's performance which in turn improves Bank performance. So, Banks realize the importance of stimulating Bank employee's performance; many Banks are giving more attention to the top management of Human Resource Management Practices.

## Recommendations

It is clear from the findings that Human Resource Management (HRM) practices (recruitment and selection, training and development, compensation and Reward, performance appraisal) have a positive role in increasing the employee's performance, so the organizations should implement these practices to achieve the desired goals. The organizations should utilize a variety of reward and recognition programs to drive behavior that promotes high performance. The organization conducts an extensive training program for its employees relevant to the changing needs of jobs and business.

Job performance should be considered an important factor to determine the compensation of employee's performance. Management should value the

contribution and ideas shared by employees and empower employees to maximize their individual talent in order to make effective decisions. Human Resource Management practices (recruitment and selection, training and development, compensation and Reward, performance appraisal) play a crucial role in increasing employee performance so the organizations should revise their HR policies by keeping in view the above factors in order to attain the targeted goals.

Human resources, which are considered the greatest asset of an organization, refer to people whose knowledge, skills, and abilities are utilized to create and to deliver effective services. Effective recruitment and selection attracts the right quality and quantity of people, develops the knowledge, skills, and abilities of employees, and retains employees within the organization. The Banks need to have an effective recruitment policy to promote scientific selection of prospective employees. The departments should participate in the selection process as they have different preferences in the candidates. Candidates need to be selected based on requisite skills knowledge, attitude, and qualification using appropriate selection techniques. Besides, an appropriate training program for both academicians and support staff should be organized to continuously improve the skills of employees.

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