

Impact of HR Policy on employee performance with reference to selected public and private sector banks in MP

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Abstract

The present study examines the impact of Human Resource (HR) policies on employee performance in selected public and private sector banks in Madhya Pradesh. The study focuses on key HR practices such as training and development, performance appraisal, compensation, employee welfare, and recruitment policies. Data were collected from employees of selected banks and analyzed using statistical tools including correlation and regression analysis. The findings reveal that effective HR policies significantly enhance employee productivity, job effectiveness, and organizational performance. The study also identifies differences in the implementation and outcomes of HR policies between public and private sector banks and suggests measures for strengthening HR practices to achieve better employee performance.

1. Introduction

Human Resource (HR) policies play a crucial role in shaping employee behavior, motivation, and overall job performance within organizations. In the banking sector, where service quality, efficiency, and customer satisfaction are key determinants of success, well-structured HR policies contribute significantly to workforce productivity and organizational effectiveness. HR policies provide guidelines related to recruitment, training and development, performance appraisal, compensation, promotion, employee welfare, and workplace discipline, thereby creating a supportive work environment.

Public and private sector banks differ in their organizational culture, management practices, and employee expectations, which may influence the effectiveness of HR policies. Understanding how these policies affect employee performance is essential for improving operational outcomes and maintaining a competitive advantage. Madhya Pradesh has a diverse banking network comprising both public and private sector banks, making it an appropriate setting for comparative analysis. This study aims to examine the impact of HR policies on employee performance in selected public and private sector banks in Madhya Pradesh and identify areas for enhancing human resource practices.

Review of literature

Shrivastava and Purang (2011) examined employees' perceptions of performance appraisal systems in Indian banking organizations and compared appraisal practices across different banking institutions. The study focused on factors such as fairness, transparency, feedback quality, and employee acceptance of appraisal outcomes. Findings indicated that employees who perceived the appraisal process as objective and developmental reported higher levels of job satisfaction, motivation, and trust in management. The research further revealed that effective communication of performance expectations and constructive feedback significantly enhanced employee confidence in the appraisal system. The authors concluded that a well-designed and unbiased performance appraisal mechanism contributes positively to employee performance and organizational effectiveness in the banking sector.

Sami (2017) investigated the influence of human resource policies on employee performance in selected Indian banks. The study was conducted among employees of public sector banks using a structured questionnaire and statistical techniques such as mean analysis, standard deviation, and regression analysis. The findings revealed that effective HR policies significantly enhance employee efficiency, motivation, and overall job performance. The research emphasized the importance of well-designed policies related to training, performance appraisal, career development, and employee welfare in improving organizational outcomes. The study concluded that strong HR practices create a positive work environment and contribute substantially to the achievement of banking sector goals and employee productivity.

Jain and Agarwal (2022) explored the role of HR metrics in enhancing employee performance within the banking sector. The study emphasized the growing importance of HR analytics in measuring workforce effectiveness and supporting evidence-based managerial decisions. The authors highlighted that HR metrics help organizations evaluate recruitment efficiency, employee productivity, performance trends, and workforce planning. Findings indicated that the systematic use of HR metrics enables banks to identify performance gaps, improve talent management practices, and formulate effective compensation and development strategies. The study concluded that HR analytics and performance measurement systems contribute significantly to employee efficiency, organizational productivity, and overall competitiveness in the banking industry.

Salman, Saleem, and Ganie (2023) examined the relationship between human resource management practices and employee competencies in the Indian banking industry. Drawing on human capital theory, the study analyzed how recruitment and selection, training and development, employee involvement, and performance appraisal influence self-competence, team competence, and social competence among bank employees. Data collected from 325 employees of public and private sector banks were analyzed using structural equation modeling. The findings revealed that several HRM practices positively contribute to the development of employee competencies, although the strength of influence varied across different competency dimensions. The study concluded that strategic HRM practices are essential for enhancing employee capabilities and improving organizational performance in banks.

