



Impact of High-Performance HRM Practices on Employee Engagement and Performance in the Banking Sector

Dr. V.L.L.Narasimha Rao, Balne, Assistant Professor, Avanthi's Post Graduate & Research Academy, Hyderabad. Telangana.

Abstract

This study investigates how high-performance human resource management practices (HPRMP)—specifically compensation & rewards and training & development—affect employee engagement and performance in Bangalore's banking sector. Using data from 125 bank employees and path analysis, the research confirms that both HR practices significantly enhance engagement and performance. Moreover, employee engagement itself positively influences performance. The findings suggest that strategic HR interventions can elevate workforce productivity and commitment.

Key Terms:

High performance, Employee Engagement

INTRODUCTION

Recent literature highlights the role of HPRMP in shaping employee behaviour and organizational outcomes. Theoretical models such as Self-Determination Theory, AMO Theory, and Social Exchange Theory provide frameworks to understand these dynamics. Despite extensive studies, the mechanisms linking HR practices to performance remain underexplored, especially in the Indian banking context. This research aims to bridge that gap.

LITERATURE CONTEXT AND RESEARCH RATIONALE

Over the past ten years, a growing body of research has examined the interplay between high-performance human resource practices (HPRP), employee behavior, and job performance. Studies by Mostafa & Gould-Williams (2014), Alfes et al. (2013), Messersmith et al. (2011), and Boon et al. (2014) consistently link HPRP to positive employee outcomes. To



understand these dynamics, scholars have employed various theoretical models, including Self-Determination Theory (Deci & Ryan, 2000), the AMO Framework (Appelbaum et al., 2000), and Social Exchange Theory (Blau, 1964), which collectively explain how HR practices influence employee behavior and performance.

Empirical evidence also supports a connection between HPHRP and organizational performance, as demonstrated by Posthuma et al. (2013), Combs et al. (2006), and Delery & Doty (1996). Additional studies have highlighted associations between HPHRP and factors such as employee motivation (Dimba, 2010), work involvement (Kataria et al., 2019), organizational citizenship behavior, psychological capital (Abubakar et al., 2019), and even employee earnings (Pichler et al., 2014).

Despite these insights, the underlying mechanisms through which HR practices affect both individual and organizational performance remain insufficiently understood (Tabiu, 2019). This gap underscores the need for further investigation into how HRM strategies interact with employee engagement and performance outcomes (Tabiu, 2019; Sun et al., 2007).

In India, the research focus has gradually shifted from conventional HRM approaches to strategic human resource management (SHRM), emphasizing the alignment between HR practices and organizational strategy (Muduli et al., 2016). Against this backdrop, the present study aims to examine the relationship between HPHRMP, employee engagement, and performance within the Indian banking sector.

REVIEW OF LITERATURE

High-Performance HRM Practices (HPHRMP) and Employee Engagement

Multiple studies affirm that HPHRMP—particularly internal communication, training, and rewards—play a pivotal role in enhancing employee engagement:

Siddiqui & Sahar (2019) emphasized that internal communication and training significantly boost engagement. They advocate for participatory HR strategies to enhance global competitiveness. **Azad & Khan (2018)** highlighted the impact of HR coaching, empowerment, and delegation on both engagement and organizational performance. **Jain & Khurana (2017)** found training and development to be influential in fostering job satisfaction, commitment, and retention, though not necessarily emotional connection. **Stachowska (2016)** proposed a comprehensive reward system—both tangible and intangible—as essential for aligning employee motivation with job



expectations. **Hoole&Hotz (2016)** demonstrated that rewards, along with career and performance management, positively correlate with work engagement. **Koskey&Sakataka (2015)** identified health benefits, promotions, peer interaction, and job-relevant training as key drivers of engagement and commitment, recommending regular remuneration reviews. **Azeem, Rubina &Paracha (2013)** stressed the role of moral-focused training in enhancing engagement, suggesting that tailored programs can influence employee involvement. **Scott et al. (2010)** concluded that short-term financial incentives have a stronger impact on engagement than long-term rewards or recognition.

HPHRMP and Employee Performance

Research also supports the link between strategic HR practices and improved employee performance:

Njoroge &Kwasira (2015) found that compensation and rewards directly influence performance, and recommended integrating non-monetary incentives and targeted training. **Nassazi&Ossi (2013)** demonstrated that well-designed training programs, aligned with job roles, significantly enhance employee output and effectiveness.

