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"How HRM Practice Affects on Organizational Performance in Banal Financial Banking Industry Measuring Labile Marketing Strategy in South Asian Country, Bangladesh"

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Abstract- The purpose of this research is to examine how the HRM practice affects on organizational performance in Banal Financial Banking Industry measuring the Labile Marketing Strategy in South Asisan Country, Bangladesh. It has been noted that there is a trend here in Bangladesh in financial & banking sector is establishing Islamic Banking with differentiate marketing strategy. This is why, in our research, we mainly focus to find- how HRM practice affects on Organizational Performance in Islamic & Conventional or Banal Banking Industry as banal financial banking industry in changeable marketing strategy of Bangladesh. We collected data from a large number of employees of 10 banks in Bangladesh to find the affiliation in between of human resource policy and organizational performance. As our main focus on banal financial banking industry measuring labile marketing strategy, we collected our data from 10 Islamic banks. The employees were from managerial & non managerial level of those banks. We use statistical analysis by using SPSS statistical software.

GJMBR - A Classification : JEL Code : O15, P34, M30



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"How HRM Practice Affects on Organizational Performance in Banal Financial Banking Industry Measuring Labile Marketing Strategy in South Asian Country, Bangladesh"

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Abstract- The purpose of this research is to examine how the HRM practice affects on organizational performance in Banal Financial Banking Industry measuring the Labile Marketing Strategy in South Asisan Country, Bangladesh. It has been noted that there is a trend here in Bangladesh in financial & banking sector is establishing Islamic Banking with differentiate marketing strategy. This is why, in our research, we mainly focus to find- how HRM practice affects on Organizational Performance in Islamic & Conventional or Banal Banking Industry as banal financial banking industry in changeable marketing strategy of Bangladesh. We collected data from a large number of employees of 10 banks in Bangladesh to find the affiliation in between of human resource policy and organizational performance. As our main focus on banal financial banking industry measuring labile marketing strategy, we collected our data from 10 Islamic banks. The employees were from managerial & non managerial level of those banks. We use statistical analysis by using SPSS statistical software.

After conducting this research, we have found some areas and departments; those departments have positive and significant impact on organizational performance. These are Training and Development, Career Development, Reward and Compensation Policy have positive & significant impact of those banks on their organizational performance. Apart from these, it is surprising that we have found recruitment & selection policy has no significant impact on organizational performance on those banks. We believe, this study will be supportive to HR practitioners, management and business practitioners for establishing new path between human resource management practices and organizational performance in this industry also encouraging researchers by supporting to focus future evidence-based efforts and sharing results that are useful to the large number of Bangladeshi firms of financial industry.

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I. Introduction

If there is a structure in place whereby effectual Human Resource Management is practiced inside the organization, it will therefore foster positive employee attitude and behavior at the place of work. Higher job contentment, higher assurance or even high employee maintenance and good workforce quality depend on effectual utilization of HRM practices.

Islamic HRM includes developing a unique employee behavior and an idiosyncratic place of work culture in accordance with the principles of Islam; as a result, it allows for conducting the HRM activities with fair recruitment, sensible performance assessment, and an effective reward scheme & one and the same excellence of work and life balance.

HRM has an imperative role to play which necessitates development and maintenance of an organizational culture. It incorporates with other aspects of an organization"s way of life. Organizational culture is a broader framework in which HRM policies are unwavering and executed.

II. Literature Review and Hypothesis Development

a) *Employment and Selection*

It is through the employment and selection process that the company finds out which candidates should be given the forthcoming employment offers. This put into practice is in place to build up the fit between employees and the organization, teams and work requirements, and, thus, to create an improved work environment in the organization.

Hypothesis 1: Employment and Selection practices will be positively linked with organizational performance.

b) *Widespread Training and Expansion*

If the employees become more productive, the organization will certainly gain spirited advantage. In this competitive world, one of the key strategies for a organization to attain competitive gain is to perform the training procedures properly and effectively.

