

HUMAN RESOURCE MANAGEMENT PRACTICES AND ITS IMPACT ON ORGANIZATIONAL PERFORMANCE IN DEVELOPMENT BANKS: THE EMERGING MARKET CASE

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Abstract

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The study examined the influence of human resource management (HRM) practices on the performance of development banks (DBs) in Nepal. It applied a descriptive and causal-comparative approach to establish a relationship between independent and dependent variables. It covered ten out of Nepal's 17 'B' class banks, examining 390 individuals from February to June 2023. Using regression analysis, the results highlighted that performance appraisal (PA) had the greatest impact ($\beta = 0.347$, $p = 0.50$), followed by compensation practices (CPs) ($\beta = 0.279$, $p = 0.50$), recruitment and selection (RS) ($\beta = 0.145$, $p = 0.50$), and training and development (TD) ($\beta = 0.131$, $p = 0.50$) on the organizational performance (OP) of DBs in Nepal. The study reinforces the findings of Osemeke (2012) which emphasized the positive correlation between RS methods and OP and advocates the crucial role of TD in shaping various dimensions of organizational success. The study contributes to social exchange theory (SET) and confirms Shore et al. (1995) results that HRM practices as investments affect employee self-perception in organizations. The study's findings offer practical suggestions for banks aiming to improve performance by proactively adapting HRM practices to meet changing challenges and opportunities.

Keywords: Compensation Practices, Performance Appraisal, Recruitment and Selection, Training and Development

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1. INTRODUCTION

In today's rapidly changing economic environment, characterized by various factors such as the globalization of businesses, evolving investors and customer expectations, and intensified market competition, organizations must enhance their performance to remain competitive and flourish. This can be achieved through cost reduction, innovation in processes and products, and raising quality. One of the most valuable resources in today's organizations is the people or the workforce who form and are responsible for the organization (Dahal et al., 2020; Saeed et al., 2013). Amin et al. (2014) contributed to this field by exploring the impact of human resources (HR) management practices on organizational performance (OP). In pursuing excellence and competitiveness, human resources management (HRM) emerges as a critical driver of success and performance enhancement, with the capacity to elevate organizations' standing (Amin et al., 2014; Ghimire et al., 2021).

Adopting and implementing HRM practices that align with academic environments' unique objectives and challenges is significant. Institutions can optimize employee performance and enhance efficiency, sustainability, and competitiveness (Dahal, 2022; Jouda et al., 2016). In organizational management and performance enhancement, understanding the role of HRM practices has become increasingly crucial. As businesses and organizations adapt to changing market dynamics, HRM practices emerge as a key factor in achieving sustained success and excellence (Singh & Kassa, 2016).

In the dynamic banking industry, HRM practices' role in shaping OP has become increasingly crucial (Bhattarai et al., 2020; Ghimire et al., 2023). Zaraket and Halawi (2017) offered valuable insights into this relationship, emphasizing how HRM practices impact the performance of the banking industry. Over the past few years, HRM has attracted significant attention due to its pivotal role in shaping OP. Scholars have increasingly recognized the need to understand the complex relationship between HRM practices and various aspects of organizational effectiveness (Dahal et al., 2023; Pradhan, 2020). In the context of financial institutions in Nepal, where distinctive cultural and socio-economic factors exist, the question of how HRM practices influence behavioral outcomes has become particularly relevant.

Furthermore, after reading various studies and articles, it has become clear that while numerous international as well as national studies have been conducted regarding OP and HRM practices in the context of Nepal, only a limited number of researches have been done, particularly considering the impact of HRM practices in the performance of development banks (DBs). This study tries to close the gap by focusing solely on the influence of HR practices on the OP of selected DBs. This research can be valuable for other organizations as it can help them reevaluate OP and gain insights into the factors that influence it.

