
**Impact of Human Resource Management Practices on
Employees Performance in Banking Sector of Azad Jammu and Kashmir, Pakistan**

By

¹Shah Zaib Ayub

Shahzebayub2000@Yahoo.com.

Faculty of Administrative Sciences Kotli
The University of Azad Jammu and Kashmir

Abstract

The objective of this research is to identify Human Resource Management Practices variables that influence the employees' performance such as Compensation, Performance evaluation and Promotion practices. Therefore, the research tests relationships between these three variables and the employee performance. Employees working within banking sector were surveyed to measure their perceptions of Compensation, Performance evaluation and Promotion practices towards employee performance. Statistical analyses were performed using Pearson correlation matrix and linear regression tests. Basically this is survey based study and well-structured questionnaire was adopted for this stud. Total 100 respondents were taken from the banks and the response rate was 90. The analysis reveals that the three variables have positive a statistically significant impact on the performance of employees in the banking sector of Azad Jammu and Kashmir. The study adds to the existing Human Resource Management Practices literature by empirically testing the relationship of Compensation, Performance evaluation and Promotion practices towards employee performance in banking sector of Azad Jammu and Kashmir. Western organizational behaviour literature has given the topic of Human Resource Management Practices significant attention.

Key Words

Compensation, Performance evaluation, Promotion practices, Employee Performances,
Human Resource Management Practices.

Introduction

Now a day's you can't evaluate the performance of the organization without considering the employees performance. Every flourishing organization progressively realize that there are various variables who contribute to the performance but the human resource is no doubt is the most important for all In this era employee not only want the salary they also want benefits, banking is the most development sector in the country (Mello,2005). It is very important for the banks to select and retain high knowledgeable and skilled peoples for the organization to compete in the market. To attracting employees benefits is a very important tool banks should try the different packages for the employees. despite nature of the organization and size there are few more variables such as the environment of the organization the activities are performed regularly in that organization and its success depends on employee's behavior and decision. Organizations apply Human Recourse Management because through this the organization can evaluate performance of employees. In the competing and challenging environment of this era organizations continuously upgrading

performances of the organization employees by continuously upgrading their HRM.

Caliskan (2010) recognize that HRM is the one of the major source of getting competitive edge over other organizations. Many of the researchers already proved that HRM have the positive and significant relationship with the employee performance(Tessema et al., 2006; ;Huselid, 1995; Delery and Doty, 1996; 2002 Qureshi et al., 2006; Harley,2001; Guest,2002).From the last decades, HRM got more focus and attention to determine imperative and decisive area for organizational performance. If organizations want to maximize their profits they will need strong HRM polices to achieve desired result.Dattaet al. (2003) HRM implementation has significant relationship with the bank accounting profits (Delery et al.,1996). In Pakistan, micro level research has been conducted to discover the relationship between HRM and employee performance in banking sector.InPakistan's development this banking sector economy is playing very vital role (Zaidi, 2005). According to OSEC report February 2011, "Pakistan's Banking sectors comprised of 36 commercial banks (including 25 local private banks, 4 public sector commercial

banks and 7 foreign banks)” (Consulate General of Switzerland, 2011). Our main objective of conducting the research is to facilitate the banking sectors decision makers in Azad Jammu and Kashmir to follow those human resource practices which can be help in improving the employees performance of banking sector in AJ&K, this study also helpful for HR managers of banking sectors in the development of HR practices that will increase the employees performance resulting in profitability also will be increase.

Literature Review

HRmanagement practices and policies of any organization usually consider the vital variable for the evaluation of employee’s impudence and behavior of the employees. Managing HRM has so many variants but HRM practices in organization is very important aspect to get useful outcome from the employees by giving them rewards and also build strong relations with other employees within organization. Nowadays HRM is most crucial and important component of the development strategies than ever before in the development countries (Praha, 2004; Bennell, 1994; Kiggundu, 1989; Hilderbrand et al., 1997;

WorldBank, 1994; Budhwar et al., 2001). Cohen et al.(1997) conclude HRM the problems in the developing countries: decrease in the useful contribution for organization, lack of self-believed employees, lower salaries and no appreciation and motivation on good performance. Budhwaret al., (2001) discovered that there are some countries which facing unintended barriers on their way of in forcing inappropriate and outdated resource management. In the recent times, HRM focus has been to elaborate the consequences of proficiently administrating (Delaney et al., 1996; Ichniowski et al., 1997; Ahmad and Schroeder, 2003).

