

# Impact of Human Capital Management on Organizational Performance- A Study with Reference to Private Sector Banks

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**ABSTRACT:** *This study was primarily aimed to explore the impact of human capital management practices on job performance of employees working in the selected private sector banks in India. This empirical research was carried through survey method and structured questionnaire was used to gather the perception of private bank employees. The statistical tools such as, percentage analysis, factor analysis, t-test and analysis of variance has been applied to draw the meaningful findings to the research objectives. The empirical evidence proves that five dominant underlying dimensions were found and labeled as Recruitment and Selection, Performance Appraisal, Training and Development, Career advancement, and Commitment in their order of dominance. This research concludes that proper recruitment and selection of bank employees and rationalized performance evaluation are able to give maximum benefit to their customer in the form of best service quality and satisfaction.*

**Key Words:** *Human Capital Management, Organisational Performance, Private Banks, Training and Development*

## INTRODUCTION:

The term “Human Capital” remained familiarized by A. W. Lewis express “Economic Development with Unlimited provides of Labor”. Human Capital management denotes to dealing with a corporation’s workers for them to pay significantly to the efficiency of Associate in the nursing institute. During a layman’s linguistic dealing hands of a corporation mentions to human capital management. Human Capital Management is outlined because of the technique of exploit, exercise, handling, holding workers for them to subsidize well to the developments of the institute. In calmer arguments, promotion of the present skills of Associate in Nursing worker and removing the most real out of him/her refer to human capital management. Does Human Capital management have additional to try and do with however administrations treat their workers? Don’t treat your employees as mere labors. Employees. Those who pay most a region of their time tributary near the achievement of a company unit its most important source. Workers can whichever build or disruption a company, really making them Associate in nursing organization’s lifeline. Workers square measure the salvation of a company. A company can’t continue if there are not any labors. The institute battings with the help of individuals who donate in their different method in its achievement and efficiency. Employees spend most a part of their day in offices and attempt exhausting to attain the goals and objectives of the

organization. Workers got to be actuated from time to time in order that they develop a way of attachment towards their organization and additionally deliver their best. Senior management should make sure the timely growth and development of each individual involved for him/her to contribute expeditiously once needed. The key objective of each organization ought to be to coach its workers in order that they become economical resources shortly. In human capital management, organizations treat their workers as vital resources that play an Associate in the nursing instrument within the productivity of the organization. The event and management of people in line with their key responsibility areas not solely build them an imperative resource within the future however additionally guarantee their hundred contribution towards the organization.

## EMPHASIS OF CONCEPTS:

Human Capital management plays a vital role in increasing the potency of workers. People square measure in a very position to contribute additional towards the system, eventually increasing the general productivity of the organization.

To conclude, human capital management is very important for:

- Appointment the proper aptitude
- positioning him/her to the institute
- Creation a replacement worker feel snug
- Exercise workers so as to perpetually upgrade their skills
- Retaining workers
- Making workers independent and prepare them for adverse conditions

## REVIEW OF LITERATURE:

1. Christopher J. Collins, Jeff Ericksen, Mathew Allen (2005), stated that higher rate of HR practices leads to higher levels of employee outcomes. Commitment to the supervisor, trust in the management, involvement in the company, cooperation and lower preference to leave the company. Improve the profit of the company or improve the revenue growth the firm should focus on increasing the employee participation and decreasing intentions of employee turnover.