This study examines in detail the effect of recruitment and selection (RS), training and development (TD), compensation practices (CPs), and performance appraisal (PA) on the OP of selected DBs. This study focuses on the HRM

practices influencing the OP of selected DBs and attempts to address the following primary research questions:

RQ1: Is there a significant association between RS, TD, CPs & PA, and DBs' performance?

RQ2: What impact do RS, TD, CPs, and PA have on the DBs' performance?

The study followed an organized structure. The introduction (Section 1) discusses the context, objectives, and significant OP challenges of DBs. The literature review (Section 2), in association with the conceptual framework and hypotheses, delivers a comprehensive understanding and development of the research field. The methodology section (Section 3) describes the study's design, sampling, and data collection methods, with due consideration to the respondents' characteristics. Furthermore, it also addresses the data's reliability. The result section (Section 4) presents the study's findings, primarily on hypothesis testing. These results are compared to recent research in the discussion section (Section 5). In conclusion (Section 6), the final section of the research paper summarises the stated research objectives, underscores the relevance of the findings, acknowledges any limitations observed in the study, and offers potential avenues for future study.

2. LITERATURE REVIEW

2.1. Social exchange theory and human resource management practices

As proposed by Blau (1964), the social exchange theory (SET) offers a conceptual framework that establishes a connection between HRM practices and their outcomes. The SET posits that individuals expect to receive discretionary benefits from their exchange partners, understanding that these benefits will be reciprocated in a discretionary manner over an extended period (Rhoades & Eisenberger, 2002). Within a connection such as the working relationship, SET posits that individuals must reciprocate advantages or services to their counterparts in the exchange (Blau, 1964). According to Shore et al. (1995), employees' perception of HRM practices as manifestations of investment, appreciation, and acknowledgment might shift their self-perception from a merely transactional association to one based on social interchange.

2.2. Human resource management and organizational performance

Mehmood et al. (2017) developed a model that connects HRM with OP and proposed important suggestions for effective emerging market practices, including RS, TD, PA, CPs, and others like job design, employee participation, status, and security. Flamini and Gnan (2019) described HRM practices as functional activities that enhance OP. The study emphasized the interconnected nature of these practices, highlighting how they mutually support each other and operate collaboratively to develop individuals and OP. HRM practices are integral to overall success, emphasizing their collaborative and synergistic impact on achieving performance goals.

Richard and Johnson (2001) defined OP as an organizational ability to proficiently and

effectively attain its objectives through the optimal utilization of resources. Performance encompasses various indicators: 1) productivity, 2) quality, 3) consistency, 4) effectiveness, and 5) efficiency. Assessing a company's performance relative to its goals and objectives is a pivotal component of OP. This involves comparing actual results and the intended outcome of the organization. OP is a complex and multifaceted concept that encompasses the evaluation of a company's achievements in meeting the predetermined goals and objectives established for various stakeholders over a defined period (Joshi et al., 2023; Richard et al., 2009). The assessment is crucial in assessing the extent to which a firm successfully fulfills the demands of various stakeholders, encompassing shareholders, employees, consumers, and the wider community (Dahal, 2021). It involves a complex interaction of financial measurements, operational effectiveness, strategic alignment, and social responsibility, all collectively contributing to the organization's overall performance and sustainability. There is a positive correlation between performance and return, whereby an increase in return indicates a higher level of effectiveness in performance. This impacts how the duties given to the employee are carried out and implemented (Saleh et al., 2020).

2.3. Human resource management practices affecting organizational performance

Singh (2004) conducted a study exploring the relationship between OP and HRM practices. The study's findings have justified that investing in human HRM positively impacts the company's financial outcomes. The study found a strong link between HRM practices, training, and compensation on OP and market performance. Osemek (2012) investigated how HRM practices affect the performance of private-sector organizations. According to respondents' perceptions, effective RS methods and PA practices positively correlated with the organizations' performance. Katua et al. (2014) investigated how compensation strategies affect performance within the banking sector. Balian et al. (2020) examined the correlation between enhancing human capital and improving operational performance. Their findings indicated a significant positive effect of these strategies on the performance of the banking industry. The study suggested that banks should consider adopting performance-based incentives, compensation structures, and a combination of financial and non-financial compensations to enhance overall performance.

