HUMAN RESOURCE MANAGEMENT METHODS AND THEIR EFFECTS ON BANKING SECTOR PERFORMANCE IN TELANGANA

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Abstract: Banks in Telangana are facing intense competition with the arrival of new-age fintech companies as well as the entry of established public sector banks into the market. Amidst this dynamic environment, HRM practices have become more critical than ever before. This research paper aims to investigate the relationship between Human Resource Management (HRM) practices and firm performance in banks in Telangana. Specifically, the HRM practices of employee training and development, performance appraisal, and compensation were found to have a significant impact on firm performance. The findings of this study provide valuable insights for banks in Telangana to improve their HRM practices and thereby enhance their firm performance.

Keywords: HRM practices, firm performance, banks, Telangana, Employee Training and Development, Performance Appraisal, Compensation

I. INTRODUCTION

Human Resource Management (HRM) is a vital component of any organization, and its practices play a crucial role in determining the success of the organization. Banks, in particular, rely heavily on their human resources to maintain high levels of performance and competitiveness in the industry. Telangana, a southern state in India, is home to numerous banks, including both private and public sector banks. In the banking sector, the importance of HRM practices has become even more significant in recent years, with the growing competition and the need for banks to stay abreast of technological advancements.Effective HRM practices can help banks in Telangana attract, retain, and develop the right talent to support their business objectives. Such practices may include recruitment and selection, training and development, performance appraisal, compensation and benefits, and employee engagement. Banks that invest in these practices tend to experience higher levels of employee satisfaction, commitment, and motivation, which can lead to improved firm performance.Firm performance in the banking sector is typically measured by a range of indicators, including profitability, customer satisfaction, and employee turnover. When HRM practices are aligned with the business strategy and objectives of the bank, they can have a positive impact on these indicators, leading to improved firm performance.

II. REVIEW OF LITERATURE

As per Dr Kavitha Maduri argued through his expectancy theory that the workers will try to increase the firm performance, group performance or individual performance by working harder and more efficiently as improvement in these aspects will definitely lead to a total improvement in the firm performance if such increase is tied to salary or remuneration paid to the employees. He also explains that if the firm promises to provide desired rewards to the employees for their increased and efficient performance, the employees will be more inclined as well as dedicated to provide better performance with an objective to obtain such rewards.opined that Human Resource Management and Firm Performance are closely related. The effective Human Resource Management is the index of firm performance. Human Resource Management Practices such as Training, Selection, Performance appraisal
and Compensation have an important role in any organization. The planned Human Resource Management Practices will enable a firm to achieve its targets.Dr Naveen Prasadula indicated that an organization should contribute more efficiency and it leads to better outcomes and benefits to the organization. The benefits give them better job satisfaction that leads to firm performance. And they suggested a framework of high-performance work system for explaining the relationship between firm performance and human resource management. According to him, at the heart of such a high-

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performance work system exists an organization that empowers employees at non-managerial positions to partake in crucial decisions. Such a system also needs human resources practices which support and enhance the skills of workers and also provide incentives for proper utilization of such skills.stated that HR practices and policies directly or indirectly affect outcomes viz. employee retention, employee commitment, employee satisfaction, employee trust, employee involvement, employee presence, and employee loyalty, social climate between management and workers and firm fairness. Several studies have also argued that these outcomes combined with sound human resource management practices and policiescan lead to better firm performance like increased profit, increased market share and market value, increase in sales, high productivity and quality, increased customer satisfaction etc.Indicated that an available resource leads to competitive advantage of the organization. Without proper skilled human resources firm will be unable to attain established objectives. So managing employees or human resources is an important function for the successof any organization. Currently most of the firms have treated their employees as the key resources of the organization. Especially in service sectors human resources are treated as an important asset than in manufacturing concerns. And the firm performances have strongly associated with human issues.conducted a study to analyse the impact of HRM practices on firm performance in manufacturing sector of Greece. The results indicated that the relationship between HRM practices like recruitment, selection, compensation and, involvement and firm performance through HRM outcomes, and it is also influenced by business strategies. The studyconcluded that HRM practices are closely associated with business strategies which will affect firm performance through HRM outcomes.