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2. DR. MadhurimaLall (2007), examined that human resource practices affect the performance of the employee. Human resource has to assist the companies to adapt changing environment in the competitive labour market. Job improvement is a motivating factor for contributing towards the organizational performance.
3. Waseef Jamal, M. IqbalSaif ( 2011), explained that there is a relationship between the human capital management and the organizational performance. Investment in human capital is a competitive advantage for the organizational level and the national level. The future performance of the organization is can be forecast based on the human capital management.
4. YasmeenRizvi (2011), concluded that human capital indicators and the organizational performance have a positive association. Human capitals include training, education and other involvements related to employee to increase the employee knowledge, skills, abilities and values. Human capital leads to employee job satisfaction and improve the workers performance as well as the firm's performance. Human capital development is an important role for the organization and the transformational change.
5. FaryalSiddiqui (2012), shows that human capital is enormous priority and it has become very important to survive in this dynamic environment and to achieve competitive advantage. Human capital is to achieve the competitive advantage of organization and the effective utilization of its human resource. At present the organizations are struggle to improve the performance of employees by implementing their HR practices. Human capital has to lead the organization for decision making process, effective communication, generate creative and innovative ideas. Human capital is positively related to the organizational productivity and implement of creative ideas and innovations to improve the organizational outcomes.
6. Ya-Hui Ling (2012), stated that intellectual capital enhance firm's global initiatives. Intellectual Capital has a positive influence on a firm's global innovation and the global marketing and it is not contribute to the new product and services development. Learning and sharing of knowledge developed the each part of the global network. Company should invest to developing the human capital, structural capital and relational capital there is interconnections of the above for the identification for the global competitiveness.
7. RaziyeH YosofBoroujerdi, Seyed Ali Siadat, Reza Hoveida, SaeedKhani (2014), it shows that organization strategy, employee management, employee selection, training and development, human resource planning and individuals interactions the output of the above step is reward, recognition and appreciations. Reward, recognition and appreciations create motivation, courage and ownership.
8. SamahSouleh (2014), stated that human capital management depends on the knowledge also it is an important effect on innovation. Incentives for the researchers motivate their activities for invention and innovation. Training practices, knowledge based investments, intellectual capital and human capital are the asset of the centers, seminars, conferences, coaching and counseling help to the development of researchers.
9. Udaya Mohan Devadas (2015), stated that human capital investment has to developed the employee, changing focus and realize more benefits. Human capital investment has to increase the national income and its economic growth.
10. WehelminaRumawas (2015), concluded that human resource development, organizational commitment and compensation has influence on the employee performance. Good relationship between the employer and the employee is to achieve its successful goals and it delivers excellent service to their consumers. Organizational Commitment, education and trainings and compensation will improve the employee performance, higher employee compensation is to give higher employee performance.
11. Zahid Ali Channar, SareetaTalreja, ManishaBai (2015), they stated that effect of human capital is gaining knowledge, skills and job satisfaction of the employees and achieve the efficiency of the organization. Human capital development has a strong positive relation with the level of employee satisfaction and the customer satisfaction and it will lead to the organizational performance. Trainings and education develop the human capital. The meaning of satisfaction of employees and the customers is organization is performing very well.
12. Md. UzzalHossain, Ishita Roy (2016), stated that human capital concept will help in advance human capital theory building within the human resource management discipline. Effective utilization of human resource is help to the organization to achieve the competitive advantage. Organizations are struggling to improve the performance of their employees. Human capital plays an important role in creation and sustaining the competitive advantage.
13. Linet J A Obor (2017), examined that recruitment process is guided by proper policies and it will encourage the employee retention in the long run also it gives good corporate image to the organization. The effective recruitment process is attracts the skilled employee and retain them within the organization.
14. ZenonaAtkočiūnienė, Greta Praspaliauskytė (2018), shows that intangible organizational resources such as intellectual capital and knowledge is very important to generate the long-

term value for the organizations. Abilities of employee are to create and accumulate the knowledge, share and apply in various activities, develop new thing and maintaining long-term relationships with various stakeholders. Intellectual capital and their knowledge have to processes the influence on an organization's profit and other things. Financial benefits is very important in long-term for the employees satisfaction and its customers.

15. WafaFarrukh, JavariaQaisJoiya (2018), according to this influence of intellectual capital is to improve financial performance and the financial efficiency of the manufacturing firm. Intangible assets is most important than the tangible assets for the success of the business enterprises. Intellectual capital such as skill and knowledge is very essential for the success of the company.

**GAPS IN LITERATURE:**

After studying the National and the International reviews regarding Human Capital Management and Organizational Performance the researcher is able to identify two predominant gaps.

1. Is there any specific number of factors responsible for Human Capital Management.
2. Is there any relationship between Human Capital Management and Organizational Performance.

**OBJECTIVES OF THE STUDY:**

- To identify the factor influencing Human Capital Management in banking sector.
- To measure the influence of Human Capital Management on Organizational performance.

**HYPOTHESIS:**

There is no significant influence on Human Capital Management on Organizational performance.

**METHODOLOGY:**

The study is based on both primary and secondary data. Primary data obtained through structured Questionnaire. It consist of three parts namely;

1. Demographic factors of Employees.
2. Human Capital Management factors.
3. Factors responsible for Organizational performance.