Darwish et al. (2016) investigated how specific HRM practices affect OP in an emerging market setting. The study revealed that training consistently affected objective and subjective performance. Singh and Kassa (2016) investigated the influence of HRM practices on OP. The study found that HRM procedures, including RS, TD, PA, and CPs have an immense influence on OP. Quresh et al. (2016) examined the association between HRM practices and the financial performance of banks. The research focused on specific emerging market practices, including RS, TD, PA, CPs, and employee participation. The study's results indicated that all

the examined variables positively correlated with banks' financial performance. Among these variables, RS, TD, CPs, and employee participation were identified as the primary contributing factors to the affirmative influence on financial performance. Dahie and Mohamed (2017) examined the impact of RS, PA, and CPs on OP. The study revealed a strong correlation between various HRM practices and the OP. Pradhan (2020) investigated the influence of HRM practices on OP, explicitly focusing on the behavioral outcomes within financial institutions in Nepal. The research indicated that compensation systems and employee participation were most sensitive to organizational success. HRM, including development, training, selection, appointment, and compensation, helps organizations achieve goals, develop strategies, and implement policies. It aligns with internal policy and methods to ensure HR contributes to achieving goals while offering development solutions (Nguyen et al., 2020; Shahi et al., 2022).

2.4. Research gap

The HRM practices at Nepalese DBs exhibit a conventional approach, prioritizing the achievement of organizational objectives over the individual aspirations of employees. In this note, Shrestha (2022) identified that HRM practices in Nepalese firms lack a strategic focus and are still in their early stages of development. In the Nepalese banking business, Chaudhary and Chaudhary (2020) demonstrated that the effectiveness of organizations is primarily dependent on the way that HR is managed, deployed, and developed. As such, there are significant research gaps in the field of DBs in Nepal on the relationship between HRM practices and OP. Firstly, there is a lack of comprehensive studies on the effectiveness of RS approaches in getting competent employees specifically for this sector. The lack of information hinders a thorough comprehension of the direct relationship between RS procedures and the recruitment of qualified individuals in Nepalese DBs. Secondly, TD does not sufficiently investigate the specialized needs of different sectors, leading to an absence of solutions that strongly correspond with improved performance in this particular environment. The relationship between training, motivation, and productivity in Nepalese DBs necessitates a more detailed analysis. Furthermore, a lack of industry-specific knowledge impedes the comprehension of which factors significantly influence employee satisfaction and subsequent performance in CPs. This information is vital for effectively improving CPs within these banks. It is crucial to address these research gaps in order to effectively adapt HRM methods and optimize OP in the context of Nepalese DBs.

2.5. Study variables

2.5.1. Recruitment and selection

Based on the findings by Oaya et al. (2017), an organizational strength or weakness is determined by the capabilities of its personnel. A well-structured recruitment strategy allows a business to identify capable and qualified

employees who can enhance overall performance. In contrast to hiring based on community influence, which can result in organizational inefficiencies, adopting recruitment methods through agencies and online employee referrals allows organizations to get dedicated and highly productive staff members on board. The survey also found that employee RS is crucial to company OP and employee satisfaction. In another study, Nanor et al. (2022) revealed a significant relationship between RS practices and OP. However, the study revealed that there was no correlation between these practices and the recruiting of qualified employees.

H1: RS practices have a significant positive impact on OP.

2.5.2. Training and development

According to the research conducted by Nda and Fard (2013), TD plays a crucial role in improving employee and organizational efficiency. Training helps to enhance employee effectiveness within the organization by encouraging their initiative and elevating the quality of their work. This, in turn, fosters a more decisive commitment toward achieving the organizational goals and objectives. Adeyi et al. (2018) found that TD is critical for individual employee growth and organizational effectiveness. Employees perceive the support provided for TD as a fundamental factor contributing to their company retention, ultimately leading to improved OP. Subha and Bhattacharya (2021) investigated the relationship between training and motivation and discovered that training and motivation positively affect employees' efficacy and productivity. In addition, the study examines the financial sector's TD procedures that should be used to properly train employees and enhance their performance, as well as the workplace's training and motivation requirements.

