

The Impact of HRM Practices on Organizational Financial Performance of Banking Sector of Pakistan

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Abstract. This research comprehensively assessed the relation between framework of human resource management (HRM) practices and organizational financial performance. The results based on a sample of banks of Pakistan demonstrate that these practices have a monetarily and measurably huge effect on financial performance of organization in short and long term. Information was gathered through a questionnaire survey and tested on random sample of 120 bank employees in Pakistan. The effect of HR practices on financial performance of association is to a limited extent dependent upon their interrelationships. The mediating model is applied where the perceived organizational support is the mediating factor among the independent variables HR practices and dependent variable the financial performance of firm. The investigation demonstrates the relationship on the information gathered by the surveys using Statistical techniques, i.e. correlation and regression. The study concluded that all tested variables have a positive relation and impact on financial performance of banks. Towards the end, the research challenges are presented to mainstream researchers and future patterns are also enlisted.

Key words: HR practices, Banking Sector, Organizational Financial Performance, Mediating Model

1 Introduction

The influence of HR methodologies and practices on business performance is a significant subject in the grounds of HRM, commercial development, monetary decision making (Armstrong and Taylor, 2020). This research addresses the issue that how accurate the financial performance mediation model shows classification estimates in anticipating the HR practices of the banking services sector of Pakistan by analysing model results with statistical tools.

This research focuses on the past HR studies. The degree of investigation explains that dependent variables of the research has an impact on financial performance of banks, and the conclusions depend on a sample of local firms obtained through a wide scope of ventures. Besides, the studies expressly address two methodological concerns confronting survey-based research with respect to this topic: between HRM Practices and organizational financial performance and survey response bias.

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The banking industry of Pakistan is amongst the fast growing and developing areas of Pakistan. Therefore, it is significant to improve this area by having skilful and learned workers in this industry. As services are provided by banks to customers through the employees of the bank, it is significant for banks to retain the perfect individuals and this would be obtained by providing them what a worker needs apart from rewards and compensation (Huynh et al., 2020). HRM practices are a significant way to retain employees and furthermore to hold them. HR practices must be effective and should be considered in the Pakistan Banking sector, as they provide benefits to employees like, incremental pay scales, rewards and annual materialistic appreciations, regardless of whether workers in this sector observe that they are genuinely benefited of HR-practices? Different objections have been accounted for in news and magazines about poor HR-strategy in this sector. Hence, this research provides insight to this issue by analysing relation among HR-practices and financial performance of organization by applying statistical analysis.

Inappropriate HRM practices of a large portion of the banking sector are ascribed because of the absence of skilled HRM authorities. Research has proposed an affirmative link between an organizations HRM applications and the execution of HR independent variables on employees. The major section of the HR department of these banks doesnt understand the effect of appropriately dealing with its employees. Moreover, the additional consequences of HRMs performance in the organization are grouped (Quansah, 2013):

- Financial outcomes; benefits, bargains commercial centres, market shares
- Administrative outcomes; profit or loss, viability, sales,
- HR based outcomes; social and direct ramifications for the specialists satisfaction, obligation, delegate turnover, nonattendance

The financial performance of organization and the risk factors are two key problems that are challenging for the Banks. It is very risky that how efficiently the banking sector deals with general employees by keeping an eye on risk factors, which could in fact exploit the financial health of this sector. The banking sector may not become productive and they may not achieve proficiency unless the sectors HR section has specialties to deal with their employees.

In all, the following are significant contributions in this study:

- A wide range of existing literature has been discussed about HR practices and financial performance of organization having perceived organization support as a mediating variable (Quresh et al., 2010).
- A comprehensive empirical statistical analysis is performed on the survey data taken from the banks. Further, the correlation and regression techniques are applied (Ahmad et al., 2019).
- A collection of research challenges is discussed and the future directions are highlighted.