Employee Engagement and Employee Performance

Recent studies underscore the critical role of employee engagement in shaping performance outcomes across various organizational contexts:

Tampubolon (2016) identified that employee performance is significantly influenced by engagement, motivation, and job satisfaction. These factors collectively enhance individual productivity and organizational effectiveness. **Dajani (2015)** emphasized that organizational justice and leadership practices are key drivers of employee engagement. The study further revealed that engaged employees tend to exhibit higher levels of job performance, suggesting a mediating role of engagement between leadership and output. **Jackson (2014)** explored both in-role and extra-role performance, concluding that work engagement positively affects employees' ability to fulfill core responsibilities and contribute beyond formal job descriptions. Engaged individuals are more likely to excel in their roles and demonstrate discretionary effort.

NEED FOR THE STUDY

While prior research by Jaiswal and Tyagi (2019) explored the impact of high-performance HRM practices (HPHRMP), employee engagement, and performance within the



hotel industry in Uttarakhand and the Himalayan regions, sectoral differences suggest that outcomes may vary significantly in banking. Given the distinct operational dynamics and technological orientation of the banking sector, especially in urban hubs like Bangalore, there is a pressing need to investigate how HPHRMP influences employee engagement and performance in this context. This study seeks to empirically examine these relationships, offering insights tailored to the banking industry's evolving human resource strategies.

RESEARCH GAP

Although existing literature acknowledges the positive effects of HPHRMP on organizational outcomes (White & Bryson, 2013; Boon et al., 2014), limited attention has been paid to its behavioural impact on employee engagement—particularly within the Indian banking sector. Previous studies often generalize findings across industries without accounting for sector-specific nuances. This research addresses that gap by focusing on Bangalore's banking institutions, where rapid technological adoption demands innovative HR approaches. By clarifying the mechanisms through which HPHRMP fosters engagement and performance, the study contributes to a more nuanced understanding of strategic HRM in high-growth service environments.

STATEMENT OF THE PROBLEM

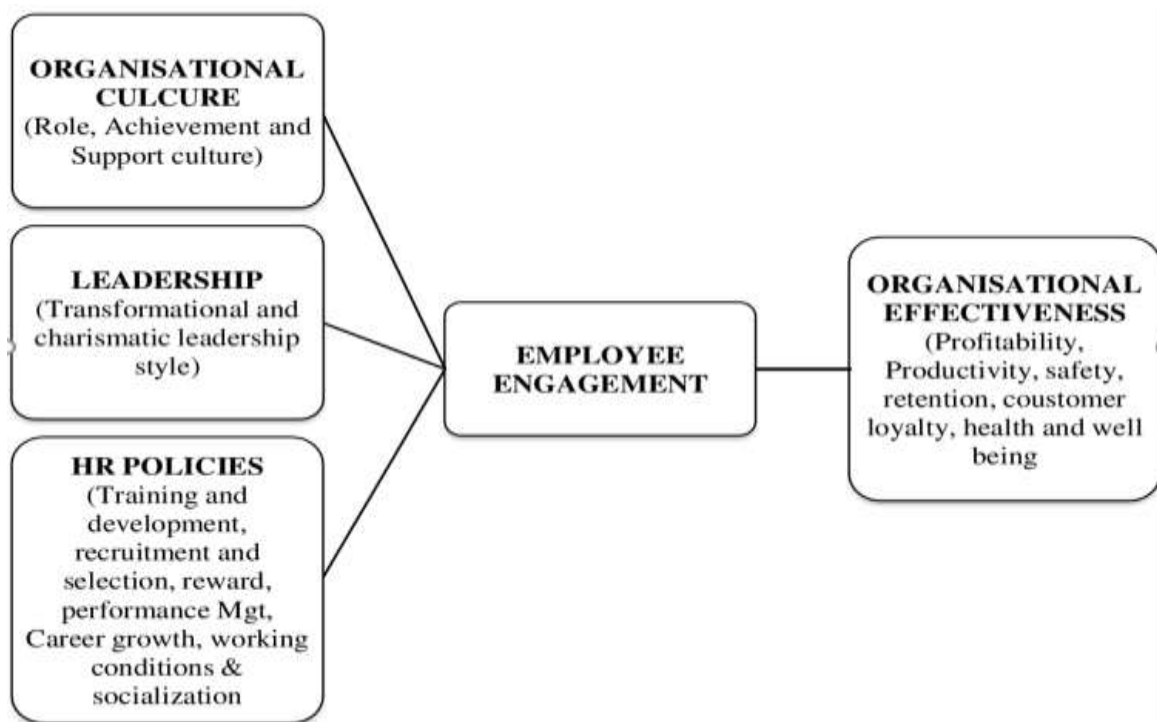
Despite active recruitment of skilled professionals, banks continue to face challenges in sustaining employee engagement. Low engagement levels can hinder performance and increase turnover intentions, undermining organizational stability. Enhancing engagement requires the implementation of robust high-performance HRM practices that align with employee expectations and organizational goals. While several studies affirm a positive link between HRM practices and engagement, the direct influence of HPHRMP on performance remains underexplored in the banking context. This study aims to investigate how specific HR interventions—such as training, development, and rewards—can elevate engagement and, in turn, improve employee performance.

