



**THE IMPACT OF HUMAN RESOURCE PRACTICES ON ORGANIZATIONAL PERFORMANCE IN BANKING SECTORS**

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**ABSTRACT**

This study is going to evaluate the impact of human resource practices on organizational performance in banking sector and how different variables help an organization to achieve its objectives in efficient and

effective way. The main object of this research is to evaluate the Impact of human resource management practices on organizational performance more precisely, on banking sector the study focus on variables of human resource practices which are training and development. The data tool used for data collection was questionnaire, to analyze the effect of these variables, using descriptive statistics and correlation analyze in order to analysis the data. The result confirm that all variables of human resource practices are positively correlate with organizational performance in banking sector which indicates that the enhancement in those human resource practices can lead to improvement of performance in banking sector in NCR.

**KEYWORDS:** Human resource practices (Training & Development, Performance appraisal).

**INTRODUCTION**

Success in today's competitive market depends less on advantages associated with economies of scale, technology, patents but are more derived from organizational human resources and high involvement of human resource management practices (Tahir Masood Quresh, Ayisha Akbar, Mohammad Aslam Khan, Rauf A. Sheikh and Syed Tahir Hijazi, 2010) There is not a single HR Practice which a company aspires to retain its employees. There are different HR

Practices which a company combines to manage its HR system. A company should always combine "Number of Best HR Practices" which they should implement for the survival and sustainability of the organization. "Best practices" in HR are subjective and transitory. They enhance internal capabilities of an organization to deal with current or future challenges to be faced by an organization. They enhance internal capabilities of an organization to deal with current or future challenges to be faced by an organization. Employees training and development & performance appraisal is one of the most important resources practices that would directly affects organizational performance. Human resource practices can play a crucial role in changing the attitude of the companies and its employees in order to facilitate the entry and growth in the markets. HR Practices are most effective when matched with strategic goals of organizations. HRM,s role in the company's success is growing organizations and becoming more important than eve. the hrm practices are crucial in designing the structure for man power, staffing, performance appraisal, compensation, training and development. HRM practices are a primary means for defining, communication and rewarding organizations and becoming more important than eve. the hrm practices are crucial in designing the structure for man power, staffing, performance appraisal, compensation ,training and development. HRM practices are a primary means for defining, communication and rewarding desired role behaviors and desired role behaviors are a function of organizational characteristic HRM practices can play a crucial role in changing the attitude of the companies and its employees in order to facilitate the entry and growth in the markets.

## LITERATURE REVIEW

According to Khatri (1999), people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997) argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment. Several scholars have noted that managing people is more difficult than managing technology or capital (Barney, 1991; Lado and Wilson, 1994). However those firms that have learnt how to manage their human resources well would have an edge over others for a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer (Wright et al., 1994). The effective management of human resources requires sound Human Resource Management systems. Storey (1995) defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed

and skilled workforce, using an array of techniques. HRM can help firms improve organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance (Koch and McGrath, 1996).

### **Previous studies**

Human resource management came into popular parlance in the late 1970s. As a managerial approach aimed at re-ordering the employment relationship to ensure employee efforts were strategically focused on achieving organizational performance and competitiveness in increasingly volatile markets. However, it was only in the 1990s that the concepts of bundling of HRM practices become popular and attract numerous studies. Based on mailed surveys K.M et al., (2004) analyze the relationship between outsourcing of human resource activities, namely training and payroll and the firm performance. A sample of 94 manufacturing firms represent 16two- digit sic code industries in Southern western states the USA. using descriptive statistical and correlations. Results indicate that both training and payroll outsourcing have implication for firms performance.

Okpara and Pamela (2008) examined the extent to which organization in Nigeria use various practices and perceived challenges and prospect of these practices. Data were collected from 253 managers in 12 selected companies in 10 cities. Their findings reveal that HRM practices, such as training, recruitment, compensations, performance appraisal and reward system are still in place and that issue of tribalism, ADIS, training and development and corruption are and reward system are still in place and that issue of tribalism, ADIS, training and development and corruption are and reward system are still in place and that issue of tribalism, ADIS, training and development and corruption are some of the challenges facing HRM in Nigeria.

Using questionnaire for collecting data Ya-Fen et al (2009) Investigated and explored human resource practices and their influence on organization performance, 129 companies in Taiwanese electronic industry and 112 branches in China are used to demonstrate compare the impact of HRM practices on organization performance comparing with difference of appropriate decision support in each culture for Taiwanese electronic industry and the subsidiary company in China using Analytical Hierarchical process/Data Envelopment Analysis (AHP/DEA) model. The study found that different cultures have different relationship with organization performance. The main finding suggest: asking the employee to participate company activities.

## OBJECTIVE

The main purpose of this study is to evaluate the impact of human resource management practices on organizational performance in banking sector. In order to meet this objective, the following objectives taken up under our consideration.

- 1) The objective of the study is to examine and analyse the impact of HRM practice on organizational performance.
- 2) To identify the Impact of Training & development on Organizational Performance.
- 3) To address the linkage between HR practices and Organizational performance.
- 4) 4. To propose useful direction for future researches.