2 Literature Review

There is a broad research on the implication of HRM practices concerning the financial related execution of association. In spite of the fact that the investigation proposes different explanations behind HR failure, yet the most on a very basic level inspected the factor to quantify

the money related execution of association, is choosing reasonable HR practices on keeping in view apparent perceived organizational support. The impacts of HR practices are to be assessed in this research, by estimating the financial performance of Pakistani Banks by mediating factor of perceived organizational support. For many years, analysts have been committing their time and respect for creating and watching the relationship among HRM-practices and money related execution of organization (Al-Bahussin and El-Garaihy, 2013). In perspective on the proof and results of going before investigates, it is essential that HRM is a huge segment that influences the legitimate amplex in improving money related performance of the banks. In previous researches, the outcomes have demonstrated the certifiable connection among HRM and money related performance of organization. The review of the available theoretical evidence attempts to provide more insights into the understanding of this topic by investigating the theoretical facts on analyzing financial performance with respect to HR practices. The literature that is applied to this research on impact of HR has developed the following stages which are also summarized in Table 1.

2.1 HR Practices

The previous studies have dependably proposed that the usage of effective human resource board practices improves organizations performance. Precisely, determination and enrollment process, preparing; formal information sharing, disposition assessment, work plan, complaint methodologies, and work the board bolster projects; and execution assessment, progression, and propelling power pay structures that see and reward delegate authenticity have all been commonly associated with esteemed firm-level money related outcomes. These methodologies and procedures have been named HR Practices (Armstrong and Taylor, 2020), and received in this examination. Regardless, if this line of research is to be moved, a couple of certified impediments in the prior observational work must be tended to.

The Ability-Motivation-Opportunity (AMO) hypothesis (Bratton, 2017) gives the reason for making HR systems that deal with the representatives interests, to explicit their abilities, motivations, and the idea of their action. HRM practices thus have impact on individual performance inciting hierarchical performance if they reinforce discretionary undertakings, make aptitudes and allow performing.

Selecting the correct HR practices as independent factors are the significant development in the investigation of money related performance of the organization. The HR practices utilized for examining money related performance is a simple method to control HR instabilities in the vast majority of the organizations in academic investigations (Voo et al., 2018). The key objective of these examinations is to reveal the specific HR markers among the associations.

Additionally, the analysis (Kehoe and Wright, 2013) concentrated on the primary issue that concerns the potential simultaneousness between HR Practices and corporate cash related performance of organization. For instance, if the firms that have best performance in the industry undoubtedly grasp HR practices, by then simultaneous evaluations of the influence of these practices on performance of firm could be misrepresented. Then again, it may be that by and large lower-performing firms go to HR practices as a fix. Given this is valid, by then such cross-sectional examinations will make light of the certifiable effects of HR practices on financial performance. This sort of simultaneous relationship is more outlandish by virtue of turnover and proficiency, in light of the way that these variables would be most likely not going to by and large sway the assurance of HR practices (Schmidt et al., 1979).

2.2 HR Practices related to Firms Performance

Literature describes the influence of HR practices on performance of the banks in Ghana (Abugre and Adebola, 2015). The analysis has been made on the data of some specific years using statistical tools, providing the results that there is essentially an affirmative connection among HR practices and organizational performance. They analyzed HR practices and assessed the impression of employees on HR-practices of banks. This study also builds up the influence of selected HR-practices on the banks productivity. Keeping in view the existing theoretical studies, following hypothesis is proposed:

Hypothesis I (a): The recruitment and selection is positively associated to organizational financial performance at banks.

Although, author proposed that strategic human resource management (SHRM) research builds up the relation between HR practices and organizational level budgetary and advertise policies (Kim et al., 2017). The results of the statistical analysis provided the evidence that the significant job of the workers impression of HR practices had varying effect for some particular HR-practices and intervening effect on other HR practices on the performance of employees. The results show that workers impression of selected HR practices had slightly intervened and mediated the link among HR practices and performance of organization.

Recently in Pakistan (Ahmad et al., 2019; Hunjra et al., 2010; Khan et al., 2018; Quresh et al., 2010; Tahir et al., 2014) applied model of financial performance measured the organizational performance to evaluate the HR condition of the banking sector of Pakistan. These studies provide proof to the acceptability of these HRM models with employee and financial performance measures as a reliable tool to measure the productivity of the banking sector.