Caruthet al., (2001) elaborated when Employees are motivated when employee’s are financially rewarded for there performance they will motivate. Singh (2004) explains that compensation is a best method through which the good behavior of employees can be sustained according to the trade policies of the firm. Tessemaet al., (2006) have demonstrated that between employee performance and compensation policies there is positive correlation. Shahzad et al. (2008) illustrate about the relation between reward and performance of the university teachers, he find in research

result that there is positive relation between reward policies and university teachers performance. Researchers can assume that compensation are directly related with the employee performance, for this purpose there is a need of research for testing relationship in employees of banks in Azad Kashmir. H1: Compensation practices are positively related with perceived performance of employees of banking sector in Azad Kashmir.

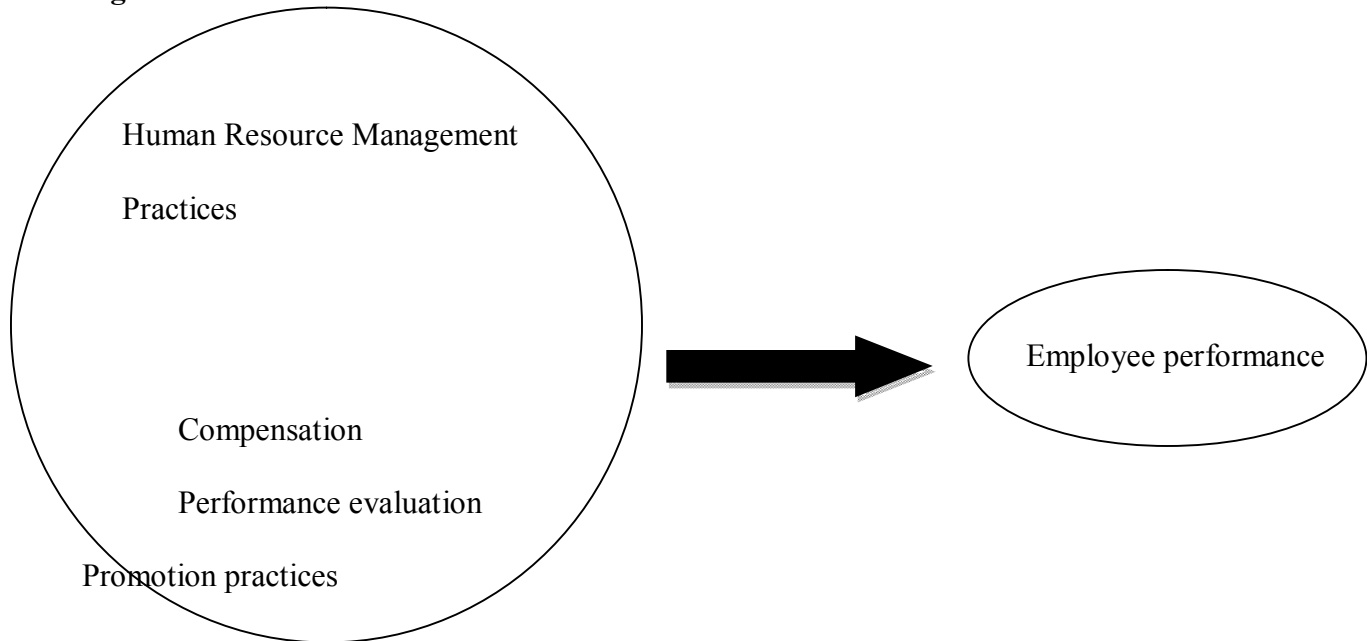
The process in which the employees performance is evaluated one in a year is performance appraisal and through which the organization can identifies that which employee needs which kind of training if he is lacking behind and if someone is doing good so how should that employee will be motivated. The performance appraisal is “systematic description” of the employee strength and weaknesses (Mello, 2005). As many research individuals come up with that employee perceived performance and performance evaluation have a strong relationship (Baloch et al., 2010; Becker and Huselid, 1998). There is positive relationship exists between performance evaluation and employee performance

(Tessema and Soeters, 2006). On the basis of discussed arguments the relationship can be tested between performance evaluation and employee performance in bank of Azad Kashmir. H2: Performance evaluation is positively related with perceived performance of employees of banking sector in Azad Kashmir.

Theoretical Framework of the Study

in this theoretical framework employee performance is the dependent variable while HRM (compensation, performance evaluation and promotion) are independent variables

Figure 1.



Hypothesis of the Study

H1a: Compensation practices are positively related with perceived performance of employees of banking sector in Azad Kashmir.

H0a: Compensation practices are not positively related with perceived performance of employees of banking sector in Azad Kashmir.

H2b: Performance evaluation is positively related with perceived

performance of employees of banking sector in Azad Kashmir.

H0b: Performance evaluation is positively related with perceived performance of employees of banking sector in Azad Kashmir.

H3c: Promotion practices are positively related with perceived performance of employees of banking sector in Azad Kashmir.