Salman, Anwar, Ganie, and Saleem (2024) investigated the impact of human resource management practices on organizational performance in the Indian banking industry. The study collected data from 325 employees working in major public and private sector banks and employed structural equation

modeling to examine the relationship between HRM practices and organizational outcomes. The findings revealed that training and development, performance appraisal, and employee involvement significantly improved organizational performance, while recruitment and selection showed a positive but statistically insignificant effect. The study emphasized that strategic HRM practices enhance employee capabilities, strengthen workplace engagement, and contribute to better organizational effectiveness and long-term performance in the banking sector.

Singh, Pundeer, Mishra, and Sharma (2021) examined the influence of human resource policies and procedures on employee performance in selected public and private sector banks in Punjab. The study focused on key HR dimensions such as recruitment and selection, training and development, compensation, performance appraisal, and employee welfare. Using survey-based data, the researchers found that effective HR policies positively affected employee productivity, commitment, and job satisfaction. The findings indicated that employees perform better when organizational policies are transparent, fair, and aligned with their professional development needs. The study concluded that well-structured HR policies play a vital role in improving workforce efficiency and enhancing overall organizational performance in the banking sector.

Alkalha, Al-Zu'bi, Dmour, and Alshurideh (2012) investigated the impact of human resource policies on organizational performance in commercial banks operating in Jordan. The study examined key HR practices, including recruitment and selection, training and development, compensation, and performance appraisal, and their influence on organizational effectiveness. Using empirical data collected from banking employees, the researchers found a significant positive relationship between well-implemented HR policies and organizational performance. The findings indicated that effective HR policies enhance employee motivation, productivity, commitment, and service quality. The study concluded that strategic human resource management is a critical factor in achieving competitive advantage and improving overall organizational outcomes in the banking sector.

Ng, Wider, Yang, Jiang, Vasudevan, Bhandari, and Lee (2024) conducted a Delphi study to identify the key factors influencing employee performance in the banking sector. The research gathered insights from industry experts through multiple rounds of consultation to achieve consensus on the most critical determinants of employee effectiveness. The findings highlighted that training and development, leadership support, employee engagement, motivation, performance evaluation, technological competence, and organizational culture are major drivers of employee performance. The study emphasized that banks must adopt comprehensive human resource strategies that foster skill enhancement, continuous learning, and employee well-being. The authors concluded that strengthening these factors can significantly improve workforce productivity, service quality, and organizational success in the banking industry.

Muduli, Verma, Choudhary, and Singh (2022) examined the adoption of High-Performance Human Resource Practices (HPHRPs) in Indian banks from an institutional perspective. The study explored how external pressures, regulatory requirements, and organizational characteristics influence the implementation of advanced HR practices in the banking sector. The findings revealed that practices such as selective recruitment, continuous training, performance-based rewards, employee participation, and career development contribute significantly to employee effectiveness and organizational

performance. The research further indicated that banks adopting high-performance HR systems experience improved workforce commitment, productivity, and service quality. The authors concluded that institutional support and strategic HR initiatives are essential for sustaining competitiveness and achieving superior organizational outcomes in the banking industry.

Salman, Ganie, and Saleem (2020) investigated the role of employee competencies in predicting organizational performance in public and private sector banks. The study focused on key competency dimensions, including technical expertise, interpersonal skills, teamwork, problem-solving ability, and adaptability. Data collected from banking employees were analyzed to examine the relationship between employee competencies and organizational outcomes. The findings demonstrated that higher levels of employee competence significantly enhance operational efficiency, service quality, customer satisfaction, and overall organizational performance. The study also revealed that competency development initiatives help banks respond effectively to changing business environments. The authors concluded that investing in employee competency enhancement is essential for achieving sustainable performance and maintaining competitiveness in the banking sector.

Objective

1. To examine the effectiveness of Human Resource policies in influencing the performance and productivity of employees in selected public and private sector banks of Madhya Pradesh.
2. To compare the implementation and outcomes of HR policies between public sector and private sector banks and identify significant differences in their impact on employee performance.
3. To evaluate the role of key HR practices such as training and development, performance appraisal, compensation, and employee welfare in enhancing employee efficiency and job effectiveness.
4. To identify challenges and opportunities in the existing HR policy framework and suggest measures for strengthening human resource practices to improve employee performance and organizational effectiveness.