2.3 HR Practices and Financial Performance of Organization

Various researchers have considered the links among distinct HR practices and financial performance of beginners. For example, study contended that the budgetary profits associated with interests in active HR practices are commonly substantial (Dyer and Reeves, 1995). Additionally, the research related to utility analysis of employee (Huselid, 1995) has concluded that one percent increase in the standard deviation in performance of an employee is equivalent to forty percent of wage. This result proposed that the HR practices are considerable. Though, a vast percentage of the experimental work related to this subject has been conducted in research laboratories (Voo et al., 2018), exhibited field information suggesting that standard deviation may in reality be well more than 40 percent of pay. Likewise, another study posited an affirmative link between the HR practices and financial performance of a company by considering the enlisting, choice test (Chien, 2004), and the application of prescribed HR practices for the benefit of firms financial health. Likewise literature suggests an established relationship between the HR practice (TD program) and financial performance (Guthrie, 2001).

Nonetheless, given the direct link between firm profit based capacity of slack resources for interest in such HR practices, it is anything but difficult to envision a company's monetary exhibition having such an impact (Huselid, 1995). Since overview respondents for the most part self-select into tests, selectivity or reaction predisposition may likewise influence results. The most widely recognized type of selectivity predisposition happens when the likelihood of reacting to a survey is connected both to an association's money related performance and the nearness of HR practices (Russell et al., 1985). Without knowing the heading of these connections from the earlier, notwithstanding, a researcher can't decide the impact on the outcome of

such rehearses on corporations financial act. In spite of a well-created writing dedicated to the factual correction of choice inclination (Arumugam et al., 2011), such remedy has infrequently been endeavored in earlier work.

Likewise, the study proposed that financial measures can be categorized as profit or loss, sales and share of market (Quresh et al., 2010). They comprise of numerous exercises and approaches planned for completing the people or the HR aspect of an administration position (Arumugam et al., 2011). This investigation focused on two HR practices, which are compensation and the reward framework, and training and development. These practices are picked in light of the fact that they are known to have the most effect on firms financial performance. Keeping in view the existing theoretical studies, following hypothesis is proposed:

Hypothesis II (a): The training and development is positively associated to organizational financial at banks.

HR practice (Compensation and reward) is required in organizations for budgetary salary and prosperity of their employees. Also HR practice (Training and Development) can prompt unrivaled information, aptitudes, capacities, frames of mind, and conduct of workers, in this way upgrading the great monetary and non-budgetary execution of the organizations. For any situation, analysts have utilized both budgetary and non-money related measurements to gauge authoritative execution (Thang et al., 2008). Keeping in view the existing theoretical studies, following hypothesis is proposed:

Hypothesis III (a): The compensation and reward is positively associated to organizational financial performance at banks.

Besides this fact some researchers have proposed in their studies that the better performance of employees wholly dependent upon HRM and it does matter. Study opposes that the particular theory of HRM that is its suspicion that improved financial performance of organization is dependent upon the better HR practices working in any organization (Arumugam et al., 2011). Hence, the more productively HR practices can be applicable to employees, the better would be the financial act of the association. Keeping in view the existing theoretical studies, following hypothesis is proposed:

Hypothesis VI (a): The performance management is positively associated to organizational financial performance at banks.

Further the research proposed by (Dajani and Zaki, 2015) describes the connection among HR practices and the organizations productivity and proposed that the HR practices were altogether recognized as the gross rate of turnover for assets for any organization. This indicates that if appropriate HR methodologies, procedures and systems are offered to any employee, then there is a substantial effect on financial performance of organization. Hence, the competence of HRM approaches depends on its planning procedures by following different business techniques.