H2: TD practices have a significant positive impact on OP.

2.5.3. Compensation practices

Darma and Supriyanto (2017) argued that compensation factors directly influence employee performance. This highlights the direct impact of compensation on employee satisfaction, including salary, wages, bonuses, benefits, travel opportunities, and vacation allowances. A positive perception of the compensation provided by the organization leads to improved employee performance. Job satisfaction serves as a mediator between compensation and employee performance. Eventually, this results in reduced employee turnover and absenteeism, ultimately contributing to overall improvement in OP. A study conducted by Saman (2020), aimed to evaluate the influence of compensation on both job satisfaction and employee performance within a mining company. The outcomes of this investigation uncovered a considerable and positive relationship between compensation and job satisfaction, further indicating that compensation also plays a crucial role in enhancing employee performance within the organization.

H3: CPs have a significant positive impact on OP.

2.5.4. Performance appraisal

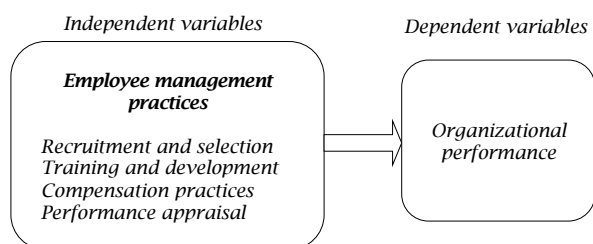
Gupta and Parmar (2018) have classified PA as a fundamental component of HRM, making it one of the most crucial responsibilities for HR managers. The primary objective of PA is to advance various organizational goals by identifying, measuring, influencing, and enhancing employee job performance within a specified timeframe, guided by predetermined standards and norms. According to Gupta and Parmar (2018), a well-made and effectively implemented PA system can significantly positively affect the organization and its employees. However, numerous studies have highlighted the challenges many companies face in effectively implementing these systems, a concern recognized by managers and employees. To ensure that the organization operates smoothly, it is essential to maintain consistent supervision and provide transparent information about the evaluation process. In another study, Curzi et al. (2019) found that in the digital age, formal PA is less likely to boost employee innovation and creativity, while PA focused on new competencies has a perceived positive impact more substantial than result-oriented appraisal, improving our comprehension of how organizations ought to evaluate employees.

H4: PA practices have a significant positive impact on OP.

2.6. Conceptual framework

Based on the study's objectives and prior research, a theoretical framework has been constructed to establish a connection between HRM practices and OP. This framework operates as a research model drawn from relevant literature, providing direction for future investigation. It outlines the study's path and illustrates the interconnections among the examined hypotheses. This theoretical framework will serve as a roadmap for advancing the study.

Figure 1. Conceptual framework



Source: Authors' elaboration.

3. RESEARCH METHODOLOGY

3.1. Research design

This research utilized a descriptive and causal-comparative design to establish a connection between an independent and dependent variable. The descriptive design offered some information regarding the characteristics of the population, and the causal-comparative research design offered the cause-and-effect relationships among variables and uncovered potential causal links in observed phenomena.

3.2. Data collection

From February 2023 to June 2023, data was collected from personnel of Nepalese DBs using a questionnaire with a structure. All the 17 'B' class DBs (Nepal Rastra Bank, 2023) in Nepal and their working representatives were considered the study population. Based on the judgmental sampling method, the study captured ten DBs and their 390 working representatives as respondents, as presented in Table 1.