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Hypothesis 2: Training and expansion practices will be positively linked with organizational performance.

c) Career Expansion

Career planning and expansion program, promoting organizational effectiveness, depends on the organization"s ability to transfer for the purpose of their career development and progress. The firm or the organization make available a career path, communicates the career progression. Moreover, an organization should have a career development program and mentoring system.

Hypothesis 3: Career Expansion practices will be positively associated with organizational performance.

d) Performance Evaluation

The organization uses formal performance evaluation systems for different purposes such as: human resource decisions, feedback, and program assessment. The process that is used to evaluate performance needs to be well-matched with the principles that show the performance of the organization. Organizational success depends on the skills, abilities and information of the employees.

Hypothesis 4: Performance appraisal practices will be positively associated with organizational performance.

e) Reward and Compensation

An organization seeks to motivate their employees by offering rewards of various kinds and mostly such rewards are based on the competencies of the employees. Consequently, employees deliberately perform the job well with the expectation that they will get rewarded by the organization; as a result, good employees are retained within the organization.

Hypothesis 5: Reward and Compensation practices will be positively associated with organizational performance.

f) Organizational Performance

When organization links HR practices with business strategy, the organizational performance will be better. The development of effective work teams and improvement of individual performance across the firm enhance organizational performance by identifying and developing employees" strengths within the organization.

Islamic HRM practices are known to be positively associated with organizational performance. Undoubtedly, when the organization is able to provide better service compared to its competitors, the customers" satisfaction will be maximized and thus the profit margins will also increase.

Hypothesis 6: Islamic HRM practices on organizational performance are better than Conventional HRM practices on organizational performance.

III. Methods

a) Sample and Data Collection

For the analysis, the data has been collected from full- time 210 managerial employees as a respondent of two types of bank (Islamic bank and Conventional Bank) in Bangladesh. The sample was mainly surveyed into fifteen banks through a specifically designed questionnaire.

The total sample size is 210 respondents where 106 respondents from Islamic Banks and 104 respondents from Conventional Banks in Bangladesh. At each bank, seven questionnaires were distributed to the Branch managers and the employees so that a total of 210 questionnaires were randomly distributed. The overall representation includes: total returns of 210 questionnaires- 50.48 % from Islamic Banks and 49.52 % from Conventional Banks in Bangladesh.

IV. Results and Findings

Table 1 shows the means, standard deviations, and correlations among the variables in this study. The result indicated that HRM practices have significant influences on the organizational performance perceived by managers of Islamic and Conventional Bank in Bangladesh. Study indicates that higher levels of organizational performance is positively associated with TD ($r = .28$, $p < .05$); CD ($r = .44$, $p < .05$); PA ($r = .20$, $p < .05$); RC ($r = .33$, $p < .05$) of all managers respectively. Hypothesis 2, 3, 4 and 5 of the present study is accepted. However, RS ($r = .08$) positively related to organizational performance but not significantly.

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Table 1 : Correlation coefficients for all variables for full sample (N=210)

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1.Organization Performance	4.00	.49	-										
2.Recruitment and Selection	2.52	.80	.08										
3.Training and Development	3.42	.66	.28**	.09									
4.Career Development	3.61	.69	.44**	-.06	.63**								
5.Performance Appraisal System	3.63	.61	.20**	-.19**	.28**	.55**							
6.Reward/Compensation	3.35	.60	.33**	.10	.41**	.52**	.52**						
7.Academic Qualification	2.05	.80	-.04	.02	.04	-.05	-.30**	-.17*					
8.Type of Position	3.54	1.42	.19**	.01	-.11	-.09	-.20**	-.02	.13				
9.Job Experience	1.86	1.12	.11	.09	.20**	.20**	.09	.11	.12	.02			
10.Age	1.85	.78	.08	.12	.23**	.21**	.20**	.18**	.09	.08	.64**		
11.Company Size	3.11	.62	.19**	.03	.09	.13	-.16*	-.18**	.14*	.12	.05	.06	

In Table 2, TD, CD, PA, RC of Islamic Banks is found to be significantly associated with organizational performance. Results indicate that higher levels of organizational performance is positively related with TD (r=.29, p<.05); CD (r= .27, p<.05); PA (r=.26, p<.05) and RC (r=.28, p<.05) but it was insignificant with RS (r=.05, p<not significant).

