




Human resource management practices and organisational performance in the Nepalese development banks: Insights from Structural Equation Modelling

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Abstract

Purpose: Effective human resource management (HRM) practices are essential factors that provide organizations with a competitive edge and contribute to their overall performance. This study examines the impact of HRM practices, including recruitment and selection (RS), training and development (TD), compensation policies (CPs), and performance appraisal (PA), on the organizational performance (OP) of the Nepalese development banks (DBs).

Design/methodology/approach: The study followed a causal-comparative research approach. It employed a structured questionnaire to gather the necessary data from 257 working representatives of the ten selected Nepalese DBs. Confirmatory factor analysis (CFA) and structural equation modeling (SEM) were used to examine the association between the variables and validate the study hypotheses.

Findings: The HRM practices exhibit a significant and positive association with OP ($\beta = 0.910$; $p < 0.05$), indicating their influence on achieving organisational success. Such findings offer a pragmatic perspective for achieving HRM excellence and organisational effectiveness in the Nepalese DBs.

Research limitations/implications: Analysis of cross-sectional data from development banks cannot be extrapolated to other sectors. This study emphasises the importance of compensation, performance measurement, hiring and selection, development, and training in improving OP, confirming and expanding prior findings. These insights may benefit policymakers, HR managers, and executives in enhancing HR operations by improving employee performance and business productivity.

Originality/value: This study's unique contribution is its examination of HRM dynamics and their direct impact on OP, notably in the Nepalese DBs. The DBs may optimise their HR, enhancing OP and a long-lasting competitive advantage.

Keywords: Appraisal, Compensation, Performance, Recruitment, Training

Jel Codes: L25, M12, O15

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1. Introduction

Human resource management (HRM) is a methodical approach that cultivates and guides human resources (HR) to impact individual behaviour to help firms achieve their goals (Wood, Holman & Stride, 2006). HRM involves the principles, methods, and systems influencing employees' thinking, acting, and performing. Investing in staff development, also referred to as 'people practices', allows organisations to improve their competitiveness. Implementing a comprehensive HRM system can achieve this. These strategies align with the organisation's business approach and encompass elements such as job design, HR planning, recruitment and selection, employee development and training, and performance evaluation. Zhu, Warner and Rowle (2007) focus the core principle of HRM on maximising the value of humans as valuable assets to achieve business plans and organisational objectives. Organisational HR and well-established HRM procedures are critical competitive advantages contributing to organisational performance success. Ghimire, Dahal, Budathoki-Magar and Gurung (2024) emphasized that enhancing HRM procedures should be a top priority for organisations due to their substantial impact on overall performance.

HRM practices play a vital role in the financial sector. In their study, Bae and Lawler (2000) discovered that companies that prioritise HRM and view their employees as a means of gaining a competitive edge tend to get superior performance results. Each employee's performance significantly impacts the success of an organisation (Alsafadi & Altahat, 2021; Dahal, 2022). However, in numerous developing nations, inadequate implementation of effective HRM practices is a significant barrier to organisational progress and economic prosperity. Nepal's enterprises exhibit a robust corporate culture primarily characterised by family ownership (Ghimire, Rai & Dahal, 2021). Despite this, firms are increasingly realising the critical role of HR in achieving success in today's competitive environment. This study aims to investigate the impact of various HRM practices on an organisation's performance. Specifically, the study will focus on the effects of recruiting and selection, employee development, and incentive schemes, which include performance reviews.

Strategic HRM practices that align with the organization's goals and values are crucial for improving competitive advantage and promoting employee loyalty and dedication. Akhtar, Ding and Ge (2008) argued that implementing strategic HRM approaches, such as training, involvement, and results-oriented assessments, has a significant impact on both the performance of products and services and a company's financial performance. As the banking industry undergoes changes and adjusts to market dynamics, HRM becomes crucial for developing a committed and loyal workforce, which in turn contributes to the long-term profitability and sustainability of these financial institutions (Karki, Bhattarai & Dahal, 2023; Reddy & Suresh, 2017). Organisations can harness their people's potential to improve corporate outcomes by acknowledging the importance of HRM practices. Furthermore, understanding the impact of organisational characteristics on HRM practices can provide insights into developing targeted strategies and policies that align with each industry's distinct objectives and difficulties.

Huselid (1995) presented an all-encompassing description of HRM techniques, including staff recruitment, performance evaluation, rewards, formal complaint procedures, information sharing, management and labor collaboration, recruitment intensity, and increased training hours. Delaney and Huselid (1996) categorised HRM strategies into three groups: recruitment and selection, employee development and training, and employee engagement and reward. Despite previous research on this topic, this work stands out because it uses structural equation modeling (SEM) to look into how hiring and firing, training and development, pay policies, and performance reviews affect the work of Nepalese development banks (DBs) work. This technique offers a refined and intricate examination of the influence of HRM on bank performance, which is a relatively unexplored domain. The study collected data from 257 respondents across 10 DBs through a systematic sampling process, providing a comprehensive and representative perspective of all seventeen DBs. This approach enhances the study's legitimacy and contributes novel insights to the sector.

This research substantially contributes to the current understanding by offering new perspectives. The analysis assesses the degree to which the research expands upon previous studies and provides novel viewpoints and consequences for academia and industry. The study emphasizes the exceptional value and importance of its discoveries in advancing HRM in Nepalese DBs, thereby increasing the novelty of the research. The introduction comprehensively examines organizations' backdrop, objectives, and significant performance obstacles. The literature review thoroughly analyses the research field and its development. The methodology section of the research addresses data reliability and provides detailed information on the research framework, sample techniques, data-gathering approaches, and respondent characteristics. The outcome portion focuses on hypothesis testing, while the discussion segment compares these findings to previous investigations. In conclusion, the final section of the research paper provides a concise overview of the research objectives, highlights their significance, acknowledges any constraints, and proposes potential avenues for future study.

2. Literature Review and Hypothesis Development

Disagreements have arisen regarding the specific components of a comprehensive human resource system. Ferguson and Reio (2010) mentioned that many resources have been focused exclusively on human resources. Resource-based theory has garnered significant consideration in the strategic management literature as a valued paradigm for assessing the importance of HR in attaining sustainable competitive advantage. The perspective suggests that companies with effectively managed HR systems can generate economic value through their people. However, this potential is only realised when HRM functions align with the company's broader competitive strategy (Barney, 2001). Equally essential is the emphasis on HRM policies. Managing HR is a critical and fundamental responsibility within a business. The tasks encompass recruitment, compensation, training and development, safety, employee motivation, employee well-being benefits, communication, performance appraisal, and all other activities linked with employees and their direction toward achieving organisational objectives (Dahal, Ghimire, Karki & Joshi, 2023; Jahanian, Nawaz, Yamin & Nawaz, 2012; Shahi, Dahal & Sharma, 2022).