H0c: Promotion practices are positively related with perceived performance of employees of banking sector in Azad Kashmir

Methodology of the Study

we adopted the questionnaire which was used by Tessema et al., (2006) for measuring the impact of Human Resource management practices on the employee's performance. Researchers tested this questionnaire on internal consistency and other measurement Tessema et al., (2006). Alpha ha of compensation practices, performance evaluation practices, promotion practices

and perceived employee performance are .82,.73,74 and .74 respectively, the range of the alpha is between .73 and .82 which is acceptable. The questionnaire includes the close ended questions for data collection using 5 point likertscale from strongly disagree to strongly agree. Questionnaire consists of three Human practices compensation Practices, performance evaluation practices and promotion practices and perceived employ performance includes 6,3,6 and 4 items respectively.

The participant of this study included the employees of banking sector of AJ&K. The employees of banking sector are the sample of the study. A total of 100 questionnaire were distributed we received 90 back and the response rate was 90 % technique. Data was acquired through personally administered questionnaire.

Findings

Description		Frequency	Percentage
Gender	Male	69	69%
	Female	31	31%
Age	20-30	34	34%
	31-40	26	26%
	41-50	27	27%
	50 above	13	13%
Grade	OG1	30	30%
	OG2	20	20%
	OG3	30	30%
	OG4	20	20%
Bank	ABL	13	13%

	HBL	37	37%
	MCB	32	32%
	NBP	18	18%
City	KOTLI	45	45%
	BAG	18	18%
	MAZAFFARBAD	12	12%
	MIRPUR	25	25%

It includes the demographic questions which were asked to know the respondents profile for this study. First question was about the name of the respondents second demographic question asked to know the age 100 respondents ask the question of age in which 34 % were between 20-30, 26% between 31-40, 27% were between 41-50 and 13% were between above 50. Next question was asked to know the gender in which 69% mark male and 31% from them were female. Next question was about specialization (grade) in which 30% were OG1, 20% were OG2, 30% were OG3, and 20% were OG4. last demographic questions were asked to know there city in which 40% were from Kotli, 18% from Bagh, 12% from Muzaffarabad, and 25% were from Mirpur.

Statistical Test

Correlation Matrix

Correlation matrix was used to verify existence of relationship between the independent variables i.e. Compensation Practices, Promotion Practices and Performance Evaluation Practices and the dependent variable Perceived Employee Performance.

Correlations

		Compensation	Performance evaluation	Promotion practices	E.Performance
Compensation	Pearson Correlation	1	.614**	.825**	.552**
	Sig. (2-tailed)		.000	.000	.000
	N	100	100	100	100
Performance evaluation	Pearson Correlation	.614**	1	.800**	.581**
	Sig. (2-tailed)	.000		.000	.000
	N	100	100	100	100
Promotion practices	Pearson Correlation	.825**	.800**	1	.636**
	Sig. (2-tailed)	.000	.000		.000
	N	100	100	100	100

	Pearson Correlation	.552**	.581**	.636**	1
E.Performance	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100

** . Correlation is significant at the 0.01 level (2-tailed).N=100

Discussion

The correlation matrix indicates that Compensation Practices are strongly correlated with employees' performance in Pakistani banks (0.552(**), **. $p < .01$) which is supported by the Teseema&Soeters(2006) who found value (0.38(**), **. $p < .01$). Pakistan is a developing country with very low per capita income and majority of employees including the bankers place compensation at top. These results indicate that bankers' performance in the Pakistani banks is greatly affected by Compensation Practices.

Similarly the Promotion Practices are also significantly correlated with bankers performance in Pakistani banks(0.636(**), **. $p < .01$). Teseema&Soeters(2006) found value (0.48(**), **. $p < .01$) which supports the findings of this study. Promotion not only offers a position with more status and power but also the bankers employees feel more motivated as promotion provided them a chance for professional development as well. On the other hand promotion also means more financial benefits. Hence the bankers' performance is greatly affected by the promotion practices of Pakistani banks.The relationship between Performance Evaluation Practices and bankers' performance is quite weak (0.581(**). These findings are also supported by Teseema&Soeters(2006) . The reason for these different findings is that in most of the Pakistani banks there is proper system of bankers' performance evaluation. In public sector banks it is based on typical confidential reporting of performance after one year and in private sector if any system exists that has great impact on bankers' performance. Bankers do consider it important as it is not linked with compensation and promotion.

Conclusion

This study has a number of implications for Pakistani banking sector. Firstly the there is

very strong correlation between the Performance Evaluation Practices and bankers performance needs attention. The effective performance evaluations practices

exist in the banks make it possible to gain desired output from the bankers. The banking sectors have good confidential reporting system. The time period for evaluation should be reduced, time period should be from one year to six months and results should be communicated to bankers so that they can improve their performance. As far Compensation Practices they have direct impact on bankers' performance in Pakistani bank. The banking sector of Pakistan should pay special attention towards this most important aspect of HR to enhance bankers' performance. Promotion practices not only help bankers to grow in organizational hierarchy but also serve as mode for professional services. Since this study proves relationship of promotion practices with bankers' performance, it is up to the government and the private banks to devise career development programs for bankers which should allow them to grow in their careers as well as there should be opportunities to grow professionally.

