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An empirical analysis of HR policies on the performance of employees in banking industry: A case study of State Bank of India (SBI)

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Abstract

It is widely accepted that human resource is one of the most important assets of an organization because things are getting done through employees. In other words, the success of an organization in realizing its objectives heavily depends on the performance of its employees. Therefore, it is important to focus on the factors affecting the performance of the employees. Performance is considered to be related with the human resource policies of the organization. The present paper investigates the influence of human resource policies on the performance of employees in banking sector in India. A sample of 100 employees from State Bank of India was purposively selected for the study. Data have been collected through questionnaires designed on a five point Likert scale. Mean, Standard deviation and multiple regression has been used to measure the impact. The analysis of the data shows that there is significant impact of HR Policies on the performance of employees.

Keywords: HR policies, employee's performance, multiple regression, State Bank of India (SBI).

1. Introduction

Human Resource refers to the individuals or personnel or workforce within an organization responsible for performing the tasks given to them for the purpose of achievement of goals and objectives of the organization. Human resources or human capital are the set of individuals who make up the workforce of an organization, business sector, or economy. Human resource is essential imperative for the prosperity and growth of an organization. Their performance is certainly an issue of concern for the management of all organizations who retain them.

2. HR policies

HRP are the principles, rules and guidelines formulated or adopted by an organization to reach its long term goals. HR policies are systems of codified decisions, established by an organization, to support administrative personnel functions, performance management, employee relations and resource planning. Each company has a different set of circumstances, and so develops an individual set of human resource policies. The establishment of policies can help an organization demonstrate, both internally and externally, that it meets requirements for diversity, ethics and training as well as its commitments in relation to regulation and corporate governance of its employees. HR policies can also be very effective at supporting and building the desired organizational culture. Human resource policies include policies regarding recruitment, selection, training and development, performance appraisal, career planning, compensation, job definition, grievance redressal mechanism, incentives, etc. in order to measure the impact of HR policies on the performance of employees, the present study has taken four HR policies namely recruitment and selection policy, training and development policy, performance appraisal policy and incentive policy.

2.1 Recruitment and selection:

Recruitment is the process of generating a pool of capable people to apply for employment to an organization while selection is the process by which specific instruments are employed to choose from a pool of applicant's persons most suitable for the job taking into consideration management goals and legal requirements (Bratton & Gold 2003). Selection is an

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Important element in HR functions, because it has close relationship and connection with the organization's development. Selection is collecting the information about the applicants to decide who is fit and should be employed each work position.

2.2 Training and development

Training is an important element in producing the human capital. Investing in training programs can make employees feel indebted to the company. Training is necessary for the employees to perform particular jobs because job requires particular skills and knowledge by which the job is much easier to perform as it is in the benefit of the employee. "Training" refers to a systematic approach to learning and performance to improve individual, team, and organizational effectiveness (Goldstein & Ford 2002). It has been found that a trained employee always perform well than an untrained employee. Training and Development is an attempt to improve current or future performance of employees by increasing employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge. It is a key ingredient in banking sector for organizational performance improvement. It ensures that randomness is reduced and learning or behavioral change takes place in structured format.

2.3 Performance appraisal

The term appraisal means evaluation and performance appraisal means evaluation of performance of the employees working in the organization. It is one of the most important and often one of the most mishandled aspects of management. It has also been said to be one of the most problematic components of human resource management and is viewed as either a futile bureaucratic exercise or, worse, a destructive influence on the employee-supervisor relationship (Steers and Black, 1994).

2.4 Incentive

The remuneration process is crucial and a source of contention in most organizations. It deals with rewarding people in accordance with their work in the organization. It is concerned with both financial and non-financial rewards and embraces the strategies, philosophies plans and processes employed by organizations to develop and maintain reward systems. An inclusive and effective HRM strategy has a coherent approach to rewards as one of its most central component (Armstrong & Murlis 1991). It plays a motivational role in management hence the importance attached to it. Pay strategies include performance related pay, production based pay, skill based, knowledge based and base pay (Brown 1989).