Table 1. Sample DBs and No. of responses

Sample banks	No. of responses	Responses in %
Excel Development Bank	20	5.1
Garima Bikas Bank	48	12.3
Jyoti Bikas Bank	48	12.3
Kamana Sewa Bikas Bank	45	11.5
Lumbini Bikas Bank	44	11.3
Mahalaxmi Bikas Bank	45	11.5
Miteri Development Bank	25	6.4
Muktinath Bikas Bank	46	11.8
Shangrila Development Bank	48	12.3
Saptakoshi Development Bank	21	5.4
Total number of respondents	390	100.0

Source: Authors' calculation.

Table 2 presents the respondents' profiles, including gender, age, marital status, qualification, and income level. The survey results reveal that a significant proportion of the respondents were male, aged 20 to 30 years old. Furthermore, most participants reported being married, holding master's degrees, and having an annual income ranging from \$4,000 to \$15,000.

Table 2. Descriptive status of the respondents

Respondents' status	Respondents	
	No.	%
Gender		
Male	209	53.6
Female	181	46.4
Age (years old)		
20 to 30	192	49.2
30 to 40	185	47.4
40 to 50	13	3.3
Marital status		
Married	202	51.8
Unmarried	188	48.2
Qualification		
Bachelor	131	33.6
Master	259	66.4
Annual income level (\$)		
Less than 4,000	6	1.5
4,000 to 7,000	203	52.1
7,000 to 10,000	141	36.2
10,000 to 13,000	26	6.7
More than 13,000	14	3.6
Total of each group	390	100

Source: Field survey, 2023.

The study employed a judgmental sampling method and a structured questionnaire to collect respondents' opinions regarding the influence of HRM practices on OP. A set of structured questionnaires was developed and organized into three sections to facilitate the study. The first section focuses on gathering demographic information about the respondents. The second section is related to HRM practices (independent variables), and the third is related to OP,

the dependent variable. The second and third sections are scenario-based questions. Respondents rate items on a Likert scale from 1 to 6, with 1 — being strongly disagree, 2 — disagree, 3 — slightly disagree, 4 — slightly agree, 5 — agree, and 6 — strongly agree. A total of 390 valid survey responses were received from total survey forms.

The research employed both descriptive and causal-comparative methods of analysis. Descriptive statistics were used to examine the characteristics of the sample companies, including maximum and minimum values, averages, and standard deviations of the variables. The causal-comparative analysis involved regression analysis, which aimed to determine the impact of one variable on another and estimate one variable depending on the other. Furthermore, correlation analysis is used to evaluate the relationship between variables. The regression equation for the current study is presented below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad (1)$$

where, $Y = OP$; β_0 = intercept of the regression (i.e., Y — intercept); $\beta_1, \beta_2, \beta_3, \beta_4$ = the coefficient of regression; $X_1 = RS$; $X_2 = TD$; $X_3 = CPs$; $X_4 = PA$; ε = error term.

The reliability analysis was conducted to evaluate the consistency of the questionnaires using Cronbach's alpha coefficient. Table 3 presents the levels of reliability for the various sets of questions presented to bank employees.

Table 3. Reliability analysis

Variables	Cronbach's alpha	No. of items
RS	0.737	5
TD	0.846	6
CPs	0.795	6
PA	0.915	7
OP	0.899	10

Source: Authors' calculation.

Table 3 presents the reliability analysis of the questionnaire in the study. The Cronbach's alpha values for RS, TD, CPs, PA, and OP were 0.737, 0.846, 0.795, 0.915, and 0.899, respectively. These values indicate that the individual Cronbach's alphas for each independent and dependent variable was significant as the value is more than 0.7, which suggests that all the variables can be considered reliable for the study. The necessary information was gathered from the complete questionnaires and checked, cleaned, changed, and grouped into understandable information. To simplify the analysis, the data were coded. A statistical package for the social sciences (SPSS) was used to examine the data. The frequency of respondents, reliability analysis, descriptive analysis, correlation, and regression were all obtained using the SPSS.