HRM practices encompass a business's various strategies and techniques to manage its HR (Minbaeva, 2005) efficiently. Such practices are designed to improve the development of distinct abilities specific to the business, promote multifaceted social interactions, and build organisational comprehension to sustain a competitive benefit. Schuler and Jackson (1987) posited that HRM procedures operate as an integrated system that attracts, nurtures, incentivises, and retains staff, ensuring the organisation's effective execution, longevity, and the welfare of its members. Implementing HRM practices is crucial for achieving long-term organisational performance and maintaining competitiveness (Elumah, Shobayo & Adeleke, 2017; Shrestha, Dahal, Ghimire & Rai, 2023).

Organisational performance (OP) is a multifaceted and all-encompassing notion. A corporation's achievement hinges on its capacity to efficiently execute strategies to accomplish corporate objectives (Randeree & Youha, 2009). HR strategies are essential for firms to enhance employee job performance and effectively achieve their goals (Muchhal, 2014). Zhang, Wan and Jia (2008) noted OP as the level of achievement an organisation achieves in meeting its objectives. Pasaoglu (2015) emphasised the significance of implementing efficient HRM practices and integrating them into a cohesive system that aligns with the firm's goals and values. Organisations may bolster their long-term performance and competitiveness by fostering a culture of employee commitment and engagement, enhancing staff dedication and loyalty.

By implementing efficient HRM practices, firms can improve their overall performance and foster a culture of employee engagement, growth, and dedication. HRM is crucial in the banking industry, which is highly competitive and constantly changing. It can improve performance and competitiveness, making it a significant factor in achieving success and excellence (Mufeed & Gulzar, 2015). Dryer and Reeves (1995) suggested assessing OP by examining HR outcomes (turnover, absence, and contentment with work), organisational outcomes (output, value, and service), monetary outcomes (return on assets and earnings), and capital market outcomes. Several performance management studies (Atkinson & Brander-Brown, 2001; Bhattarai, Karki & Dahal, 2020; Ghimire, Dahal, Rai & Upadhyay, 2023; Harris & Mongiello, 2001) emphasised the importance of considering financial and non-financial factors like competitiveness, satisfaction with service, organisational adaptability, resource use, and technology.

Absar, Nimalathasan and Jilani (2010) addressed the connection between HR practices on OP along established a strong connection between HR practices and manufacturing firms. Among various HR practices, performance appraisal emerged as a substantial driver of OP. Abdalkrim (2012) examined the impact of HR practice on OP and revealed a positive correlation between various HR practices (training, performance evaluation, employee empowerment, remuneration, job rotation, employee engagement, and selection methods) and banking industry success. Al-Zahrani and Almazari (2014) investigated how effective HR management affects banks' financial performance. The findings established an affirmative connection between the financial success of a bank and certain HR practices, including job descriptions, performance appraisals, compensation plans, and HR planning. Ayanda Lawal and Ben-Bernard (2014) noted that HRM activities like employee selection, training, remuneration, and engagement helped banks succeed financially.

Mustafi, Rahman and Jahan (2016) identified influential factors describing overall HRM practices in private commercial banks. The study found a robust positive link among HRM practices like work analysis, HR planning, acquiring talent, development and training, performance appraisal, remuneration and labour relations, and the banking industry. Samuel (2016) examined HRM practices and OP in the insurance industry. The research revealed that HRM strategies significantly affect organisational performance in the sector. Pattnaik and Sahoo (2020) investigated the correlation between HR practice and OP using structural equation modelling (SEM) and revealed a strong and meaningful correlation between them. In another study, The HRM strategies that pertain to task autonomy, teamwork, and involvement have a beneficial impact on immaterial satisfaction. This, in turn, leads to improved performance within social and care services (Tortia, Sacchetti & López-Arceiz, 2022).

Prior studies have highlighted various key aspects of HRM practices and their influence on OP within the banking industry. It is crucial to emphasise the importance of strategic alignment, which means that HRM practices must closely match organisational strategies to improve competitiveness and produce long-lasting performance (Barney, 2001). Integrating several HRM practices, including recruiting, remuneration, training, and performance assessment, is essential to a unified system to maximise its efficacy (Ferguson & Reio, 2010). Resource-based theory suggests that well-managed HR systems can create economic value by leveraging the capabilities of individuals as long as they align with overall competitive goals (Barney, 2001). OP is a comprehensive concept that includes both financial measures and non-financial aspects such as employee happiness, service quality, and organisational agility (Dryer & Reeves, 1995).

Within the current academic discussion, scholars hold differing views on the strategic importance of HRM practices in the banking sector. While specific individuals prioritise strategic HRM (Akhtar, Ding & Ge, 2008), others emphasise the comprehensive integration of HR practices throughout organisations (Schuler & Jackson, 1987). There is an ongoing discussion on whether HRM approaches like performance appraisal and compensation are universally beneficial in different organisational contexts (Ebiasuode, Onuoha & Nwede, 2017; Rawashdeh & Al-Adwan, 2012). Despite extensive research, there is still a lack of a clear understanding of how HRM practices impact organisational performance in diverse banking settings, particularly in emerging economies like Nepal (Abdalkrim, 2012; Al-Zahrani & Almazari, 2014).

The current body of research continually emphasises the critical importance of HRM practices in improving OP in the banking industry. Ensuring that organisational goals are well aligned with strategic plans is essential for attaining a competitive edge (Bae & Lawler, 2000). Efficient recruitment and selection processes, comprehensive training and development programmes, fair compensation policies, and effective performance assessment methods are the main factors highlighted as important influences (Mustafi et al., 2016; Pattnaik & Sahoo, 2020). However, there is an urgent requirement for a focused study that explores the distinct difficulties and opportunities peculiar to Nepalese DBs, considering cultural subtleties and regulatory frameworks (Ghimire et al., 2023).

H1: HRM practices, including recruitment and selection, training and development, compensation policies, and performance appraisal, significantly and positively impact the overall OP of the Nepalese DBs.

2.1. Recruitment and Selection (RS)

According to research by Anosh, Hamad and Batool (2014), HRM-based practices have a noteworthy and positive influence on recruitment and selection. An effectively organised recruitment strategy enables an organisation to discern competent and credentialed personnel who have the potential to augment overall performance. Unlike employing personnel based on community influence, which may lead to organisational inefficiencies, utilising recruitment agencies and online employee referrals enables establishments to obtain committed and exceptionally productive personnel. Moreover, Al-Qudah, Osman and Al-Qudah (2014) revealed that HRM practice substantially and positively affects OP regarding recruitment and selection at the Malaysian Skills Institute. The significance of recruiting and selecting people for business success was also highlighted in the study, underscoring the criticality of these choices for the organisation's success and its human resources' contentment. HRM procedures, such as recruitment and selection, significantly impact and can predict several outcomes for employees, including their competence, commitment, job satisfaction, motivation, presence, and compliance (Onikoyi, Olagunju, Babutunde, Ajayi & Odumeru, 2022).