2.4 Perceived Organizational Support (POS) as the Mediating Variable

Perceived organizational support could be improved through execution of HR practices. The past examinations portrayed the association between states of the workplace, the ability of POS in various organizations. They examined that the organizations where HR practices are executed sufficiently; they are more productive than other organizations. Moreover, a study drove an investigation of the financial sector of Korea and their inspiration of study was to ask about HR factors, influencing on POS (Kim et al., 2017). Further, the study portrays that POS and HR practices are interlinked to each other, as shown by HR practices expect a vocation of

the worker to achieve the better regulated and needs POS (Tokmak et al., 2012). According to the factual investigation, for the most part representatives have trust and desire from the top management of the organization and along these lines, top specialists will undoubtedly give authoritative help to better financial performance of the employees and organization. Keeping in view the existing theoretical studies, following hypotheses are proposed:

Hypothesis I (b): The perceived organizational support mediates the positive effect of recruitment and selection on financial performance.

Hypothesis II (b): The perceived organizational support mediates the positive effect of training and development on financial performance.

Hypothesis III (b): The perceived organizational support mediates the positive effect of compensation and reward on financial performance.

Hypothesis VI (b): The perceived organizational support mediates the positive effect of performance management on financial performance.

Table 2.1: Summary of Literature Review (Form Time Period 2010-2019)

Research	Database	Country	Model	Findings
(Hunjra, 2010)	Data of 450 bank employees, 295 questionnaires were processed.	Pakistan	The relationship model of employment fulfillment HRM practices	Affirmative and considerable connection among occupation fulfillment and HR practices.
(Quresh, 2010)	Data of 46 private banks of Pakistan.	Pakistan	The relationship model of HR practices, monetary procedure of banks	There is positive impact among HR practices and the financial procedure of banks.
(Tokmak, 2012)	Data of managers of 186 SMEs.	Turkey	The relationship model of HR practices, corporations act and POS	HR practices have noteworthy and positive impact on financial activities and POS.
(Al-bahussin, 2013)	Data of 203 HR directors working in big organization.	Saudi Arabia	The relationship model of HRM practices hierarchical performance	HRM practices decidedly identify with employee and firms financial activities.
(Quansah, 2013)	Data of 150, 40 from top management and remaining 110 from lower level employees.	Rural banks of Ghana	The link model of HR practices corporations act.	HRM has the effect on firms financial activities.
(Tahir, 2014)	Data of 8 private banks of Peshawar region.	Pakistan	HR- practices identifies worker profitability, financial performance	There is an association among HR- practices and firms financial activities.
(Choon Hee, 2016)	Data of 245 bank employees, 200 questionnaires.	Egypt	Relationship model of worker commitment, work execution, authoritative commitment	Employee commitment has the positive effect identified with the associations financial activities.
(Khan, 2018)	Data of 15 Pakistani banks, the questionnaire were processed.	Pakistan	Relationship model of representative execution measures-firms performance	The execution proportions of the worker have agreed impact on financial performance of the firm.
(Ahmad, 2019)	250 questionnaires were processed to conventional banks.	Pakistan	Relationship model of the worker inspiration firms performance	Employee examination is unfavorably related and the motivator is decidedly identified with financial performance of the firm.

2.5 Research Framework

In this study the exhaustive structure has been developed, as shown in Fig. 1, comprising of HRM practices Recruitment and Selection (HR), Training and Development (TD), Compensation and Reward (CR) and Performance Management (PM) as the independent variables. Perceived organization support (POS) is the mediating variable that acts as mediator concerning HR practices and the dependent variable financial performance.