RESEARCH DESIGN

This study adopts a **descriptive research design** to systematically examine the activities and perceptions of bank employees. The design enables a detailed understanding of how high-performance human resource management practices (HPHRMP) influence employee engagement and performance within the banking sector. By capturing real-world data from

employees, the research aims to provide empirical insights into HRM effectiveness in a dynamic service environment.

RESEARCH FRAMEWORK



The conceptual framework is structured to explore the relationship between HPHRMP, employee engagement, and employee performance. In this model:

- **Independent Variable:** High-Performance HRM Practices (HPHRMP), categorized into: *Training & Development*
Compensation & Rewards
- **Mediator Variable:** *Employee Engagement*—assumed to mediate the relationship between HR practices and performance outcomes.
- **Dependent Variable:** *Employee Performance*—the ultimate outcome influenced by both HR practices and engagement levels.

This framework facilitates the examination of direct and indirect effects, offering a nuanced understanding of how strategic HR interventions shape workforce behavior.

OBJECTIVES OF THE STUDY

1. To assess the impact of HPHRMP on employee engagement
2. To examine the effect of employee engagement on performance outcomes



3. To evaluate the direct influence of HPHRMP on employee performance

HYPOTHESES OF THE STUDY

H₀₁: HPHRMP has no significant influence on employee engagement

H₀₂: Employee engagement has no significant influence on employee performance

H₀₃: HPHRMP has no significant influence on employee performance

QUESTIONNAIRE CONSTRUCTION AND RELIABILITY

To ensure the validity of the research instrument, a structured questionnaire was developed using standardized scales. Reliability analysis was conducted for each variable, with Cronbach's alpha values ranging from **0.70 to 0.92**, indicating acceptable to excellent internal consistency:

S. No.	Variable	Reliability	Source
1	Compensation & Rewards	0.84	Brijesh Kishore Goswami & Yogesh Upadhyay (2020)
2	Training & Development	0.70	Muhammad Hammad Shah (2020)
3	Employee Engagement	0.92	Primary Data
4	Employee Performance	0.87	Primary Data

These values confirm that the questionnaire is statistically reliable for measuring the constructs under study.

AREA OF SAMPLE AND JUSTIFICATION

The study was conducted in **Bangalore**, a major banking hub in India, to explore the relationship between HPHRMP, employee engagement, and performance. A **pilot sample of 125 bank employees** was selected using **convenience sampling**. The data was analyzed using **path analysis**, which enabled the researchers to assess both direct and mediated effects of HR practices on performance outcomes.

Results and Discussion

MODEL FIT INDICATORS

Indicator	Observed Value	Recommended Threshold
Chi-Square	2.184	$p > 0.05$

p-value	0.183	
GFI	0.993	> 0.90
AGFI	0.921	> 0.90
CFI	0.999	> 0.90
NFI	0.999	> 0.90
RMR	0.014	< 0.08
RMSEA	0.001	< 0.08

The model demonstrates excellent fit, with all indices meeting or exceeding recommended thresholds. These results are consistent with prior studies by Premapriya et al. (2016), Victor Charles & Velaudham (2020), and others.