III. OBJECTIVES

To know the relationship between HRM Practices and Firm Performance in banks of Telangana

IV. HYPOTHESIS

H1: Human Resources Management Practices may influence on Firm Performance in banks

H0: Human Resources Management Practices may not influence on Firm Performance in banks

V. INSTRUMENTATION

Employees of five banks, including public, private, and new-generation banks, were given a questionnaire. The banks chosen are State Bank of India, Canara Bank, Federal Bank, South Indian Bank, and HDFC Bank from the New Generation. State Bank of India and Canara Bankare from the public sector. A five-point Likert scale with the options strongly disagree,disagree, neutral, agree, and very agree was used to determine the factors that influence jobsatisfaction.

VI. SAMPLE SIZE

The study's sample size is limited to 600 employees from five banks in Telangana: State Bank of India, Canara Bank, Federal Bank, South Indian Bank, and HDFC Bank. 250 officers, 250 clerical staff, and 100 subordinate staff are represented in the sample.

VII. TOOLS USED FOR DATA ANALYSIS

The data collected are processed, and various statistical and mathematical approaches are used to analyze it. IBM SPSS 20 was the software used in the study to analyze the data. AMOS Software is used to test the models. Mean, standard deviation, coefficient of variation, indices,one-way ANOVA, post hoc tests, Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM) are among the mathematical and statistical methods employed.

ANALYSIS OF FACTORS INFLUENCING ADMINISTRATIVE PERFORMANCE OF BANK EMPLOYEES

For testing the model fit indices for CFA all the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the measurement model with data which shows in table I and II presented the regression coefficients.

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TABLE I MODEL FIT INDICES FOR CFA –EMPLOYEE PERFORMANCE

Variable	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
Employee performance	.425	1	.514	.425	1.000	.996	.999	1.007	1.000	.003	.000

Source: SPSS output

TABLE I THE REGRESSION COEFFICIENTS –EMPLOYEE PERFORMANCE

Factors/ Latent Variables (Dependent Variable)	Construct (Independent Variable)	Regression Coefficient	C.R.	P	Variance explained (%)
Employee Performance	EP1	0.579	16.150	<0.001	33.5
	EP2	0.663	19.502	<0.001	43.9
	EP3	0.654	19.113	<0.001	42.7
	EP4	0.759	24.283	<0.001	57.6

Source: SPSS output

In this case all the constructs EP1 to EP4 has regression coefficient value more than 0.4. Allthese constructs have a significant effect on Employee Performance. And the path diagram ofmodel tested is shown in the figure I.

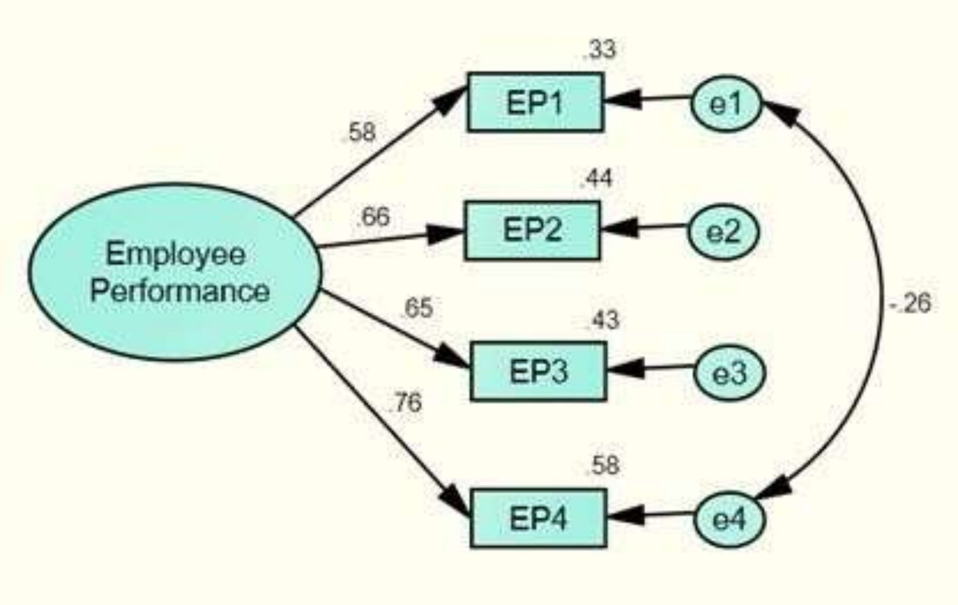

Figure 3: **Employee Performance model**

Comparison of Human Resources Management Practices and Firm Performance in Banks

Next, to know whether the score of Human Resource Management Practices and Firm performance is same for different banks or not, here framed the following hypotheses.