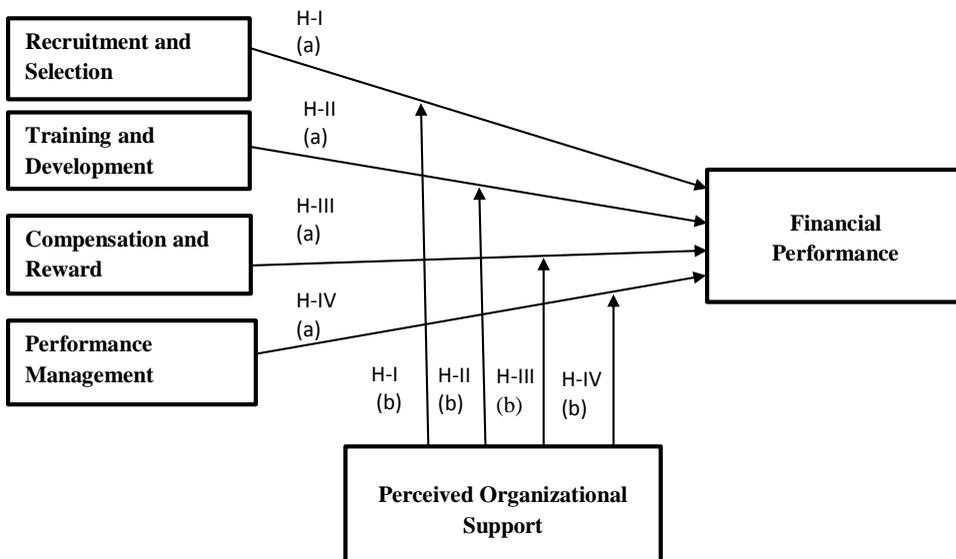


Figure 1: Proposed Research Framework of Mediating Model of HR practices- Financial performance mediating by Perceived Organizational Support, adopted from (Voo, 2018)

3 Materials and Methods

This research provides insight to this issue by analyzing relation among HR-practices and financial performance of Banking Sector of Pakistan by applying statistical analysis. A questionnaire has been developed based on Likert-scale type questions. The research approach is predictive and the methodology employed is quantitative in nature. This cross-sectional investigation is dependent on primary data. Primary data on five independent variables, mediating and dependent variable were gathered from officials/administrators and administrators working in banks in Pakistan through distribution of structured questionnaire. The convenient sampling is used to get reactions from focused respondents and keeping away from any anomaly impact on the outcomes. Keeping in view the expense of gathering primary data, sample size comprised of 120, focused on respondents living in enormous urban communities of Pakistan, i.e. Lahore and Islamabad by considering 95% confidence level and 5% margin of error. For the steadiness of this examination, a sorted out questionnaire comprising of 35 questions, which is adjusted from the exploration paper (Mayes et al., 2017) is made to gather primary data and depended

on Likert 5 point rating scale. The information is gathered through poll which was intently investigated. When the reactions were coded and scored suitably the underlying investigation which included distinct insights of statistic factors was performed utilizing MS Excel/SPSS.

4 Data Analysis and Results

4.1 Descriptive Statistics and Correlation Analysis

To demonstrate the Pearson correlation, statistical technique was applied on the information to check the relationship among post selected HRM practices (HR, TD, CR and PM), perceived organizational performance (POS) and financial performance (FP) before doing the hierarchical regression analysis. The reliability of research instrument is validated using Cronbachs alpha on a pilot study based on 33 respondents. In this study correlation test was performed on the variables identified in the research model and its results are accessible from Table 2. In the correlation table, the factors of POS, HR, TC, CR and PM are identified as influential on organizational financial performance.

Organizational financial performance (FP) had strong positive correlation with POS and HRM practices (HR, TD, CR and PM). It also had strong correlation with demographic factors including service years, demographic factors age, education and job description.

Table 4.1: Correlations

Variable	1	2	3	4	5
1. FP					
2. Perceived organizational performance	.451**				
3. Recruitment and Selection	.261**	.542**			
4. Training and Development	.253**	.350**	.606**		
5. Compensation and Reward	.305**	.552**	.686**	.612**	
6. Performance Management	.323**	.532**	.570**	.563**	.632**

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

**. Correlation is significant at the 0.05 level (2-tailed).*

4.2 Multiple Regression Test

Multiple Regression Test was used determine the effect on the estimation of dependent variable regarding changes in independent variables. The regression test was used to recognize the direct or linear relationship among five independent factors, i.e. HR practices (HR, TD, CR and PM) and mediation factor POS are identified as influential on organizational FP. In this model (a), 9.3% variability is explained in the financial performance of banks by variables PM, TD, HR,

CR, with a coefficient value of 0.55, indicating that increasing one unit of variables PM, TD, HR, CR will increase financial performance by 0.55. Table 3.1.