This three parts consist of both Optional type and Likert's 5.scale statement.

**SAMPLING SELECTION:**

The researcher used convenience sampling method to collect the response from employees of banking sector. The researcher consider top 5 performing banks and bottom 5 performing banks in the private sector. In each bank the researcher circulated 25 questioners and able to obtain only 223 usable responses. Hence, the sample size of the research is 223.

**STATISTICAL TOOLS USED:**

The following statistical tools are used to analysis the primary data.

1. Factor Analysis.
2. Liner Multiple Regression Analysis.
3. One Way Analysis of Variance.
4. T-Test.

**ANALYSIS AND INTERPRETATION:**

At the point of inception the researcher intended to identify the factors of human capital management. Therefore the factor analysis a principle component method is applied on 20 variables of human capital management under the following results are obtained.

**Table 1:**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.448
Bartlett's Test of Sphericity	Approx. Chi-Square	4830.858
	Df	190
	Sig.	.000

from the above table it can be ascertain that the KMO value of all the 20 variables are highly significant in proving the normal distribution of all the 20 variables. It also implies the sample adequacy from the population of private sector bank employees.

**Table 2:**

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.442	17.212	17.212	3.044	15.220	15.220
2	2.514	12.569	29.780	1.891	9.457	24.677
3	2.334	11.672	41.452	1.867	9.336	34.013
4	2.026	10.131	51.583	1.858	9.292	43.305
5	1.436	7.178	58.761	1.706	8.530	51.835
6	1.222	6.111	64.872	1.683	8.413	60.248
7	1.100	5.502	70.374	1.631	8.155	68.403
8	1.032	5.158	75.531	1.426	7.129	75.531
9	.841	4.207	79.738			



10	.775	3.873	83.611		
11	.636	3.181	86.792		
12	.570	2.850	89.642		
13	.489	2.446	92.088		
14	.406	2.032	94.120		
15	.297	1.487	95.607		
16	.287	1.436	97.043		
17	.242	1.212	98.254		
18	.175	.875	99.129		
19	.098	.488	99.618		
20	.076	.382	100.000		

from the above table it found that 20 variables are reduced into 5 predominant factors namely Recruitment and Selection, Performance Appraisal, Training and Development, Carrier elevation, and Commitment. These 5 factors are well defined with high statistical significant at 5% level. These 5 factors are considered as independent variables and organizational performance is considered as dependent factor. The influence of independent human capital management factors on organizational performance is estimated through linear multiple regression analysis.

**Table 3:**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 <sup>a</sup>	.424	.419	.445

a. Predictors: (Constant), EI4, EI3, EI2, EI1

from the above table it is found that the variance value is above 30% to prove that human capital management factors are independent and they are able to create influence on the organizational performance. The following ANOVA table gives the detail of regression fit it takes place between independent variables and the dependent factors.

**Table 4:**  
ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	77.328	4	19.332	97.411	.000 <sup>b</sup>
Residual	105.184	530	.198		
Total	182.512	534			

a. Dependent Variable: EMOTIONAL INTELLIGENCE

b. Predictors: (Constant), EI4, EI3, EI2, EI1

from the above table it is found that the F-value for the regression fit or the statistically significant at 5% level. This shows that the independent factors of human capital management are able to create influence on organizational performance that is individually estimated in the following table.

**Table 5:**  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.092	.019		108.597	.000
	EI1	.034	.019	.058	1.751	.081
	EI2	.341	.019	.583	17.669	.000
	EI3	.107	.019	.184	5.573	.000
	EI4	-.127	.019	-.217	-6.581	.000

a. Dependent Variable: EMOTIONAL INTELLIGENCE

from the above table it can be ascertain that 5 factors Recruitment and Selection, Performance appraisal, Training and Development, Carrier development, and Management policies are able to create optimistic changes in the performance of the banks.

important tools for refining the employees performance and also useful to improve the performance of private sector banks in the form of maximizing the customer as well as obtaining maximum profit.

It is concluded that proper recruitment and selection of bank employees and rationalized performance evaluation are

**FINDINGS AND CONCLUSION:**

It is found from the research that in all private sector bank human capital management is considered as one of the



able to give maximum benefit to their customer in the form of best service quality and satisfaction.

The carrier development, training and development are interrelated in private sector banks to manage the human capital. The promotional policies are also considered as one of the important factor to improve the performance of the private sector banks.

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