References

1. Ahmad, S., & Schroeder, R. (2003). The Impact of HR Practices on Operational Performance: Recognizing Country and Industry Differences. *Journal of Operations Management*, 21:19– 43.
2. Baloch, Q.B., Ali, N. &Kiani, T.S (2010). Relationship between HR Practices and Perceived Employees Performance of Bankers in NWFP. *European Journal of Social Sciences*, 18(2).
3. Becker, B.E., &Huselid, M.A. (1998). 'High Performance Work Systems and Firm Performance: A Synthesis of Research and Managerial Implications, Research in Personnel and Human Resource Management, 16: 53– 101
4. Bennell, P. (1994). Improving the Performance of the Public Sector in LDCs: New Approaches to Human Resource Planning and Management. Occasional Paper no. 25. Geneva: ILO.
5. Budhwar, P., &Debrah, Y. (2001). 'Introduction'. In Budhwar, P., &Debrah, Y. (eds) *Human Resource Management in Developing Countries*. London: Routledge, pp.
6. Cohen, J., & Wheeler, J. (1997). 'Training and Retention in African Public Sectors: Capacity Building Lessons from Kenya'. In Grindle, M. (ed.) *Getting Good Government: Capacity Building in the Public Sector of Developing Countries*. Boston, MA: Harvard Institute for International Development, pp. 125 – 53.
7. Caliskan NE (2010).The impact of strategic human resource management on organizational

- performance. *J. Nav. Sci. Eng.* 6(2), 100-116.
8. Caruth, DL., & Hadlogten, GD. (2001). *Managing Compesantation and understanding it too: A handbook for the perplexed.* Green Wood Publishing Group.
 9. Datta, DK., Guthrie, JP., & Wright, PM. (2003). *HRM and Firm productivity: does industry matter.*
 10. Delery, J., & Doty, D.H. (1996) 'Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency and Configurational Performance Predictions. *Academy of Management Journal* , 39(4), 802–35.
 11. Guest, D. (2002). *Human Resource Management, Corporate Performance and Employee Wellbeing: Building the Worker into HRM.* *The Journal of Industrial Relations*, 44(3), 335-358. 12,
 12. Harley, B. (2002). *Employee Responses to High Work Performance System Practices: An Analysis of AWIRS95 Data.* *The Journal of Industrial Relations*, 44(3), 418-434.
 13. Hilderbrand, M., & Grindle, M. (1997). 'Building Sustainable Capacity in the Public Sector: What Can Be Done?' In Grindle, M. (ed.) *Getting Good Government: Capacity Building in the Public Sector of Developing Countries.* Boston, MA: Harvard Institute for International Development, pp. 31–61.
 14. Huselid, M. A. (1995). The impact of human resource management practices on turnover, productivity and corporate financial performance. *Academy of Management Journal*, 38(3), 635-672.
 15. Ichniowski, C., Shaw, K., & Prensushi, G. (1997). The effects of human resource management practices on productivity: a study of steel finishing lines. *The American Economic Review*, 87(3), 291-313.
 16. Kiggundu, M. (1989). *Managing Organisations in Developing Countries: An Operational and Strategic Approach.* Bloomfield, CT: Kumarian Press.
 17. Mello, JA. (2005). *Strategic Human Resource Management (2nd ed.).* South-Western College.
 18. Prah, K. (2004). *African Wars and Ethnic Conflicts: Rebuilding Failed States*'. *Human Development Report 2004 African Regional Background Paper*, UNDP.
 19. Qureshi, TM., Ramay, MI., & Marwat, ZA. (2006). Impact of human resource management practices on organizational performance in Pakistan.
 20. Shahzad K., Bashir S., & Ramay MI (2008). Impact of HR practices on the perceived performance of University teachers in Pakistan. *Int. Rev. Bus.* 4(2), 302-315
 21. Singh K (2004). Impact of HR practices on perceived firm performance in India. *Asia Pac. J. Hum. Res.* 42(3): 301-317.



22. Tessema, M., & Soeters, J. (2006). Challenges and prospects of HRM in developing countries: testing the HRM-performance link in Eritrean civil service. *International Journal of Human Resource Management*, 17(1), 86-105.
23. World Bank (1994) *Adjustment in Africa: Reforms, results and the road ahead*, New York: Oxford university Press.
24. Zaidi, SA. (2005) *Issues in Pakistan's Economy*. Oxford University Press, Karachi, Pakistan.