H1: Human Resources Management Practices may influence on Firm Performance in banks.

H0: Human Resources Management Practices may not influence on Firm Performance in banks.

The analysis is conducted using independent sample Z test or one way ANOVA. A one sample analysis of variance is used to test hypotheses about means when there are three or more groups of one independent variable. In this case, Bank type was considered to be the independent variable, which included three bank categories as (a) Public, (b) Private; and (c) New Generation Banks. Here ANOVA was used to compare the mean intention scores of different Bank types and the result is exhibited in Table III.

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TABLE III HUMAN RESOURCES MANAGEMENT PRACTICES AND FIRM PERFORMANCE WITH TYPE OF BANK/ANOVA

Variable	**Type of bank**	**N**	**Mean**	**Standard Deviation**	**F**	**p value**
Human Resources Management Practices	Public	314	117.42	13.87		
	Private	209	116.89	13.54	7.198	0.001
	New Generation	77	110.78	15.52		
Firm Performance	Public	314	41.64	5.36		
	Private	209	41.50	5.32	3.219	0.041
	New Generation	77	39.97	4.38		

Source: SPSS output

The results of the ANOVA test reveals that a statistical value of p is less than 0.05 for all the variables considered. So it is concluded that the mean score of Human resources practices and firm performance is significantly different in different banks. Since the ANOVA test indicates that the significant difference exists among the different type of banks for Human Resources Management Practices and firm performance. For knowing this conduct post hoc test or multiple comparison test to identify which among the Bank type differs significantly and the result is exhibited in the Table IV.

TABLE IV POST HOC MULTIPLE COMPARISON TEST: HUMAN RESOURCES PRACTICES, FIRM PERFORMANCE AND TYPE OF THE BANK)

Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.
Human Resources Management Practices	Public	Private	0.529	1.248	0.672
		New Generation	6.64435*	1.778	0.000
	Private	Public	-0.529	1.248	0.672
		New Generation	6.11552*	1.863	0.001
	New Generation	Public	-6.64435*	1.778	0.000
		Private	-6.11552*	1.863	0.001
Firm Performance	Public	Private	0.143	0.467	0.760
		New Generation	1.66610*	0.666	0.013
	Private	Public	-0.143	0.467	0.760
		New Generation	1.52358*	0.698	0.029
	New Generation	Public	-1.66610*	0.666	0.013
		Private	-1.52358*	0.698	0.029

Source: SPSS output

Multiple comparison analysis is carried out using post hoc test to know whether any differences exist among the Human Resource Management Practices and Firm performance with types of bank. The results show that new generation banks are significantly different from other banks. The differences Human Resource Management Practices and Firm performance are shown in the figure 2 and 3 using box plot to know the variations.