H1a: HRM practices positively and significantly impact recruiting and selection.

2.2. Training & Development (TD)

Strategic HRM also improved worker engagement and human capital improvement. Long, Kowang, Chin and Hee (2016) conducted a review that suggests that augmenting training activities can enhance OP and augment the future value of firms. Training facilitates employee performance by promoting proactive behaviour and improving work quality that, consequently, cultivates a more unwavering dedication to the fulfillment of the aims and objectives of the organisation. Hamadamin and Atan (2019) examined the influence of HRM methods on attaining sustainable competitive advantages. Their research investigated the role of HR development and staff commitment in mediating this relationship within the academic context. The researchers discovered a positive and direct correlation between strategic HRM practices and durable competitive advantage.

H1b: HRM practices positively and significantly impact training and development.

2.3. Compensation Practices (CPs)

The results align with the study conducted by Rawashdeh and Al-Adwan (2012), which showed a statistically significant association between awards, compensation, and OP. The study's findings indicate that including incentives and remuneration in a comprehensive approach could enhance OP. According to Darma and Supriyanto (2017), compensation factors directly impact employee performance, underscoring the correlation between employee satisfaction and compensation, encompassing benefits, travel opportunities, vacation allowances, salary, wages, and bonuses. When employees are guaranteed fair treatment, they are more likely to develop a strong sense of responsibility and dedication toward the firm (Ghimire, 2019). Increased employee productivity results from a favourable evaluation of the institution's compensation package. Job contentment mediates the association between compensation and the OP and leads to a decline in employee attrition and absenteeism, contributing to a comprehensive enhancement in OP. Moreover, HRM procedures, including salary, performance appraisal, and rewards and recognition, substantially impact employee satisfaction (Badre, Taorib & Gulhane, 2021).

H1c: HRM practices positively and significantly impact compensation practices.

2.4. Performance Appraisal (PA)

Ogunyomi and Bruning (2015) investigated how HRM is connected to OP in terms of miniature and medium enterprises. The regression analysis revealed a considerable association between OP, non-financial performance, and financial performance of miniature and medium-sized firms. In another study, Gupta and Parmar (2018) asserted that performance assessment is a crucial HRM component and a primary responsibility of HR managers. Performance appraisal aims to promote diverse organisational objectives by identifying, measuring, influencing, and improving employee job performance during a designated period per pre-established criteria and standards. Ebiasuode et al. (2017) demonstrated a strong and meaningful correlation between performance evaluation or appraisal and several measures of organisational innovation in banks. Furthermore, Ghimire (2019)

noted that managers must involve all staff in problem-solving and decision-making. However, he must constantly receive feedback on his actions and how to best serve and invest in personnel. Furthermore, Barbieri, Micacchi, Vidè and Valotti (2023) argued that performance assessment systems in public organizations could improve performance by incorporating feedback from several sources and promoting direct contact between those evaluating performance and those being assessed.

H1d: HRM practices positively and significantly impact performance assessment.

The study posits that HRM methods, including recruiting, selection, training and development, remuneration policies, and performance assessment, benefit OP in the banking sector. Each hypothesis (H1a to H1d) seeks to precisely identify the specific features of these HRM practices that substantially impact. Nevertheless, the primary research inquiry behind these theories is understanding the contingency elements within each HRM technique that stimulate enhanced OP. A conceptual framework has been developed to establish the correlation between OP and HRM practices, drawing upon previous scholarly investigations and the study's objectives. This framework functions as a research model, incorporating insights from pertinent literature, which offers guidance for subsequent inquiries. It illustrates not only the trajectory of the investigation but also the interrelationships between the hypotheses under scrutiny. By acting as a road map, this conceptual framework and hypothesis will direct the study.

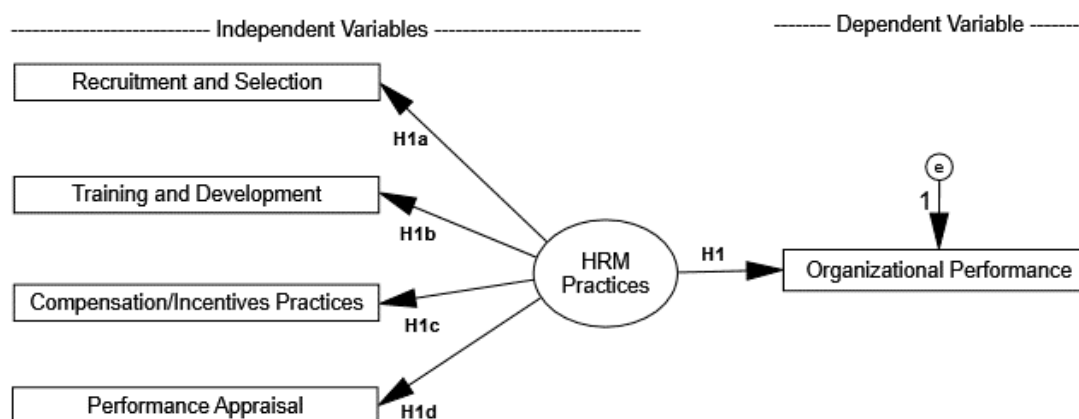


Figure 1. The study model's hypothesised routes

3. Research Methodology

The study assessed the impact of HRM practices on OP in the Nepalese Development Banks (DBs) using a causal-comparative and quantitative research approach. HRM practices with the composition of RS, TD, CPs, and PA was the independent variable and OP was the dependent variable. The study primarily targets Nepalese DBs since they are vital for comprehending HRM policies' influence on the national financial system. The population comprises all employees from all seventeen development banks in Nepal. This focus aligns with the research objectives by striving to provide comprehensive insights into HRM practices in this crucial sector.

In order to accomplish the study's objectives, the study utilised a realistic and efficient sampling technique. Under realistic timeframes and limited resources, this approach helped the researchers gather data from many respondents. Considering market share, geographical coverage, and service diversity, 10 DBs were selected for the study representing the Nepalese development banking sector.

The study used convenience sampling to gather data from participants through an online and in-person combination of surveys. Respondents were selected based on their availability and accessibility. An online survey using Google Docs was carried out with a target audience of about 300 people. The poll was conducted for 120 days from July through October 2023, using a database obtained from the DBs. Eighty-one replies were received and subsequently documented. Conversely, a simultaneous field survey was conducted with 300 respondents. A total of 198 responses were gathered, out of which 176 were correctly completed. Twenty-two responses were excluded from the database because of insufficient data. Thus, a response rate of 42.83% was achieved by using

257 responses in the study. Researchers (e.g., Hair, Risher, Sarstedt & Ringle, 2019; Kyriazos, 2018; etc.) have contended that path analysis in social science studies can be conducted with 200 sample sizes and more cases. As a result, the study's conclusions were based on the answers from 257 respondents. Table 1 displays the general data of the participants who answered the survey questions and provided their opinions about the study.