## Research questions

Specifically, this study is undertaken to explore the answer to the following research questions (RQ):-

- ▶ **RQ1:** Is there any association between HR practices and organizational climate and performance?
- ▶ **RQ2:** Do HR practices have any impact on Organizational performance?

## Organizational Performance

After reviewing lot of literature on HRM & HR practices it becomes equally important to have an insight into the conceptual understanding of organizational performance. Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Leban & Euske 2006 after Kaplan & Norton, 1992). Organizational performance is generally indicated by effectiveness (whether an organization can achieve its objectives), efficiency (whether an organization uses resource properly), satisfaction of employees and customers, innovation quality of products and services and ability to maintain a unique human pool (Delaney and Huselid, 1996; Dyer & Reeves, 1995; Guest 2001; Katou & Budhwar 2007). The ultimate goal of a business organization is higher financial performance or maximisation of wealth for stake holders (Becker & Huselid, 1998; Horngren, Foster, & Datar, 2000). Nonetheless, attaining the organization's goals depends upon the extent to which its organizational performance is reached (Katou & Budhwar, 2007).

### **Relationship between HRM Practices and Organization Performance**

Researcher said in his research that training & development is an vital activity to increase the performance of health sector organization (Iftikhar Ahmad and Siraj-ud-din, 2009). Another researcher said that employee performance is the important factor and the building block which increases the performance of overall organization (Qaiser Abbas and Sara Yaqoob). Employee performance depends on many factors like job satisfaction, knowledge and management but there is relationship between training and performance (Chris Amisano, 2010). This shows that employee performance is important for the performance of the organization and the training & development is beneficial for the employee to improve the main objective of our study is how the training increase the employee performance in the Organization.

Rideau and Wager (2001) examined the correlation between HRM practices, workplace climate & perceptions of organizational performance, in a large sample of Canadian nursing homes. The study found that nursing homes, which had implemented more „progressive“ HRM practices, had a general tendency to perform better on a number of valued organizational outcomes. Chand & Katou (2007) conducted a study to investigate if some characteristics of hotels affect organizational performance in the hotel industry in India; & to examine if some HRM systems affect organizational performance.

### **Training**

In this competitive world, training plays an significant role in the competent and challenging format of business. Training is systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job. Flippo, (1984) “Training is the act of increasing knowledge and skills of an employee for doing a particular job.”

### **Training and Development in Banking Sector**

In banking sector, training and development is one of the significant tools which transfer an employee to a superior employee. The term training refers to the acquisition of skills and knowledge, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies.

In Banks, there is a need for the continuous training and development of the staff in the areas of customer care services on operational aspects and behavioral aspects of the business. How are the needs identified? The training needs are assessed through task analysis and

performance analysis, which can be conducted through surveys, or from the information furnished by the heads of the departments, customer complaints, even from the reports on 360 degree feedback systems.

## RESEARCH METHODOLOGY

Present research paper is of descriptive type and based on primary data collected through questionnaire filled by the bank employees. The secondary data includes reference books, journal, research papers and internet. Random sampling of 40 respondents from employees from different banks like SBI, Oriental Bank of Commerce and Punjab National Bank located in NCR.

### Analysis and Findings

S. N.	Statements	% Response of employees
1)	Organization considers training as a Necessary part of employees Devalopment.	86% Good
2)	Training programme quality is good	71% Good
3)	Organization has put in place well elaborate developed programme aimed at improve employee performance	56% very Good
4)	Training is important to enhance knowledge ,skills, team work and also develop positive attitude	65% Very Good
5)	Training is helpful to reduce industrial accidents	60% Good
6)	Level of satisfaction towards various Training programme by the respondents	
7)	Do you think training is helpful to create good work culture	70% Very Good
8)	Training and Development Programme conducted was improve the quality and Productivity of work	82% Very Good
9)	Training objectives are clear while conducting training sessions	62% Good
10)	Values and Norms of the organization are clearly explained to new employees during induction training	67% Very Good
11)	Training and Development enhance the quality of service being performed by employees	70% Very Good
12)	Training and Development stabilized the organization	68% Very Good

## CONCLUSIONS

There is enough proof to show that employees who were trained on a regular basis are the ones who provide a higher quality services to the customers. To develop proactive and an integrated training and development strategy there is requirement of consistent corporate culture rather than ad-hoc programs. In a service oriented industry such as banking, people are among the most essential assets and a bank must efficiently manage its employees during every phase of employment in this competitive arena. It is concluded that public sector banks undertake training and development programmes for their employees to increase their

efficiency. Banks provide training programmes to enhance their knowledge and skills to satisfy the customers. Growth of banking sector in India is the result of skilled manpower which is the outcome of training and development.

From the above discussion the current study indicates that there is a huge scope of improvement in various aspects of HRM practices in the sample study organizations. The overall pattern also suggests that the managers and subordinates have different belief towards HRM practices in the sample study organizations. The manager's attitude towards the various issues of HRM practices is more positive than subordinates. The training structure in banking industry has been changed to create a smarter workforce and yield the best results. Training and development programmes help remove performance deficiencies in employees and also they are esteemed resource of the bank and success or failure of the bank operation relay on the performance of employees. Timely evaluation of the success of employees' training and development programmes are most important for the banks.

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