INFLUENCE OF HPHRMP ON EMPLOYEE ENGAGEMENT

Compensation & Rewards: Showed a **43.8% influence** on engagement. The hypothesis was rejected ($p < 0.05$), confirming a significant positive effect. *Supporting studies:* Stachowska (2016), Hoole & Hotz (2016), Koskey & Sakataka (2015), Scott et al. (2010)

Training & Development: Demonstrated a **33.1% influence** on engagement. The hypothesis was rejected ($p < 0.05$), indicating a meaningful impact. *Supporting studies:* Siddiqui & Sahar (2019), Azad & Khan (2018), Jain & Khurana (2017), Azeem et al. (2013)

HYPOTHESIS TESTING: INFLUENCE OF HPHRMP ON EMPLOYEE PERFORMANCE

Hypothesis 1

H₀₁: Compensation & rewards of HPHRMP do not influence employee performance.

Result: Compensation & rewards showed a **38.3% influence** on employee performance.

Statistical Significance: $p < 0.05 \rightarrow$ **Null hypothesis rejected**

Conclusion: Compensation & rewards significantly enhance performance among bank employees.

Supporting Studies: Sheila Wambui Njoroge & Josephat Kwasira (2015)

Hypothesis 2

H₀₂: Training & development of HPHRMP do not influence employee performance.

Result: Training & development showed a **7.2% influence** on employee performance.

Statistical Significance: $p < 0.05 \rightarrow$ **Null hypothesis rejected**

Conclusion: Training & development moderately influence performance.



Supporting Studies: AidahNassazi& Koskinen Ossi (2013)

Hypothesis 3

H₀₃: Employee engagement does not influence employee performance.

Result: Employee engagement showed a **28.3% influence** on performance.

Statistical Significance: $p < 0.05 \rightarrow$ Null hypothesis rejected

Conclusion: Engagement is a strong predictor of performance.

Supporting Studies: HotnerTampubolon (2016), Maha Ahmed ZakiDajani (2015), Lisa Jackson (2014)

REGRESSION SUMMARY TABLE

Path	Estimate	S.E.	C.R.	Beta	p-value	Influence (%)
Compensation & Rewards → Engagement	0.587	0.046	12.789	0.438	0.001	43.8%
Training & Development → Engagement	0.577	0.060	9.672	0.331	0.001	33.1%
Compensation & Rewards → Performance	0.070	0.157	2.636	0.380	0.001	38.3%
Training & Development → Performance	0.029	0.036	6.757	0.072	0.001	7.2%
Engagement → Performance	0.036	0.023	9.666	0.283	0.001	28.3%

CONCEPTUAL PATH DIAGRAM

Here's a visual representation of how HPHRMP components influence employee performance through engagement:

Image card incoming:

Arrows from **Compensation & Rewards** and **Training & Development** to both **Employee Engagement** and **Employee Performance**

A mediating arrow from **Engagement** to **Performance**

Influence percentages labeled clearly

Recommendations



Based on the findings of this study, the following recommendations are proposed to enhance employee engagement and performance in the banking sector:

Remuneration Review: Bank management should periodically assess and revise employee compensation structures. A strategic evaluation of remuneration can significantly elevate both engagement and performance levels.

Participatory HR Practices: Managers must recognize the value of participatory components—such as employee involvement in decision-making and feedback mechanisms—to foster a culture of engagement. These practices are essential for maintaining competitiveness in a globalized banking environment.

Ethical and Purpose-Driven Training: Training programs should not only focus on skill development but also incorporate moral and ethical dimensions. Tailored training initiatives aligned with employee roles and values can positively influence engagement and drive performance outcomes.

CONCLUSION

This research explored the impact of **High-Performance Human Resource Management Practices (HPHRMP)**—specifically **compensation & rewards** and **training & development**—on **employee engagement** and **employee performance** within the banking sector in Bangalore, India.

Using data collected from **125 bank employees** and analyzed through **path analysis**, the study revealed- Both **compensation & rewards** and **training & development** significantly influence **employee engagement**. These HR practices also directly affect **employee performance**, with compensation showing a stronger impact. **Employee engagement** itself plays a mediating role, positively contributing to performance outcomes.

In light of these findings, it is concluded that strategic HR interventions—particularly those focused on rewards and development—are essential for enhancing workforce engagement and productivity. Bank management should prioritize the alignment of HR practices with employee expectations to sustain performance and reduce turnover.

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