Following thorough criteria for choosing the ten DBs and their respondents helped to demonstrate a methodical approach and improve methodological transparency. Moreover, reliable structural equation modelling (SEM) analysis requires a large sample size. The 257 respondents satisfy these criteria, so the SEM analysis results are more trustworthy and credible. Comprehensive demographic and geographic information about the respondents and the institutions' operational areas validates the national relevance of the research findings.

S. N.	Name of the organisation	No of responses	Responses in %
1.	Excel Development Bank Ltd.	12	04.7
2.	Garima Bikas Bank Ltd.	28	10.9
3.	Jyoti Bikas Bank Ltd.	33	12.8
4.	Kamana Sewa Bikas Bank Ltd.	29	11.3
5.	Lumbini Bikas Bank Ltd.	31	12.1
6.	Mahalaxmi Bikas Bank Ltd.	33	12.8
7.	Miteri Development Bank Ltd.	18	07.0
8.	Muktinath Bikas Bank Ltd.	29	11.3
9.	Sangrila Development Bank Ltd.	27	10.5
10.	Saptakoshi Development Bank Ltd.	17	06.6
	Total	257	100.0

Table 1. Sample Organisations

A survey questionnaire through a six-point Likert scale was applied to assess the impact of HRM-based practices on RS, TD, CPs, and PA. A set of precisely designed concerns was generated and classified into three groups to optimise the study procedure. The initial section of the questionnaire encompassed five items about the participants' general information. The second group comprised 24 items assessing HRM practices, while the final section comprised 10 items assessing OP, as presented in Table 2. The OP questionnaire evaluates fundamental elements of HRM practices, examining their influence on overall performance. Factors such as the recruitment of high-calibre applicants and the substantial impact of staff on performance underscore the significance of efficient recruitment tactics. Training initiatives aligned with corporate objectives and prioritising employee growth highlight the importance of focused training and development programs. Remuneration methods that attract and retain exceptional experts while offering appropriate performance rewards underscore the connection between salary and employee retention. The perceived equity of the performance appraisal system and the influence of performance feedback emphasise the significance of impartial and constructive performance evaluations. Finally, the enhancement of employee productivity and overall OP resulting from the implementation of excellent HRM practices demonstrates the extensive influence of these practices on improving performance. Collectively, these items address crucial HRM dimensions that lead to organisational success. The last two sections of the survey consisted of scenario-based questions, where participants rated their choice using a Likert scale. The scale spans from 1 to 6 points, where 1 signifies significant disagreement, and 6 signifies strong agreement.

Participants were allocated a designated period from July to October 2023 to complete and submit the surveys. The data-collection session was meticulously arranged to give participants ample time to provide reflective and comprehensive responses while adhering to the study's specified timeframe. 257 properly filled-up survey responses were collected from all the survey formats, accounting for a response rate of 51.4%. Table 3 displays the relevant information about the 257 participants who successfully filled out the study questionnaire and participated in the study.

The age distribution of the respondents, with a mere 5% above the age of 40, accurately represents the predominantly youthful population of the Nepalese development banking sector. This emphasis enables to communicate the majority of the workforce's viewpoints successfully. Additionally, it is noteworthy that half of the respondents in the study were assistants. The operational workers depend greatly on their viewpoints and are directly involved in everyday tasks and responsibilities.

The study performed confirmatory factor analysis (CFA) to examine the relationship along with 34 study variables. The reliability of each latent variable was evaluated using Cronbach's alpha (α), while the presence of common method bias (CMB) in all variables was studied using Harman's single-factor variance. Table 4 presents the study's outcome along with recommended threshold values. The outcome shows that the entire alpha value is above the recommended threshold of 0.70, as Taber (2018) advised. Furthermore, all 34 study variables showed a one-factor reported variance of 40.976%, which is lower than the recommended % cut-off value of 50% recommended by Cho and Lee (2012). Therefore, 34 observed variables, classified into five latent variables, were advanced for further analysis.

Items	
<i>Recruiting and Selection (RS)</i>	
1.	Our recruitment strategies successfully attract a large number of qualified candidates.
2.	Our organization's HRM policies help recruit high-quality personnel.
3.	Our organization's recruitment process is rapid and efficient.
4.	Our selection process is fair and unbiased.
5.	Our HRM methods attract and retain well-suited employees who stay with the organization for long periods of time.
<i>Training and Development (TD)</i>	
1.	Our organization offers training programs that are relevant to my job requirements.
2.	Our training approaches are effective and interesting.
3.	Our organization provides several prospects for professional development and career advancement.
4.	Our organization's management promotes employee growth and development.
5.	Training and development programs have greatly enhanced my job effectiveness.
6.	I have easy access to training and development resources.
<i>Compensation and Incentive Practices (CPs)</i>	
1.	Compensation is fair and appropriate for my job responsibilities and performance.
2.	Our organization is transparent in its compensation decisions.
3.	Our organization's incentive programs help drive me to attain my goals.
4.	Our firm offers equivalent compensation and benefits compared to similar roles in other companies.
5.	Our organization's remuneration methods provide suitable rewards for my performance.
6.	I am delighted with the remuneration and incentives offered by our organization.
<i>Performance Appraisal (PA)</i>	
1.	My performance evaluation standards are specified.
2.	I receive consistent and timely feedback on my performance.
3.	Our performance appraisal method is fair and unbiased.
4.	Performance assessments help me identify strengths and areas for improvement.
5.	The performance appraisal process promotes professional development and advancement.
6.	My performance goals match the organization's overarching aims.
7.	I receive actionable feedback to improve my performance.
<i>Organizational Performance (OP)</i>	
1.	Our organization constantly recruits high-quality candidates.
2.	Our organization's personnel significantly impact overall performance.
3.	Our organization's training initiatives connect with its strategic goals.
4.	Our organization prioritizes employee development and growth.
5.	Our remuneration strategies attract and retain excellent professionals.

6.	Our organization provides enough rewards for employee performance.
7.	People view our organization's performance appraisal system as fair and just.
8.	Performance feedback enhances staff performance.
9.	Our organization's excellent HRM procedures have increased employee productivity.
10.	HRM methods have significantly improved our organization's overall performance.