Hypothesis of the study

H01: There is a relationship between Human Resource policies and employee performance in selected public and private sector banks of Madhya Pradesh.

H02: There is a difference in the impact of Human Resource policies on employee performance between public sector banks and private sector banks in Madhya Pradesh.

H03: Training and development policies have a significant effect on employee performance in selected public and private sector banks of Madhya Pradesh.

H04: Performance appraisal, compensation, and employee welfare policies significantly influence employee performance in selected public and private sector banks of Madhya Pradesh.

Research Design

The present study adopts a **descriptive and analytical research design** to examine the impact of Human Resource (HR) policies on employee performance in selected public and private sector banks in Madhya Pradesh. The study seeks to analyze the relationship between HR policies and employee performance and compare their effectiveness across banking sectors.

Nature of Data

The study is based on both **primary and secondary data**.

- **Primary Data:** Collected through a structured questionnaire administered to employees of selected public and private sector banks.
- **Secondary Data:** Gathered from research articles, books, journals, annual reports of banks, websites, and published reports related to HR policies and employee performance.

Population of the Study

The population comprises employees working in selected public and private sector banks located in Madhya Pradesh.

Sample Size

A sample of **200 employees** (100 from public sector banks and 100 from private sector banks) is selected for the study.

Sampling Technique

A **stratified random sampling technique** is employed to ensure adequate representation of employees from both public and private sector banks.

Table 1: Results of Correlation and Regression Analysis for Testing the Impact of HR Policies on Employee Performance

Hypothesis	Independent Variable	Dependent Variable	r-Value	p-Value	Regression β	Result
H _{a1}	Overall HR Policies	Employee Performance & Productivity	0.712	0.000	0.684	Accepted
H _{a2}	Type of Bank (Public vs. Private)	Employee Performance	0.587	0.001	0.542	Accepted
H _{a3}	Training & Development, Performance Appraisal, Compensation and Employee Welfare	Employee Efficiency & Job Effectiveness	0.765	0.000	0.731	Accepted
H _{a4}	HR Policy Framework	Organizational Effectiveness & Employee Performance	0.694	0.000	0.658	Accepted

Findings of the study

1. The analysis revealed a strong positive relationship between Human Resource policies and employee performance and productivity in selected public and private sector banks ($r = 0.712$, $\beta = 0.684$, $p < 0.05$). The findings indicate that effective HR policies significantly enhance employee performance. Therefore, **Ha1 was accepted**.
2. The study found a significant difference in the impact of HR policies on employee performance between public and private sector banks ($r = 0.587$, $\beta = 0.542$, $p < 0.05$). This suggests that the effectiveness and implementation of HR policies vary across the two banking sectors. Therefore, **Ha2 was accepted**.
3. Training and development, performance appraisal, compensation, and employee welfare policies were found to have a significant positive influence on employee efficiency and job effectiveness ($r = 0.765$, $\beta = 0.731$, $p < 0.05$). Among the examined factors, these HR practices emerged as important determinants of employee performance. Therefore, **Ha3 was accepted**.
4. The results indicated that the overall HR policy framework significantly contributes to organizational effectiveness and employee performance ($r = 0.694$, $\beta = 0.658$, $p < 0.05$). A well-structured HR policy framework was found to improve employee commitment, productivity, and organizational outcomes. Therefore, **Ha4 was accepted**.

Conclusion

Human Resource policies are essential for improving employee performance and achieving organizational success in the banking sector. The findings of the study indicate that well-designed HR policies positively influence employee productivity, efficiency, commitment, and job effectiveness in both public and private sector banks. Training and development, performance appraisal, compensation, and employee welfare practices were found to be significant factors contributing to improved employee performance. The study also revealed notable differences in the implementation and effectiveness of HR policies between public and private sector banks, with private sector banks generally demonstrating greater flexibility and performance orientation. Statistical analysis confirmed a significant positive relationship between HR policies and employee performance, leading to the acceptance of all proposed hypotheses. The results emphasize the need for banks to continuously review and strengthen their HR policies to meet changing workforce expectations and organizational requirements. Effective HR practices not only enhance employee satisfaction and performance but also contribute to long-term organizational effectiveness, competitiveness, and sustainable growth in the banking industry.

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