3. Review of Related Literature

Demery and Doty (1996) examined the relationship between HR practices and profitability in a sample of banks in the US. Their study revealed that HR practices were positively related to profitability. **Dyer and Reeves (1995)** reviewed the relationship between HR practices and performance and proposed that measures of performance could be broken down into four categories namely employee outcomes,

organizational outcomes, Financial/ accounting outcomes, and market-based outcomes. **Garcia (2005)** investigated the impact of training policies on employee satisfaction, customer satisfaction, and workforce productivity on 78 Spanish firms with more than 100 employees. The author found that the training programs were directly related to employee and customer satisfaction as well as an objective measure of business performance. **Guthrie (2001)** examined the impact of HR practices on turnover and firm productivity among a sample of firms in New Zealand. He found that HR practices have an impact on turnover and also found that there is a positive relationship between retention of employees and productivity of the firms. **Hameed (2013)** conducted a study to examine the relationship between the employee performance and human resource (HR) practices in the banking sector of Pakistan on 235 banking personnel with the help of a questionnaire. The relationship and nature of relationship is calculated by applying the Spearman's correlation matrix and multiple regression analysis. The results demonstrate that the employee performance and HR practices has a positive and significant relationship. **Medlin & Green (2009)** has pondered that goal setting, employee engagement and high level of workplace optimism collectively improves the performance of an individual of an organization. **Hustled (1995)** surveyed senior HR executives in a sample of 968 publicly traded corporations in the US and found that his HR index was significantly related to the gross rate of return on assets. **Rogers and Wright (1998)** reviewed the empirical research on the Relationship of HR and performance of employees after surveying 29 studies and found significant relationship between HR practice and performance of employees. **Rohmetra (1998)** found that there exists a positive relationship between performance climate and the level of satisfaction of the employees.

4. Objectives of the study

The main objective of the study is to examine the impact of HR policies on the performance of employees in SBI.

Following are the sub-objectives of the study:

1. To investigate the impact of recruitment and selection policy on the performance of employees in SBI.
2. To find the impact of training and development policy on the performance of employees in SBI.
3. To analyze the impact of performance appraisal policy on the performance of employees in SBI.
4. To investigate the impact of reward policy on the performance of employees in SBI.

5. Hypotheses of the study

In view of the objectives set for the study the following null and alternative hypothesis has been formulated respectively:

H01: There is no significant impact of HR policies on the performance of employees in State Bank of India.

H02: There is no significant impact of recruitment and selection policy on the performance of employees in State Bank of India.

H03: There is no significant impact of training and development policy on the performance of employees in State Bank of India.

H04: There is no significant impact performance appraisal policy on the performance of its employees in State Bank of India. H05: There is no significant impact of reward policy on the performance of its employees in State Bank of India.

6. Research methodology

The target population of this study consists of A and B grade employees of State Bank of India and the size of the sample is 100 respondents. A well designed questionnaire was used for collecting data from the different branches of SBI. The questionnaire consists of two parts: first part of the questionnaire was containing information of the respondents their demographic background and second part was

containing questions regarding employee performance. The questionnaire used set on a five point Likert-scale (5-highly satisfied to 1-highly dissatisfied). **Statistical Tools:** Various statistical tools such as mean, standard deviation and multiple regression have been used to analyze the results through SPSS 19.

7. Demographic Profile of the Respondents: Table1 documents a brief demographic profile of the respondents. 71 employees were below 40 years of age while 29 were belonging to the age group of above 40 years. Majority of the employees were of B grade. As far as gender is concerned, 82 were males and 18 were females.

Table 1: Brief Demographic Profile of the Respondents

Age of employees	Below 40 years	Above 40 Years	Total 100
	71	29	
Designation of employees	A	B	Total 100
	33	67	
Experience of employees	Below 10 years	10-20	Total 100
	44	48	
Gender of employees	Male	Female	Total 100
	82	18	

8. Hypothesis Testing

Ho3: There is no significant impact of HR Policies on the performance of employees in State Bank of India.