Table 2. The Study Variables

	Nos	%		Nos	%
Age Group:			Work Experience:		
30 Yrs. and below	156	60.7	Less than 1 Yr.	87	33.8
31-40 Yrs.	88	34.2	1 to 5 Yrs.	66	25.7
41 Yrs. and above	13	5.1	6 to 10 Yrs.	57	22.2
Respondent's Gender:			11 Yrs. and above	47	18.3
Male	148	57.6	Job Title:		
Female	109	42.4	Assistant	129	50.2
Qualification:			Officer	82	31.9
Graduates	104	40.5	Manager	32	12.5
Post Graduates	153	59.5	Executive	14	5.4
Total	257	100.0	Total	257	100.0

Table 3. The Respondents Profile (Field survey, 2023)

S. N.	Latent Variables	No of Observed Variables	Alpha (α)	Harman single-factor variance
1.	Recruiting & Selection (RS)	5	0.719	40.976 %
2.	Training and Development (TD)	6	0.805	
3.	Compensation/Incentives Practices (CPs)	6	0.769	
4.	Performance Appraisal (PA)	7	0.914	
5.	Organisational Performance (OP)	10	0.900	
Recommended cut-off value			≥ 0.70 (Taber, 2018)	$\leq 50.0\%$ (Cho & Lee, 2012)

Table 4. Reliability and CMB Insights

The external validity of the research was assessed through the Kaiser-Meyer-Olkin (KMO) along with Bartlett's tests for sphericity. In this test, KMO assessment for samples of adequacy results in a test value of 0.912, exceeding the specified threshold significance of 0.8, as recommended by Hair, Hult, Ringle and Sarstedt (2014). The Bartlett assessment of sphericity indicated a statistically considerable overall impact on the entire association in the correlation matrix. The test yielded an approximate chi-square assessment of 6888.979 with 561 degrees of freedom (df) and a significance level (Sig.) of 0.000. Based on the given indicators, the study identified 34 observed variables recommended for applying structural equation modelling (SEM).

4. Analysing Data Using SEM

Before using SEM, the latent variables' convergent and discriminant validities were checked to see if they were internally valid. The convergence validity of the constructs was assessed using average variance extracted (AVE) along with construct reliability (CR). Further, Hair, Black, Babin, Anderson and Tatham (2006) specified that individual scale items for the relevant variables with standardised linear weights of 0.50 or above were considered for calculating the CR and AVE. The study took out two variables from the RS construct, one from the TD construct, two from the CPs construct, and one from the OP construct because the regression weights for each scale item were set to 0.50. As presented in Figure 2, the study used 28 observed variables within four independent and one dependent construct for employing SEM.

Based on Figure 2, the model's CR, AVE, and inter-construct correlations are presented in Table 5 for evaluating the convergent and discriminant validities.

The constructs' acceptable convergent validity statistics, as shown in Table 5, demonstrated that they assessed theoretically grounded facts. The study also looked at the discriminant validity of the separate constructs before determining how important the hypothesised paths were and how well the model could explain things. On the criteria set forth by Fornell and Larcker (1981), the correlations with other constructs should be lower than the average of the square roots of the AVE for a given construct. Here, inter-construct correlation matrix is displayed in the final four columns of Table 5, wherein AVE's square root is highlighted in bold on the crossways. As a result, the lack of distinction between the constructs suggested the existence of multicollinearity. Consequently, all the independent constructs collectively assess HRM practices.

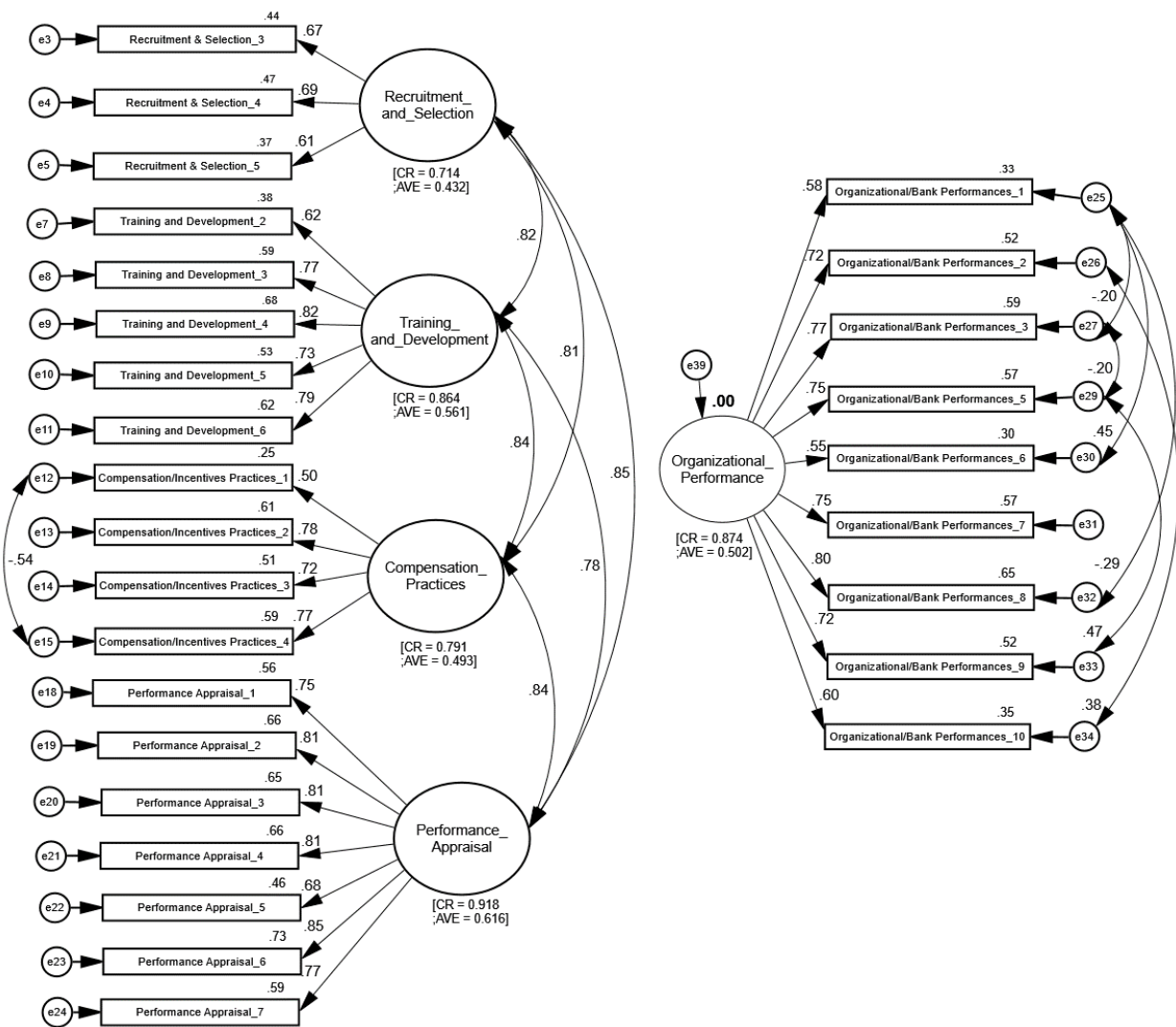


Figure 2. The study model's validity insights

Latent variables	Convergent validity			Discriminant validity				
	Observed variables	CR	AVE	The inter-construct correlation and square root of AVE (in bold)				
				RS	TD	CPs	PA	
IVs	RS	3	0.714	0.432	0.657			
	TD	5	0.864	0.561	.817**	0.749		
	CPs	4	0.791	0.493	.812**	.839**	0.702	
	PA	7	0.918	0.616	.853**	.782**	.844**	0.785
DV	OP	9	0.874	0.502				
Suggested Values		28	≥ 0.700	≥ 0.400	AVE's Square Root > Inter-construct Correlations			
Recommended by:			Hair et al. (2014)	Bagozzi & Baumgartner (1994)	Fornell & Larcker (1981)			