In this model (b), 18.6% variability is explained in the financial performance of banks by variables PM, TD, HR, CR, with a coefficient value of 0.37, indicating that increasing one unit of variables including mediating variable POS, PM, TD, HR, CR will increase financial performance by 0.37. Table 3.2.

Table 4.2: Multiple Regression Test for variables (pm, td, hr, cr, pos)

Model	R	R Square	Adjusted R Square	Standardized Coefficients	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.351 ^a	0.123	0.093	0.55	0.123	4.037	4	115	0.004

a. Predictors: (Constant), pm, td, hr, cr

Table 4.3: Multiple Regression Test for variables (pm, td, hr, cr, pos)

Model	R	R Square	Adjusted R Square	Standardized Coefficients	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.469 ^b	.220	.186	0.37	.097	14.126	1	114	.000

b. Predictors: (Constant), pm, td, hr, cr, pos

The R value signifies the variability explained in the financial performance of banks is 0.469 for Model 2, which specifies a high degree of positive strong relationship with mediating factor of POS. While R value for Model 1 is 0.351, which shows moderate degree of relationship. To determine the appropriateness of the research model, the value of R Square should be taken into consideration. R square of research model 1 is .123, it means that 12 percent of observed behavior of Financial Performance is well-defined by four independent variable of HR practices (HR, TD, CR and PM) (Table 3).

Moreover, R square of research model 2 is .220; it means that 22 percent of observed behavior of organizational financial performance is well-defined by four independent variables of HR practices (HR, TD, CR and PM), and with the mediating independent variable POS.

The Table 4 demonstrates that each critical HR practice has indirect impact on organizational financial performance. The hierarchical multiple regression test is applied and Model 1 is without mediating factor POS. HR, TD, CR and PM predict nonsignificantly the financial performance. It means 1 standard deviation change in factors (PM, TD, HR, CR), does not cause

Table 4.4: Hierarchical Multiple Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)*a	12.796	1.972		6.49	0
	hr	0.052	0.201	0.033	0.259	0.796
	td	0.054	0.162	0.04	0.333	0.74
	cr	0.134	0.135	0.134	0.991	0.324
	pm	0.219	0.133	0.197	1.651	0.102
2	(Constant)*b	8.906	2.135		4.171	0
	hr	-0.128	0.196	-0.082	-0.652	0.516
	td	0.132	0.155	0.098	0.854	0.395
	cr	0.028	0.131	0.027	0.209	0.834
	pm	0.093	0.13	0.083	0.712	0.478
	pos	0.463	0.123	0.402	3.758	0

*Dependent Variable: fp

a. dependent variable fp, independent variables(hr, td,cr,pm)

b. dependent variable fp, independent variables(hr, td,cr,pm and a mediating factor pos)

increase in financial performance. The standardized beta () has value closer to 1 or -1, the relationship between variables is stronger.

Where as in Model 2 POS exhibited an immediate impact on financial performance (B = .402, p .05 as Sig. is .000), exhibiting support for H5. This investigation likewise uncovered that the supposition of homogeneity of difference for the regression is met and that a communication between at any rate one of the HR practices and POS may be influencing everything.

The AVONA test is applied using alpha = 0.05, as the significance value for both models is less than p=0.05, thus the regression test is significant for Model 1 and 2 from Table 5.

The linear relationship between HR recruitment and selection (sigma value of .516), Training and Development (sigma value of .395), Compensation and Reward (sigma value of .834), Performance Management (sigma value of .478) and Perceived Organizational Support (sigma value of .000) with Financial Performance is upheld since determined sigma worth is equivalent or more prominent than 0.1 for POS.