4. RESULTS

4.1. Correlation analysis

The utilization of correlation analysis is of paramount importance in uncovering the associations between variables. Table 4 presents the relationships between OP and independent variables such as RS, TD, CPs, and PA practices.

Table 4 presents the Pearson correlation coefficients between the dependent variable, *OP*, and the independent variables: *RS*, *TD*, *CPs*, and *PA*. All computed coefficients were positive and statistically significant at the 5% significance level. The study revealed that the highest correlation coefficient was between *OP* and the independent variable *PA*, with

a coefficient of 0.747. Such findings suggest a strong positive association between the variable *OP* and the variable *PA*. Additionally, *OP* and *CPs* had the second-highest correlation coefficient, with a result of 0.723, suggesting a strong positive correlation between *OP* and *CPs*.

Table 4. Correlation analysis

Constructs	<i>RS</i>	<i>TD</i>	<i>CPs</i>	<i>PA</i>	<i>OP</i>
<i>RS</i>	1	0.708**	0.667**	0.66**	0.653**
<i>TD</i>		1	0.713**	0.764**	0.698**
<i>CPs</i>			1	0.732**	0.723**
<i>PA</i>				1	0.747**
<i>OP</i>					1

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

Furthermore, the correlation between *OP* and the independent variable *TD* had the third-highest coefficient at 0.698, signifying a considerable positive correlation between *TD* and *OP*. Lastly, the correlation between *OP* and the independent variable *RS* had the lowest coefficient among the variables, with a result of 0.653. However, it still indicated a positive correlation between *RS* and *OP*. Based on Pearson's correlation analysis, it can be concluded that all independent variables are positively associated with *OP*. An increase in any or all of the independent variables is likely to lead to an increase in *OP*.

4.2. Regression analysis

Regression analysis extensively captures and quantitatively assesses the connections among variables, providing valuable insights into the relationships between one or more independent and dependent variables. The study examined the impact of HRM practices on the *OP* in DBs. The independent variables considered in this study encompassed *RS*, *TD*, *CPs*, and *PA*. This study aimed to investigate the associations between the independent factors and the dependent variable. The data used for this research consisted of 390 responses. The outcomes of the regression analysis are presented in Table 5.

Table 5. Model summary

Model	<i>R</i>	<i>R-square</i>	<i>Adjusted R-square</i>	<i>F</i>	<i>Sig.</i>
1	0.805	0.648	0.644	176.962	0.001

Note: Predictors: constant, recruitment and selection, training and development, compensation practices, performance appraisal.

The F-value of 176.962, which is significant at the 5% level, indicates that the model is fit. The R-value of 0.805 and the R-square value of 0.648, as presented in Table 5, suggest that 64.8% of

the difference or variation in the dependent variable *OP* is explained by the independent variables *RS*, *TD*, *CPs*, and *PA*. This indicates a considerable influence of these independent variables on *OP*.

Table 6. Regression coefficients

Model	Unstandardized beta	Coefficients standard error	Standardized coefficients beta	T statistics	Sig.
Const	11.595	1.980		5.857	0.001
<i>RS</i>	0.363	0.114	0.145	3.172	0.002
<i>TD</i>	0.183	0.074	0.131	2.466	0.014
<i>CPs</i>	0.385	0.067	0.279	5.700	0.001
<i>PA</i>	0.333	0.050	0.347	6.675	0.001

Source: Authors' calculation.