**The significance level for correlation is 0.01 (2-tailed).

Table 5. Convergent and Discriminant Validity Insights

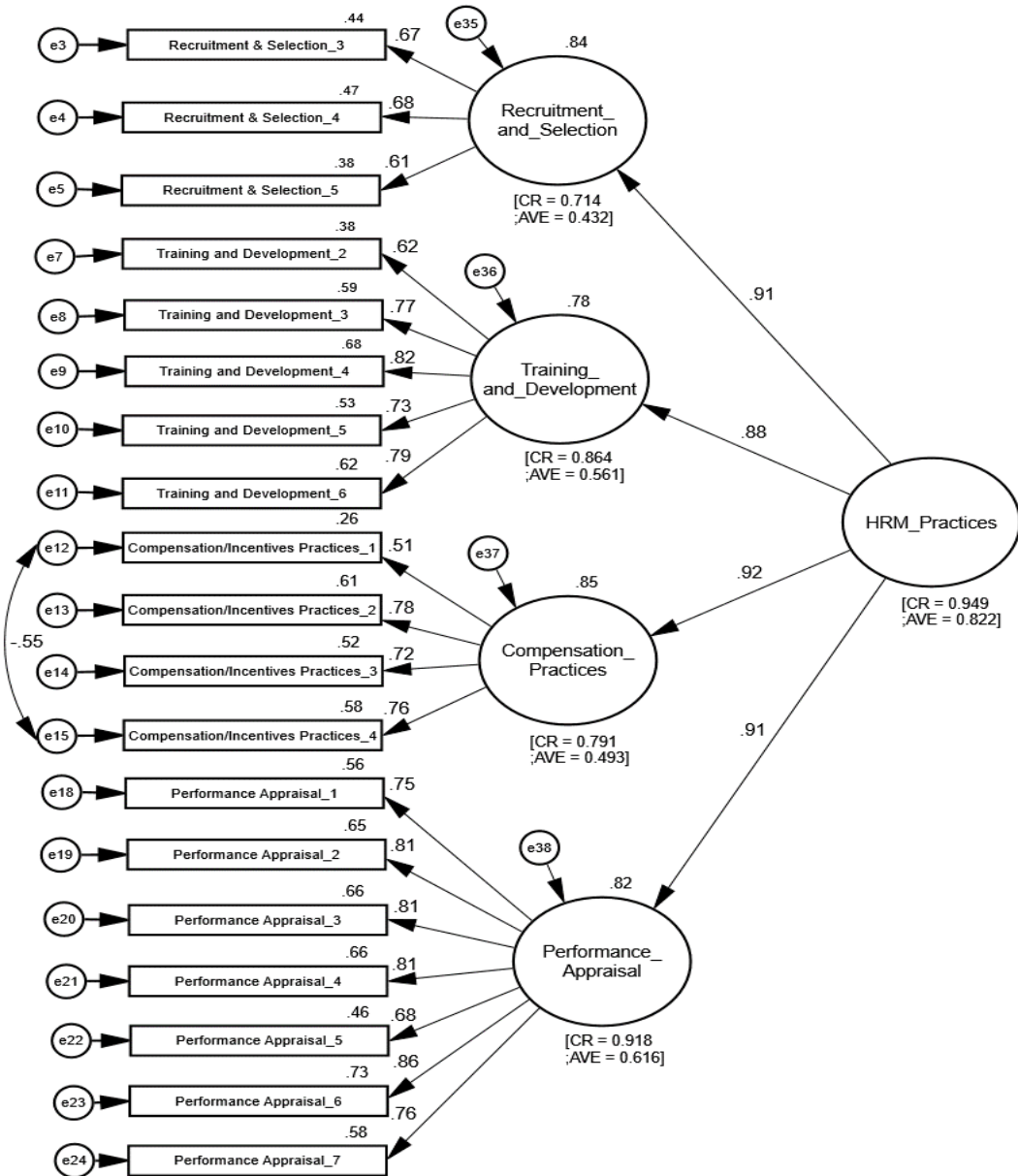


Figure 3. HRM practice model

The model that evaluated the impact of HRM practice on OP utilised confirmatory factor analysis and path analysis. This analysis encompassed all underlying variables and theoretically derived connections between the variables. It assessed the importance of the projected pathways and the model's explanatory power by reporting the R-square values for each dependent variable. Furthermore, it analysed a sequence of interdependence relationships between exogenous and endogenous variables, as depicted in Figure 4.

The model fitness indicators were all outstanding, meeting the required threshold values ($\chi^2 = 1222.621$, $p = 0.000$, $\chi^2 / df = 3.444$, SRMR = 0.076, RMSEA = 0.081, PCLOSE = 0.000, GFI = 0.892, AGFI = 0.826, RFI = 0.910, CFI = 0.887, NFI = 0.843, and TLI = 0.860). The model's results indicated that HRM practices were responsible for around 83.0 % of the variation in Organisational performance in DBs in Nepal. The estimated parameters for the regression route are revealed in Table 6.

Table 6 summarizes the study hypotheses and corresponding comments derived from the model shown in Figure 4 and the parameter estimate presented in Table 7.