Hence this study hypothesized that HR practices, an attention on worker advancement (for example not legitimately ordered or required by agreement), would associate with money related impression of authoritative help. Our results support previous study (Kim et al., 2017), where six of these hypotheses: HR, TD, and CR anticipate POS, which is the mediating variable and has positive correlation with FP; whereas for regression analysis and ANOVA test, POS shows a statistically significant overall relationship with organizational financial performance, thus accepting Hypotheses (B) of I, II, III and IV and results are supported according to previous study (Kim et al., 2017).

Table 4.5: ANOVA Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	138.37	4	34.593	4.037	.004b
	Residual	985.496	115	8.57		
	Total	1123.867	119			
2	Regression	247.021	5	49.404	6.423	.000c
	Residual	876.845	114	7.692		
	Total	1123.867	119			

a. Dependent Variable: fp

b. Predictors: (Constant), pm, td, hr, cr

c. Predictors: (Constant), pm, td, hr, cr, pos

Table 4.6: Hypotheses Test

Factor	Beta Value	Sig.	Result
HR recruitment and selection	-0.082	0.516	Not Supported
Training and Development	0.098	0.395	Not Supported
Compensation and Reward	0.027	0.834	Not Supported
Performance Management	0.083	0.478	Not Supported
Perceived Organizational Support	0.402	0	Supported

5 Recommendation and Future Research

- HR practices are identified with authoritative financial performance as mediated by POS for representatives in organizations and the Hypotheses (B) of I, II, III and IV are accepted. As recently examined, HR practices and POS job were discovered all the more firmly connected with organizational financial performance when industry uncertainty is high (Waldman et al., 2001). On account of banks, the uncertainty of organization is high so all things considered the POS is certain. The HR practices may be particularly compelling in advancing POS and accordingly organizational performance.
- The employee POS mediated the relationships of HR-practices with organizational financial performance and hypotheses (B) of I, II, III and IV had been accepted based on the correlation and regression having standardized beta. Hypotheses (a) of I, II, III and IV are rejected because dependent variables (HR, TD, CR and PM) are not much affected unless

the mediating variable POS escalates the financial performance of banks.

- Other organization wide factors other than HR practices like initiative are related with POS and, thusly, could add organizational performance in future in Pakistan.
- POS might be directed into standard employment exercises instead of into advancement. This might be totally satisfactory to organizations whose business methodology relies upon forefront workers' steadiness as opposed to inventiveness.
- Cultures and Climates may give a typical encounter of the organization as a well spring of low or high positive valuation and in this way add to POS. Thinking about casual systems inside organizations, POS has been found to increment with the quantity of connections workers have that give enthusiastic help or valuable data (Waldman et al., 2001). Such systems may work by recognizing the association as a solid wellspring of minding and positive valuation.
- The organizational size is the important factor while studying the mediating factor POS in concentrating small to medium sized associations. While large firms stock trades frequently comprised of layered bureaucratic constructions that might diminish the effect of mediating variable POS all through the organization and this would be new quest period for this theme.
- The government of Pakistan needs to appreciate the need for HRM, to have a strategic perception and to communicate this need to both the private banking business owners and government banks as well for better financial performance (Quresh et al., 2010).

5.1 Conclusion

By considering a sample of 120 business banks of Pakistan, the employee POS mediated the relationships of HR-practices with organizational financial performance because the hypothesis is accepted based on the correlation and regression having standardized beta. The strong positive correlations were discovered between independent variables, i.e. HR practices (HR, TD, CR and PM) and POS and dependent variable, i.e. FP. Further demographic also had strong positive correlation with employee performance. The research tested five hypotheses using regression analyses. The regression models had coefficient of R value of 0.469 which was indicative of high precision and reliability. The standardized beta () has value closer to 1 or -1, the relationship between variables is stronger. The regression analyses revealed that HR practices (HR, TD, CR and PM) and POS were important factors in employee performance. The positive connections of HR-practices with organizational financial performance, as mediated by POS, proposes reasonable ways organizations can upgrade their performance. However, the relationship of POS at the authoritative level relies upon up-to-date HR-practices which if not managed can affect financial performance of organization because of the inadequacy of the industry in which the organization resides.

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