Table 2 : Correlation coefficients for Islamic and Conventional (N=105 Lower triangles Islamic bank and upper triangles Conventional Bank=105)

Components	Mean	SD	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1.Organization Performance	3.94	.42	4.07	.53	-	.16	.37**	.60**	.17	.40**	-.05	.23*	-.07	-.15	.39**
2.Recruitment and Selection	2.67	.79	2.37	.78	.05	-	.29**	.01	-.21*	.18	.09	.30**	.18	.17	.16
3.Training and Development	3.58	.64	3.25	.63	.29**	-.19	-	.51**	.26**	.43**	.06	-.19	.02	.15	.00
4.Career Development	3.66	.67	3.56	.71	.27**	-.16	.76**	-	.57**	.54**	-.06	-.10	.05	.05	.08
5.Performance Appraisal System	3.64	.56	3.62	.67	.26**	-.19	.30**	.52**	-	.47**	-.41**	-.26**	.11	.27**	-.34**
6.Reward/Compensation	3.43	.54	3.26	.65	.28**	-.05	.36**	.49**	.59**	-	-.11	-.04	.11	.11	-.19
7.Academic Qualification	1.92	.56	2.17	.98	-.07	.00	.13	.01	-.07	-.27**	-	.03	.28**	.13	.04
8.Type of Position	3.17	1.43	3.92	1.32	.10	-.15	.09	-.05	-.15	.09	.21*	-	.13	.02	.31**
9.Job Experience	2.11	1.35	1.60	.74	.31**	-.03	.23*	.27*	.08	.08	.09	.07	-	.71**	-.20*
10.Age	2.04	.87	1.65	.62	.36**	.01	.20*	.31**	.15	.20*	.17	.254**	.60**	-	-.19*
11.Company Size	3.15	.66	3.08	.59	.01	-.01	.13	.17	.03	-.20*	.35**	.013	.15	.19	-

On the other hand, Table 2 shows (upper) triangle that TD, CD, RC of CB is found to be significantly related with organizational performance. It indicates that higher levels of organizational performance is positively associated with TD (r=.37, p<.05); CD (r= .60, p<.05), RC (r=.40, p<.05) as perceived by managers. However, with regard to Recruitment and Performance Appraisal System HRM practices conventional bank showed insignificant and weak association with effective organizational

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performance, not indicating support to Hypothesis 1 and 4. However, RS positively influences organizational performance and is not significant with organizational performance.

Table 3 : Regression results on organizational performance and HRM practices

Variables	Overall			Islamic Bank			Conventional Bank		
	B	t	Sig.	β	t	Sig.	β	t	Sig.
Recruitment and Selection	.09	1.39	.17	.14	1.43	.16	-.01	-.15	.88
Training and Development	.00	-.01	.99	.29	2.04	.04*	.14	1.55	.13
Career Development	.36	3.76	.00***	-.17	-1.01	.32	.43	3.86	.00***
Performance Appraisal System	.02	.22	.82	.22	1.76	.08*	-.01	-.05	.96
Reward/Compensation	.16	1.98	.05**	.03	.21	.83	.19	2.11	.04*
Age	-.12	-1.41	.16	.23	1.92	.06*	-.21	-1.97	.05*
Company Size	.16	2.40	.02*	-.00	-.01	.99	.30	3.59	.00*
Academic Qualification	-.04	-.62	.54	-.16	-1.50	.14	-.03	-.35	.72
Type of Position	.22	3.55	.00	.08	.73	.47	.21	2.58	.01*
Job Experience	.08	1.01	.32	.14	1.26	.21	.08	.75	.46
R			.54			.51			.75
R^2			.29			.26			.57
Adjusted R^2			.26			.18			.52
F			8.18			3.30			12.26
Df			10			10			10
Model Significant			.000			.001			.000