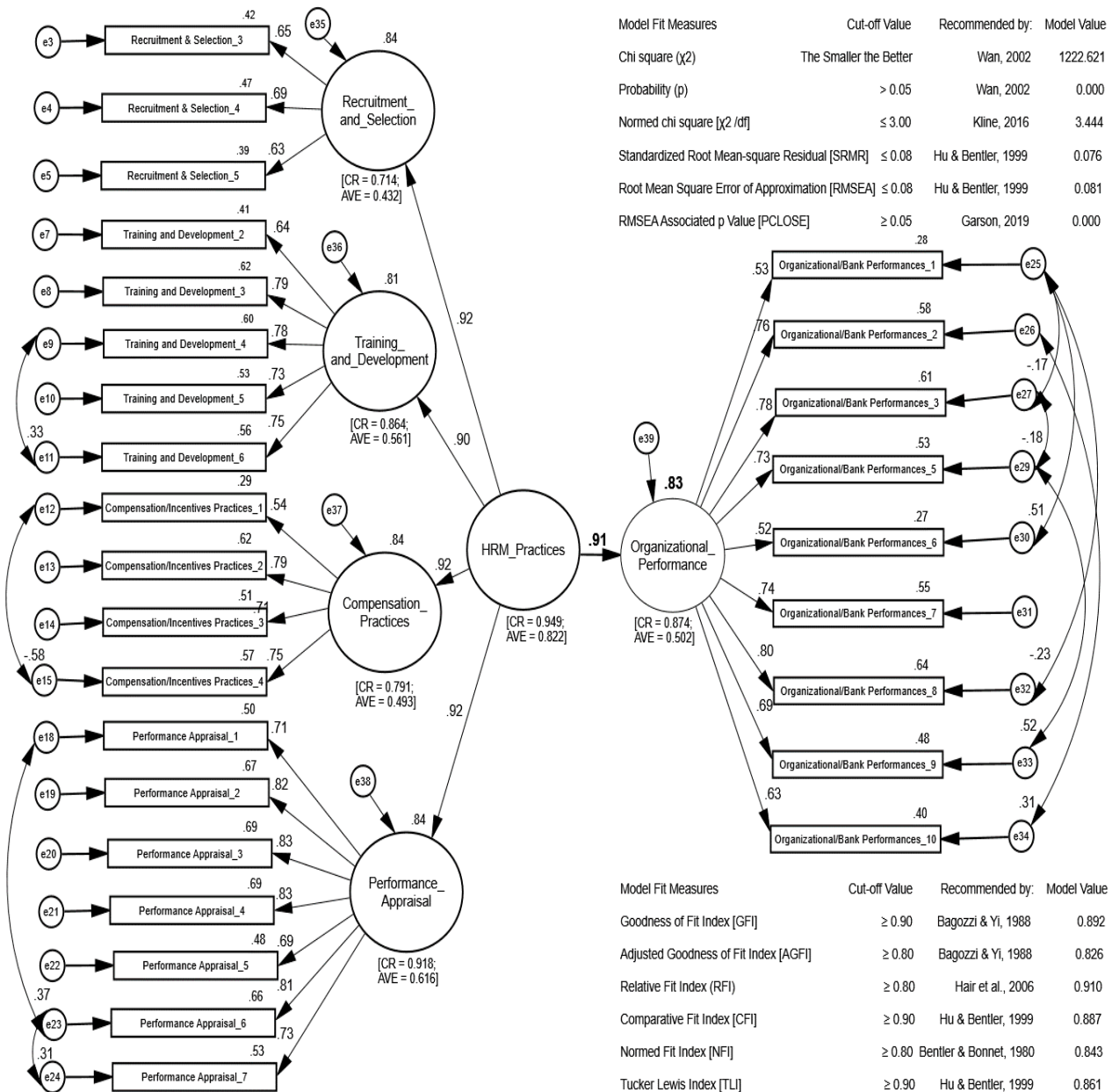


Figure 4. The HRM practices in Organisational performance

Indicators	URC	SRC	SE.	CR.	p-value
<i>Study hypothesis:</i>					
H1: HRM Practices -----> Organisational Performance	1.125	0.910	0.107	10.482	***
<i>Sub-hypotheses:</i>					
H1a: Recruitment and Selection <----- HRM Practices	0.650	0.915	0.077	8.447	***
H1b: Training and Development <----- HRM Practices	1.450	0.900	0.148	9.823	***
H1c: Compensation Practices <----- HRM Practices	1.488	0.919	0.149	9.977	***
H1d: Performance Appraisal <----- HRM Practices	1.000	0.916			

Where, URC = Unstandardized Regression Coefficients; SRC = Standardized Regression Coefficients; S.E. = Standard Error; C.R. = Critical Ratio; *** = Significant at 0.01 level

Table 6. Parameter Estimates for the Regression Route

The results in Table 7 illustrate a distinct and substantial association between the organisational performance of DBs in Nepal and HRM based practices such as performance assessment, development and training, compensation practices, and recruiting and selection. A p-value less than 0.01 indicated from the statistical analysis of the variables examined in this study that they significantly affect the OP of the DBs. Such facts provide support and validation for hypotheses H1, as well as H1a, H1b, H1c, and H1d. The outcome of this study aligns with the study conducted by Singh and Kassa (2016), which demonstrates a favourable correlation between HRM practice and OP in various areas such as recruiting, selection, training, assessment of performance, and remuneration.

Statements		Outcome	Remarks
<i>Study Hypothesis:</i>			
H1:	HRM practices have a significant and positive impact on the overall OP of the Nepalese DBs.	$\beta = 0.910$; $p < 0.05$	Accepted
<i>Sub-hypotheses:</i>			
H1a:	HRM practices positively and considerably impact recruitment and selection.	$\beta = 0.915$; $p < 0.05$	Accepted
H1b:	HRM practices positively and considerably impact training and development.	$\beta = 0.900$; $p < 0.05$	Accepted
H1c:	HRM practices positively and considerably impact compensation practices.	$\beta = 0.919$; $p < 0.05$	Accepted
H1d:	HRM practices positively and considerably impact performance appraisal.	$\beta = 0.916$; $p < 0.05$	Accepted

Table 7. Overview of Study Hypotheses

5. Conclusions

A resource-based view emphasises the importance of HRM practice for competitive advantage. The Resource-Based View (RBV) paradigm applies to this study because it emphasises the significance of HRM practices as strategic resources that can improve OP due to their distinctive characteristics of value, rarity, inimitability, and non-substitutability. RBV can provide a long-lasting competitive advantage for organisational resources, including human resources managed through HRM methods. Implementing efficient strategies such as recruiting, training, remuneration, and performance assessment plays a crucial role within HRM. These methods not only improve the talents and motivation of the workforce but also closely align with the organization's strategic goals, resulting in long-term improvement in overall performance. The RBV emphasises the importance of aligning HRM practices with organisational goals. This alignment not only leads to immediate improvements in performance but also helps develop capabilities that enhance the organisation's resilience and competitiveness. This research bolsters existing knowledge by reaffirming diverse HRM practices' positive and influential effects on OP. This study validates and expands upon previous research in these domains by emphasising the significance of compensation, performance assessment, recruiting and selection, development, and training in enhancing the OP of organisations.

This research underlines the pivotal role of well-crafted recruitment strategies in enhancing employee performance and boosting overall organisational effectiveness. Additionally, comprehensive training initiatives contribute to organisational performance and long-term value. They elevate employee performance and cultivate

proactive behaviours crucial for sustained success. Moreover, the study validates the direct link between remuneration, rewards, and corporate performance, advocating for a holistic approach integrating incentives and compensation for heightened organisational effectiveness. Furthermore, the study reiterates the importance of performance appraisal within human resource management, highlighting its central role in organisational performance. These findings highlight the substantial impact and comprehensive nature of HRM strategies in advancing OP.