Table 6 presents the outcomes of a regression analysis used to establish an equation, taking into account the statistically significant beta values that determined the influence of each independent variable on the dependent variable. The findings indicated that the independent variables, including *RS*, *TD*, *CPs*, and *PA*, had p-values lower than 0.05, signifying statistical significance at a 5% significance level. This implies that *RS*, *TD*, *CPs*, and *PA* variables have a meaningful and statistically significant impact on *OP*. This regression study led to the formulation of the following equation:

$$OP = 11.595 + 0.363RS + 0.183TD + 0.385CPs + 0.333PA + \varepsilon \quad (2)$$

Based on the linear equation derived from this study, *CPs* significantly influenced the *OP* within the selected DBs, given its highest unstandardized beta value of 0.385. While holding other variables constant, there is a 0.385 unit change in the *OP* for a one-unit change in the *CPs* variable, followed by a change of 0.363 units in *RS*, 0.333 units in *PA*, and 0.183 units in *TD*. Furthermore, the impact of *PA* on the *OP* of the selected DBs held a greater significance or impact, as indicated by its highest standardized beta coefficient of 0.347 compared to other variables. In contrast, the impact of *TD* on the *OP* of the selected DBs held a lower significance or impact than other variables, as indicated by its lowest standardized beta coefficient of 0.131.

4.3. Hypotheses testing

The analysis generated the following concise overview of the hypotheses proposed in the study.

Table 7. Summary of hypotheses

<i>Hypotheses</i>	<i>Statistics</i>	<i>Remarks</i>
<i>H1: RS practices have a significant positive impact on OP.</i>	$\beta = 0.145; p < 0.05$	Accepted
<i>H2: TD practices have a significant positive impact on OP.</i>	$\beta = 0.131; p < 0.05$	Accepted
<i>H3: CPs have a significant positive impact on OP.</i>	$\beta = 0.279; p < 0.05$	Accepted
<i>H4: PA practices have a significant positive impact on OP.</i>	$\beta = 0.347; p < 0.05$	Accepted

5. DISCUSSION OF FINDINGS

The study found that *PA* ($\beta = 0.347, p = 0.001$) significantly impacted the *OP* of DBs. This research's findings support the work of Absar et al. (2010), who emphasized the crucial role of *PA* as an essential driver of *OP*. *PA* was a key contributor to overall success among various HRM practices, aligning with this research findings (Absar et al., 2010). This study confirms Ebiasuode et al. (2017) results that *PA* positively affects bank organizational innovation. This dimension shows how *PA* promotes innovation and company growth with the new advancement in this digital shift in organizational activities. According to the study conducted by Curzi et al. (2019), it was observed that in the era of digitalization, the traditional method of formal *PA* is less effective in enhancing employee innovation and creativity. Conversely, performance assessment that emphasizes the evaluation of new competencies is perceived to have a stronger positive impact than result-oriented appraisal. These findings contribute to our comprehension of how organizations should evaluate their employees.

Regarding *CPs* and *OP*, findings align with the research conducted by Katua et al. (2014), which highlighted the impact of *CPs* strategies on the performance of commercial banks. Their study also revealed a positive correlation between strategic reward and compensation programs and employee performance, ultimately affecting *OP*. In another study, there exists a correlation between performance and return, whereby better returns correspond to more effective performance (Saleh et al., 2020). Further, Saman (2020) noted a strong positive correlation between compensation and job satisfaction, demonstrating that compensation is vital to *OP*.

In terms of *RS* and *OP*, the study reinforces the findings of Osemeke (2012), who also emphasized the positive correlation between *RS* methods and *OP*. Such consistency across studies lends credibility to the argument that improved *RS* processes can be a valuable asset for organizations, specifically in the banking sector. Similarly, the findings are consistent with those of Nanor et al. (2022), discovered a substantial association between recruiting and selection processes and *OP*. However, the study found no link between these methods and the recruitment of qualified individuals.

While considering *TD* and *OP*, this research extends upon the findings of Darwish et al. (2016), who emphasized the consistent influence of training on both objective and subjective *OP*. This emphasizes the central role of *TD* in shaping various dimensions of organizational success (Darwish et al., 2016). This study is consistent with the work of

Singh (2004), who highlighted the significance of two critical HR practices, *TD* and *CPs*, in influencing perceived organizational and market performance. Singh's (2004) research established an essential foundation for the study's findings, emphasizing the holistic nature of HRM and its impact on *OP*. Furthermore, Subha and Bhattacharya (2021) examined motivation and training on *OP*. The research examined financial industry *TD* techniques to properly train and improve staff performance and workplace motivation and training. Motivation and training boost worker productivity.