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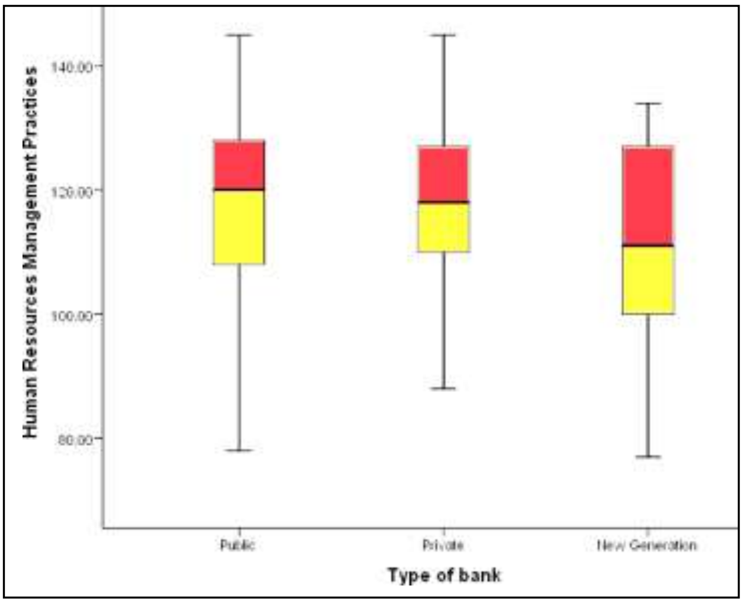
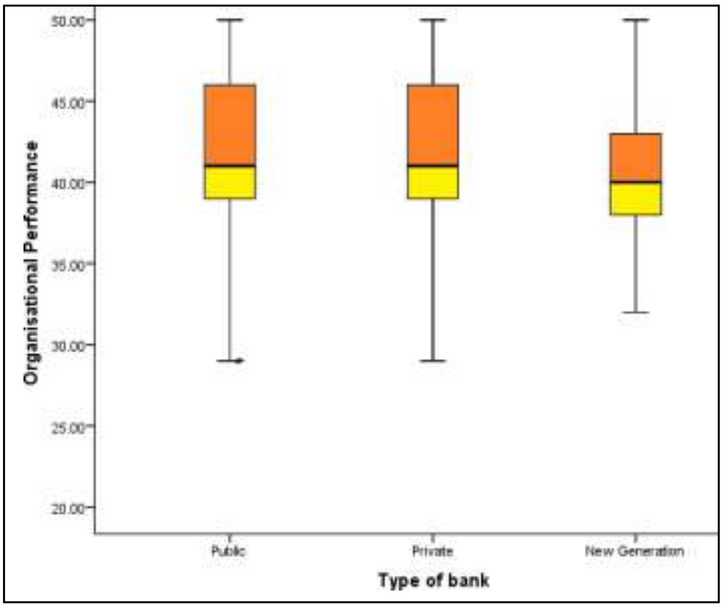


Figure 2: **Box plot showing Human Resource Management Practices and Type of**



Bank

Figure 3: Box plot showing organization performance and type of bank

In this case, Bank type was considered to be the independent variable, which included five banks as (a) SBI, (b) Canara Bank; (c) Federal Bank; (d) South Indian Bank; and (e) HDFC. Here ANOVA was used to compare the mean intention scores of different Bank and the resultis exhibited in Table 5.

TABLE VT HUMAN RESOURCES MANAGEMENT PRACTICES AND FIRM PERFORMANCE WITH NAME OF BANK/ANOVA

Variable	**Bank**	**N**	**Mean**	**Standard Deviation**	**F**	**p value**
Human Resources ManagementPractices	SBI	192	116.92	13.63	3.751	0.005
	Canara	122	118.19	14.24		
	Federal	109	117.11	13.73		
	South Indian	100	116.69	13.43		
	HDFC	77	110.78	15.52		

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Firm Performance	SBI	192	41.69	5.25		
	Canara	122	41.55	5.54		
	Federal	109	41.71	5.54	1.703	0.148
	South Indian	100	41.28	5.11		
	HDFC	77	39.97	4.38		

Source: SPSS Output

The results of the ANOVA test depicted in Table 5 reveals that a statistical value of p is lessthan 0.05 for the variables Human Resources Management Practices. It is concluded that the mean score of Human Resources Management Practices differs with the Banks. But no significant difference exists between the different banks for firm performance since p value ismore than 0.05.

Since the ANOVA test indicates the significant difference exists among the mean score of different banks for variables Human Resources Management Practices, post hoc test or multiple comparison tests was conducted to identify which among the Banks differs significantly and the result are exhibited in the Table 6.