Although this study offers insights into the role of HRM practice in the OP of DBs, it is subject to several constraints. The sole emphasis on development banks may restrict the generalizability of the findings to other industries. Exclusively depending on existing literature for validation may include inherent biases from earlier research, which could limit the study's scope. Subsequent investigations could extend beyond development banks to incorporate other sectors, ensuring broader relevance. Longitudinal studies can potentially suggest precious insights into the long-term impact of HRM practices on organisational effectiveness. Integrating qualitative methods with quantitative analysis has the potential to provide a more inclusive comprehension of how these practices function across various corporate cultures. Examining regional or cultural differences may reveal distinct contextual elements that impact the efficiency of HRM methods. To enhance our comprehension of HRM's complex influence on organisational success in many sectors and changing work environments, it is crucial to acknowledge these constraints and explore these potential areas of development.

6. Discussions

The study's objective was to assess the impact of HRM-based practices, including recruiting and selection, development and training, compensation, along performance assessment, on the OP of development banks. Al-Qudah et al. (2014) revealed a significant and favourable effect of HRM practice in recruiting and selection on OP. The study affirms that HRM practices significantly impact recruitment and selection, aligning with the findings of Anosh et al. (2014). Within the study's context, it is crucial to clarify that the efficacy of specific elements, such as recruitment and selection, impacts the overall structure and strategic congruence of HRM practices. Strategic alignment of HRM procedures with organisational goals increases the likelihood of identifying and attracting high-quality applicants who meet the organisation's requirements. Thus, the study emphasizes that while recruitment and selection are HRM practices, the overall strategy and implementation of HRM practices greatly enhance their effectiveness. It highlights the crucial role of well-structured recruitment strategies in identifying competent individuals who contribute to overall performance improvement. Hamadamin and Atan (2019) found that strategic HRM practices have a beneficial influence on sustained competitive advantages. In addition, they acknowledged the beneficial effects of HRM on the development of human resources and the promotion of staff commitment within organisations. According to the research by Long et al. (2016), this study supports the findings by signifying the significant impact of HRM practices on training and development. It highlights how training activities can improve organisational performance and future value by enhancing employee performance and proactive behaviour.

The study's results align with those reported by Darma and Supriyanto (2017), highlighting the significant impact of remuneration determinants on employee performance. Furthermore, the study reaffirms the findings of Rawashdeh and Al-Adwan (2012) by demonstrating a statistically considerable association among rewards, compensation, and corporate performance. This suggests that implementing a comprehensive strategy that includes incentives and compensation can enhance organisational performance. The study's results corroborate Gupta and Parmar's (2018) emphasis on the importance of performance appraisal in HRM and its significance in organisational administration. Moreover, the findings of Ebiasuode et al. (2017) support the idea that a favourable association exists between performance evaluation or appraisal and different indicators of organisational innovation in banks.

This study offers strong confirmation of the impact of HRM on OP. It enhances the recognised advantages of essential procedures, including recruiting, training, remuneration, and performance appraisal, harmonising with proven research. Ghimire's (2019) observations resurface, highlighting the crucial significance of managers in integrating varied employee feedback into decision-making procedures. This integration promotes an inclusive atmosphere, guaranteeing that diverse viewpoints are considered. Furthermore, the study emphasises the

importance of ongoing feedback loops, highlighting that manager must accept and actively seek feedback on their actions. The reciprocal exchange of ideas fosters a conducive atmosphere for progress and enhancement, which is advantageous for the organisation and its employees. HRM is not just a collection of behaviours but a crucial strategic foundation. Managers are crucial to guiding the organisation by fostering a culture that values diversity, transparent communication, and a sincere commitment to employee growth. The correlation linking HRM practice and managerial initiatives offers a combined influence on OP, underscoring the necessity for a comprehensive and employee-focused strategy to achieve success.

The theoretical gap in this study revolves around the need for a more integrated and comprehensive understanding of how various HRM practices collectively impact the overall OP of the DBs in Nepal. Previous studies, like those by Al-Qudah et al. (2014), Anosh et al. (2014), Darma and Supriyanto (2017), Ebiasuode et al. (2017), Gupta and Parmar (2018), Hamadamin and Atan (2019), Long et al. (2016), Rawashdeh and Al-Adwan (2012), etc. have looked at how different HRM practices, such as hiring, training, pay, and performance reviews, affect the results of an organisation. However, combining these findings into a framework that shows how they affect DBs in Nepal is still necessary.

Future research could focus on developing a holistic model or framework that integrates these HRM practices within the specific context of the Nepalese DBs to address the theoretical gap. This model should investigate how each HRM practice independently influences OP and examine their interactions and combined effects. There is a need to understand how these practices interact synergistically to contribute to overall organisational effectiveness in the DBs. The banking industry is constantly changing, as are workers' expectations; more research could be done on how new HRM practices, like flexible work arrangements, diversity and inclusion programs, and digital HRM technologies, affect the performance of the Nepalese DBs. This would provide a forward-looking perspective on HRM strategies that can help DBs adapt and thrive in an increasingly competitive and complex environment.

7. Recommendation, Implications and Originality

The findings of this study make important theoretical contributions to future research in HRM that are based on the RBV approach. The RBV emphasizes the significance of organisational resources, particularly human resources, in achieving a long-term competitive advantage. This study emphasises the importance of strategically aligned HRM activities, which include recruitment and selection, training and development, remuneration, and performance assessment. These practices are crucial in utilising human capital to improve OP.

Future research in HRM can gain valuable insights by investigating the precise processes through which various HRM practices help researchers to examine how strategic HRM strategies promote distinct talents and fundamental strengths that set organisations apart from their rivals. This study indicates some essential suggestions to enhance the overall performance of DBs practitioners. Firstly, aligning HRM procedures with the organization's strategic goals is crucial. This alignment will facilitate attracting and retaining talent well-suited to the organisation's requirements and values. Additionally, allocate resources towards implementing extensive training and development initiatives aimed at improving the skills and capabilities of employees.

Additionally, develop equitable and competitive remuneration techniques to incentivize and retain exceptional staff. Finally, establish resilient performance evaluation methods that offer valuable feedback and acknowledge employee contributions. By prioritising these specific areas, DBs may optimise their HR, resulting in enhanced OP and a long-lasting competitive advantage. The results of this study provide policymakers, HR managers, and bank officials equally with practical information. The research can help policymakers improve current HRM rules and procedures by better matching them with industry standards and corporate objectives. The study offers HR managers strategic direction on strengthening recruitment policies, expanding training and development initiatives, adjusting pay systems, and honing performance evaluation techniques. Implementing these ideas can help Nepalese companies attract and retain the best talent, raise employee satisfaction and engagement, and improve general organisational performance, strengthening their competitive edge.

Furthermore, the study emphasised the need for holistic HRM to promote organisational success in Nepal's dynamic and changing banking industry. By implementing evidence-based HRM techniques guided by this study,

DBs may build an innovative, flexible, and efficient culture that will help them to be resilient against industry challenges and opportunities and always grow. Therefore, the results of this study offer practical solutions for achieving HRM excellence and organisational effectiveness in the Nepalese DBs, thereby surpassing the boundaries of scholarly debate.

Declaration of Conflicting Interests

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