The Table 3 shows that HRM practices consistently affect the organizational performance positively and negatively across the managers" group: β = .29(p<.04), β = .14 (p<.13), for TD of Islamic and Conventional Bank and β = -.17 (p<.32), and β = .43(p< .00) for CD of Islamic and Conventional Bank respectively. This result indicates that TD of Islamic Bank is positively significant with organizational performance. Positive values about employees" TD makes managers perceive organization"s high performance to be more challenging and have better management system. CD of Conventional Bank is positively significant with organizational performance. For PA of Islamic and Conventional Bank, β=.22(p<.08) and β= -.01 respectively and RC β= .03(p<.83) and β= .19(p<.04) respectively for Islamic and Conventional Bank. Results indicate that PA of Islamic Bank is positively related with organizational performance but PA of Conventional Bank is negatively related with organizational performance. RC of Islamic and Conventional Bank is positively related with organizational performance but RC of Conventional Bank positively and significantly associated with organizational performance.

Table 3 also shows that Age factors of Islamic and Conventional Bank affects organizational performance positively and negatively across the managers" group: β = .23(p< .06), β = -.21 (p<.05). It indicates that more aged employees of Islamic Bank are loyal and it is positively significant with organizational performance but more aged employees of Conventional Bank are less loyal and it is negatively related with organizational performance. Company size of Islamic and Conventional Bank affect organizational performance negatively and positively across the managers" group: β = -.00 (p< .99); β = .30 (p< .00) respectively. It indicates that CS of Islamic Bank negatively related with organizational performance but CS of Conventional Bank positively significant with organizational performance. Employee size positively

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affects the organizational performance in Conventional Bank. Organizational size is managed by taking normal logarithm of total number of employees. Type of position factors of Conventional Bank is positively significant with organizational performance. Results also shows that β= .08(p< .47) and β= .21(p< .01) for top of Islamic and Conventional Bank, respectively. High position positively affects the organizational performance in Conventional Bank.

In addition, organizational performance for both banking organizations all adjusted R^2 were found significant, $\Delta R^2 = 0.18$ (p<.001) and $\Delta R^2 = 0.52$ (p<000), for Islamic and Conventional Bank shown in Table 3. Result indicates the effect of HRM practices on higher levels of organizational performance is significant. It shows strong support for hypothesis 3, 5 which assumed to have direct effect of CD, RC practices on higher level of organizational performance.

V. Discussion

This study highlights the importance of HRM practices in Islamic and Banal Financial Institutions like Banks in Bangladesh. It also highlights the considerable impact of HRM practices on organizational performance. In this study, through review of literature we recognized five vital HRM practices. These practices have been used in this study to evaluate the influences or relationship of these practices on organizational performance.

Recruitment and Selection is the procedure of magnetizing highest number of competent candidates and choosing the most excellent ones to attain competitiveness. It stated that if there is a difference between expectation and reality for both parties, then there will be a probability of errors to occur in the selection process.

Career development shows the entire series of actions and procedures connected to an individual's occupation. It shows company"s interest in the growth of the employee. It includes obtaining of profession path, self-actualization as an individual, actions and recognitions or felicitations, changing of occupation and occupation expansion.

Performance Appraisal is a methodical procedure to assess the performance of an employee. It is found that successful performance appraisal methods develop output and excellence.

VI. Conclusion

This study indicates the impacts of HRM practices on organizational performance in Islamic and Banal Banking Sector in Bangladesh. Our research experientially verified the results of HRM practices with regard to IB and CB in organizational performance in Bangladesh. The study shows the importance of HRM practices to attain and maintain superior performance in a dynamic company atmosphere and the need for an incorporated approach toward formulation and execution of HRM practices. The organizations need to proactively follow a tactical approach to HRM practices and also invest in such practices to attain high organizational performance.

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