TABLE VI T POST HOC MULTIPLE COMPARISON TEST: HUMAN RESOURCES PRACTICES, FIRM PERFORMANCE AND NAME OF THE BANK

Dependent Variable	**Name of Bank**		**Mean Difference(I-J)**	**Std.Error**	**Sig.**
Human Resource Management Practices					.435
		Federal	-.18822	1.67829	.911
		South Indian	.23188	1.72580	.893
		HDFC	6.14265*	1.88768	.001
	Canara	SBI	1.26665	1.62025	.435
		Federal	1.07843	1.84443	.559
		South Indian	1.49852	1.88775	.428
		HDFC	7.40930*	2.03681	.000
	Federal	SBI	.18822	1.67829	.911
		Canara	-1.07843	1.84443	.559
		South Indian	.42009	1.93780	.828
		HDFC	6.33087*	2.08328	.002
	SouthIndian	SBI	-.23188	1.72580	.893
		Canara	-1.49852	1.88775	.428
		Federal	-.42009	1.93780	.828
Dependent Variable	**Name of Bank**		**Mean Difference(I-J)**	**Std.Error**	**Sig.**
		HDFC	5.91078*	2.12173	.006
	HDFC	SBI	-6.14265*	1.88768	.001
		Canara	-7.40930*	2.03681	.000
		Federal	-6.33087*	2.08328	.002
		South Indian	-5.91078*	2.12173	.006
		Canara	.14353	.60677	.813
		Federal	-.01371	.62851	.983

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Firm Performance	SBI	South Indian	.41271	.64630	.523
		HDFC	1.71868*	.70692	.015
	Canara	SBI	-.14353	.60677	.813
		Federal	-.15724	.69072	.820
		South Indian	.26918	.70695	.704
		HDFC	1.57515*	.76277	.039
	Federal	SBI	.01371	.62851	.983
		Canara	.15724	.69072	.820
		South Indian	.42642	.72569	.557
		HDFC	1.73240*	.78017	.027
	SouthIndian	SBI	-.41271	.64630	.523
		Canara	-.26918	.70695	.704
		Federal	-.42642	.72569	.557
		HDFC	1.30597	.79457	.101
	HDFC	SBI	-1.71868*	.70692	.015
		Canara	-1.57515*	.76277	.039
		Federal	-1.73240*	.78017	.027
		South Indian	-1.30597	.79457	.101

Source: SPSS output

Multiple comparison analysis is carried out using post hoc test to know the difference existsamong the Human Resource Management Practices and Firm performance of HDFC bank is different from other banks. Here accepted H1 that is Human Resources Management Practices influence on Firm Performance in banks.

The differences Human Resource Management Practices and Firm performance are shown in the figure 4 and 5 using box plot to know the variations.

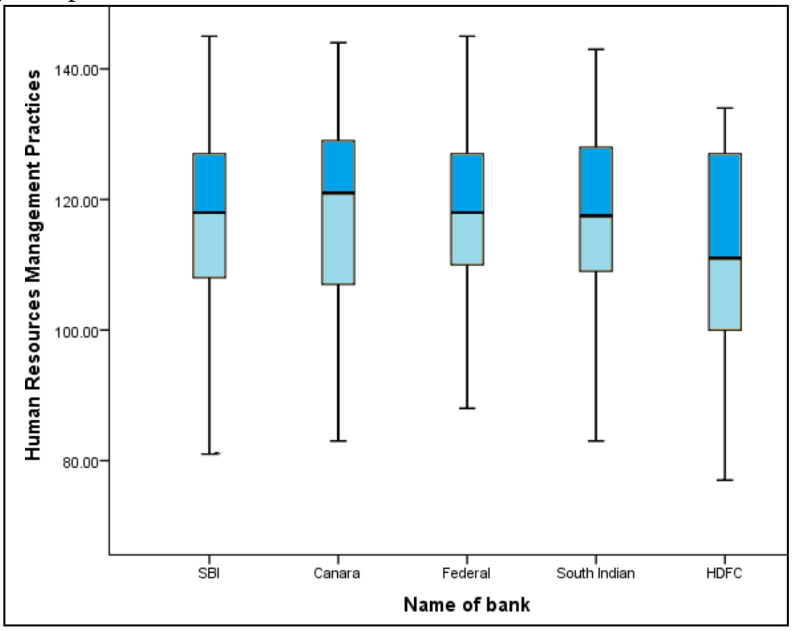

Figure 4: **Box plot showing Human Resource Management Practices and Name of bank**