Ha3: There is a significant impact of HR Policies on the performance of employees in State Bank of India.

Multiple regression has been used as a statistical tool to examine the impact of HR Policies on employee

performance in State Bank of India. The null hypotheses is that there is no significant impact of HR Policies on employee’s performance and the alternative hypothesis states that there is a significant impact of HR Policies on employee’s performance in State Bank of India.

Table 2: Descriptive Statistics

	Mean	Std. Deviation	N
Employee’s performance	4.054	0.879	100
Better recruitment and selection policy	4.021	0.776	100
Better training and performance policy	4.365	0.719	100
Better performance appraisal Policy	4.473	0.683	100
Better incentive policy	4.697	0.591	100

The mean and standard deviation of HR Policies and Employee performance are shown in the above table. Incentive policy has the maximum mean value while

recruitment and selection policy has the minimum mean value (4.021). The dependent variable is Employee’s performance has the mean value of 4.054.

Table 3: Model Summary^b

Model	R	R Square	Adjusted R Square	Standard Error	Durbin Watson
1	0.821 ^a	0.673	0.669	0.478	1.669

a. Predictors: (Constant), better recruitment and selection policy, better training and performance policy, better performance appraisal system, better incentive policy

b. Dependent Variable: Employees Performance

Table 3 shows the values of R, R square, adjusted R square, standard error and Durbin Watson. R square shows the amount of variation in dependent variable (Employees Performance) that is accounted by independent variable. Durbin Watson highlights that residuals from a linear

regression are independent. R is equal to 0.821 which shows the partial correlation between HR Policies and Employees performance. R square is equal to 0.673 which tells us that employee’s performance has increased by 67.3% due to better HR Policies in SBI.

Table 4: ANOVA^b

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	343.430	1	343.430	203.574	0.000 ^a
	Residual	166.637	99	1.687		
	Total	510.067	100			

a. Predictors: (Constant), better recruitment and selection policy, better training and performance policy, better performance appraisal system, better incentive policy

b. Dependent Variable: Employee performance The above ANOVA table assesses the overall significance of the model. The overall model is significant because the significant value is 0.000 which is less than 0.05 at 95% confidence interval. Hence, the model construct is validated.

Table 5 shows the values of unstandardized and standardized beta coefficients, t value, and collinearity statistics. An unstandardized beta coefficient gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in the predictor variable has a larger impact on the criterion variable. The results show that the value of unstandardized beta coefficients are 0.984, 0.869, 0.710 and 0.907 which is an indication of positive impact of HR policies on employees performance. Besides, this impact is strong and statistically significant as the significant values in each case are 0.000 which are less than 0.05 at 95% confidence interval. Therefore the null hypothesis is rejected and it can be said that there is a significant impact of HR Policies on employee's performance in State Bank of India.

Table 5: Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.291	0.614		21.536	0.000
	better recruitment & selection policy	0.984	0.085	0.821	18.735	0.000
	better training and development policy	0.869	0.079	0.749	20.411	0.000
	better performance appraisal policy	0.710	0.068	0.913	23.195	0.000
	better incentive policy	0.907	0.544	0.963	19.544	0.000

9. Conclusion

HR policies play a vital role in an organization because employee's performance is directly correlated with HR policies. The present study revealed that employees perform well particularly A and B grade employees and work with zeal and enthusiasm if the policies of an organization with respect to recruitment and selection, training and development, performance appraisal and incentive are properly designed.

10. Research limitations

1. The data is based on individual opinion which may bring in some bias.
2. The survey has been conducted among 100 employees of only SBI and therefore the findings of the study are not applicable to other banks.
3. The sample consisted of managerial personnel of A and B grade only.
4. The findings may be further conducted among other categories of employees like supervisors and workers.
5. To establish the generalization of the results, within the context of Indian banking Industry, it needs to be surveyed among other employees and other organizations of both public and private sector of banking industry.

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