6. CONCLUSION

The study conclusively states that the *PA* variable substantially impacts *OP*. This insight highlights the strategic importance of promoting a culture of continuous feedback and performance evaluation within an organization. The empirical validation of the *PA* variable's significance highlights its pivotal role in shaping a motivated and high-performing workforce. Hence, it is clear that prioritizing effective *PA* practices can be a crucial strategy in driving enhanced *OP*. However, traditional performance reviews may not encourage employee innovation and creativity in the digital age. This suggests that firms should adapt their performance assessment methodologies to the digital age to foster employee development and inventiveness.

CPs emerge as a statistically significant determinant that positively impacts *OP*. This study decisively states that the *CPs* variable holds a substantial and influential effect on *OP*. This insight emphasizes the strategic value of designing *CPs* structures that align with corporate objectives and employee motivation. Hence, it is clear that an emphasis on effective *CPs* can be a pivotal strategy in driving enhanced *OP*. *PA* demonstrates a favorable and statistically significant connection with *OP*. *RS* emerges as a statistically significant determinant positively impacting *OP*. This study conclusively states that the *RS* variables hold an essential influence over *OP*. Hence, it is clear that organizations would benefit from a strategic focus on refining their *RS* processes as a critical driver for enhanced performance. *TD* shows a favorable and statistically significant connection with *OP*. This study conclusively states that the *TD* variable holds a crucial impact on *OP*. This insight emphasizes the value of promoting an organization's continuous learning culture. Hence, it is clear that prioritizing *TD* efforts can play a pivotal role in achieving enhanced *OP*.

Consistent with SET, the study reaffirmed the results of Shore et al. (1995), emphasizing the influence of regarding HRM procedures as

investments on employees' self-perception within companies. Improving HRM procedures needs to be an organization's top priority because of its significant influence on its overall performance. Organizations should foster a culture of innovation and ongoing feedback to optimize performance results. This will help to keep PA techniques flexible in the digital era. Additionally, matching pay plans with business goals and worker motivation is critical. For continued success, recruiting and selection procedures must be improved to draw in and keep top personnel. Investing in TD initiatives to foster an ongoing learning culture can also greatly increase the abilities and adaptability of staff members. These HRM practices should be smoothly integrated into the organization's strategic planning to ensure alignment with overarching goals. Long-term success depends on continued agility and adaptability in changing labor and technology trends.

While the study provides vital insights, some limitations must be acknowledged. First, the context-specific nature of the findings, based on selected DBs in Nepal, requires caution when extrapolating them to other organizations or industries. Second, the study relies solely on data collected at a singular time, potentially overlooking ongoing organizational changes. The employed research methodology may also introduce biases and limitations, particularly in self-reported data or sampling techniques. In addition, although significant relationships between HRM practices and

OP were identified, causality was not conclusively established, leaving the door open for other untested variables to influence HR practices and performance. External factors, such as economic conditions or industry trends that could independently affect OP were not thoroughly considered.

To address these limitations and advance our comprehension of the impact of HRM on OP, future research could explore a variety of avenues. The relationship between HR practices and OP may vary across industries and countries, as revealed by comparative research. The mechanisms underlying these relationships could be investigated through qualitative analysis, such as employee interviews. In addition, research could investigate HRM practices that foster innovation and creativity in the digital age, an important area of inquiry. Intervention studies evaluating the efficacy of specific HRM practices could provide organizations with actionable insights; expanding the study's external validity by including a broader range of organizations and regions would increase the significance of its findings. In addition, as technology continues to influence HRM practices, future research could examine the impact of digital tools and platforms on OP and employee outcomes. Future research can provide organizations with more nuanced and practical guidance for optimizing their HRM practices for enhanced OP in diverse contexts by addressing these limitations and pursuing these avenues.

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