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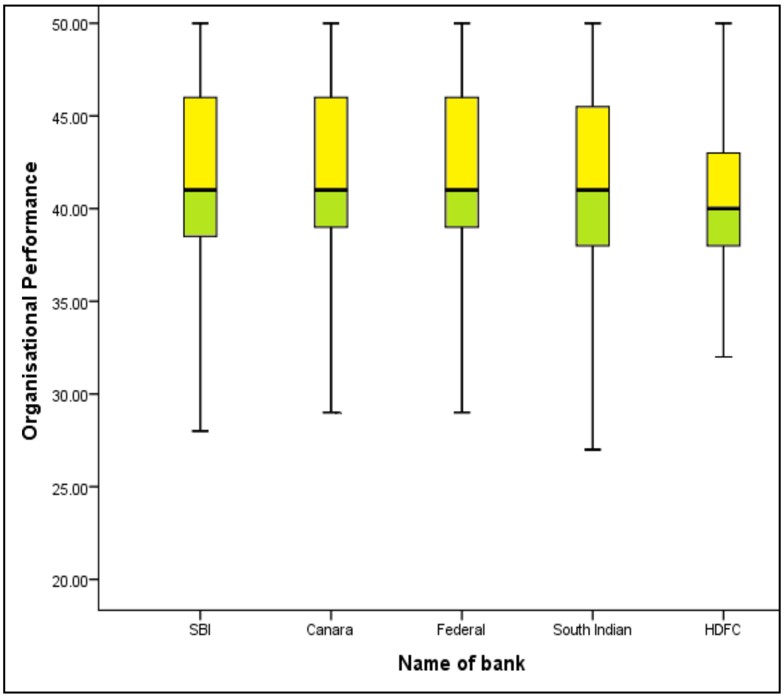

Figure 5: Box plot showing firm performance and name of bank

IX. FINDINGS

- Regression coefficients extracted from the CFA analysis identified the level of contribution of each variable towards Human Resources Management Practices. The most influencing factor of Human Resources Management Practices in banks are career planning and development (0.635) followed by the variable compensation (0.62) performance appraisal (0.614) training and development (0.603).Recruitment and Selection is the least influencingvariable (0.523).
- CFA analysis identified the level of contribution of each variable towards employee satisfaction. The most influencing factor of employee satisfaction is better human relations(0.839) followed by the variables promotion and growth opportunities (0.813), salary and benefits (0.782), decision making authority (0.781), job security (0.749), welfare benefits (0.69), etc. Recruitment and selection is the least influencing factor.

- CFA analysis identified the level of contribution of employee performance variables towards firm performance. The most influencing factor of employee performance towards firm performance is performance improvement (0.759) followed by the variables innovative ideas (0.663) and decision-making authority (0.654). Work output is the least influencing factor (0.579).

X. CONCLUSIONS

This study examined how human resource management (HRM) practices affected business performance in Telangana's banking industry. A thorough examination of the available literature and empirical data led to the discovery of several important conclusions. It is clear that efficient HRM procedures are essential for improving company performance in the banking industry. Employee productivity, customer satisfaction, and financial results are all positively impactedby the application of strategic HRM practices like recruitment and selection, training and development, performance management, and compensation. These procedures enhance the skills and competencies of talented employees, help them better align their personal and professional goals with those of the organization, foster a positive work environment, and ultimately improve overall company performance. This study examined how human resource management (HRM) practices affected business performance in Telangana's banking industry. A thorough examination of the available literature and empirical data led to the discovery of several important conclusions.It is clear that efficient HRM procedures are essential for improving company performance in the banking industry.

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Employee productivity, customer satisfaction, and financial results are all positively impacted by the application of strategic HRM practices like recruitment and selection, training and development, performance management, and compensation. These procedures enhance the skills and competencies of talented employees, help them better align their personal and professional goals with those of the organization, foster a positive work environment, and ultimately improve overall company performance.Employee training and development programs, performance appraisal systems, and compensation plans are the specific HRM practices with the biggest effects on firm performance in Telangana's banking sector. These procedures help create a highly qualified and driven workforce, promote a high-performance culture, and recognize employees for their contributions. The study also highlights the importance of aligning HRM practices with the unique characteristics and challenges of the banking industry in Telangana, such as customer service orientation, technological advancements, and regulatory compliance.

Overall, this study emphasizes the importance of proper HRM procedures in boosting business performance in Telangana's banking industry. It offers insightful information for banking organizations in Telangana and elsewhere, highlighting the necessity of strategic HRM initiatives to improve customer satisfaction, employee engagement, and financial outcomes. Banks can position themselves for sustainable growth, competitive advantage, and long-term success in a dynamic and evolving industry by embracing and putting these practices into practice.

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