

# RELATIONSHIP BETWEEN HRM PRACTICES AND PERCEIVED ORGANISATIONAL PERFORMANCE THROUGH THE LENS OF WORK ATTITUDES: EVIDENCE FROM RURAL BANKS

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## ABSTRACT

**Purpose:** The purpose of this paper is to understand the relationship between HRM practices and Perceived Organisational Performance (POP) and also examine the role of employee work attitudes as mediator in influencing such relationship.

**Design/Methodology/Approach:** Following a descriptive research design, an empirical investigation was carried out by approaching 300 respondents from regional rural banks in India to collect data through online survey forms as well as physical questionnaires. The research instruments was developed using five-point Likert-type scale and items for the construct in the study were taken based on literature review. The SPSS 21.0 and AMOS 21.0 were used for data analysis and hypothesis testing.

**Findings:** It was found that HRM practices are positively related with organisational performance. In addition to this it was also revealed that work attitudes partially mediate the HRM-OP relationship.

**Originality/Value:** The study is original in the sense that it provides insights into HRM

practices and Organisational Performance relationship through the lens of work attitudes in regional rural banks.

**Implication:** The study would be helpful for the concerned authorities in understanding HRM-PERFORMANCE mechanism, redesign HRM policies as employee centric, focus on social exchange relationship in an organisation to improve organisational performance. Management could think of providing department wise training so that employees could focus towards their specific department.

**Keywords:** Human Resource Management (HRM) Practices, Work Attitudes (Job Involvement & Organisational Commitment), Perceived Organisational Performance (POP), Rural Banks.

## INTRODUCTION

Organisations have increasingly acknowledged the fact that the company's human resources are very crucial and can be a unique source for achieving success (Khan, 2010; Afzal et al., 2013). However, despite of the available

empirical evidence regarding the positive effect of HRM practices on organizational performance still there is lack of clarity among scholars (Bowen & Ostroff, 2004; Gerhart, 2005; Savaneviciene & Stankeviciute 2011) regarding “what exactly leads to what”. Scholars like (Hilsop, 2003; Marinova & Phillimore, 2003; Morrow & Mcelroy, 2001) even argued about the “missing link” or “unknown” apparatus or intervening steps which is apparently invisible in increasing organisational performance. Kanfer (1992) reported that HRM System can affect OP only when it affects most proximal variables and employees’ attitudes and behavior are considered one of the most significant proximal variables that mediate the HRM-Performance linkage. Hence, the study employ work attitude as mediating variable in understanding the HRM-Performance linkage to validate the theory in Indian context. Lot of study has been made in U.S and BRITAIN on HPWS-HRM practices leaving the scope for future to further examine the HRM practices based on HPWS in country like India. Apart from the country context large number of literature (both conceptual and empirical) outlines the HRM-PERFORMANCE link research in manufacturing sector neglecting service sector (Waiganjo et al., 2012; Lazim & Azizan, 2013; Rhee, Zhao & Kim, 2014; Darwish et al., 2015).

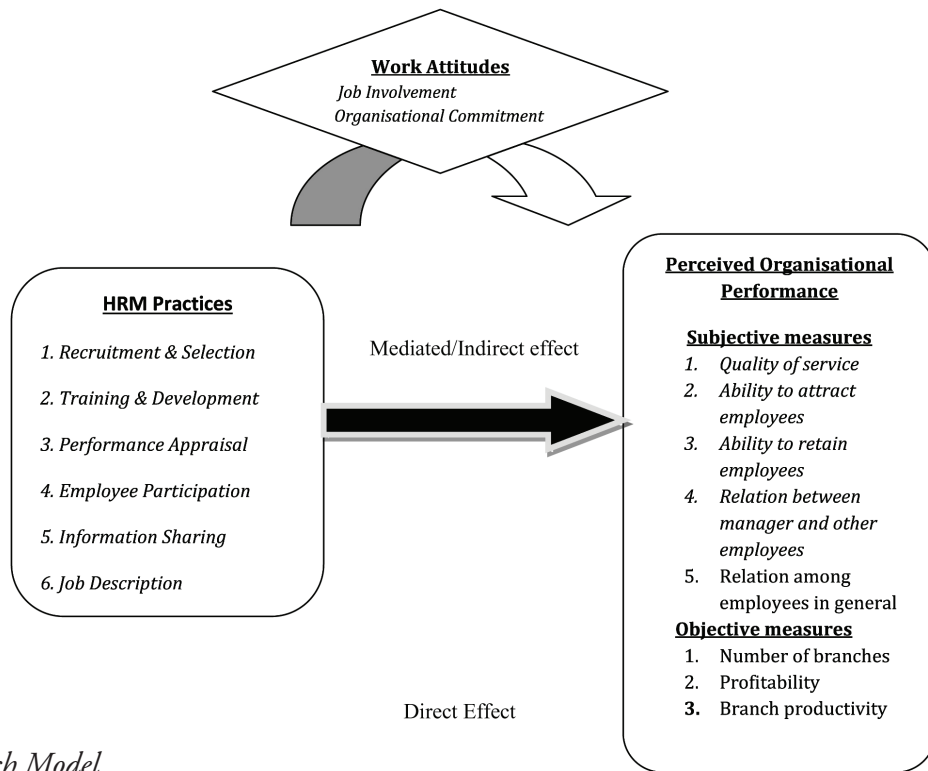
On the contrary few studies highlighted the relationship between HRM and Performance in service sector (Mkisi, 2008; Beh & Loo; Khatoon et al., 2013; Al-maaitah et al., 2015). This study made an attempt to establish HRM-Performance linkage through mediating role

of work attitudes in regional rural banks. With regards to the above discussion this study extends the empirical research on the HRM practices-Performance linkages by joining interrelated employees’ work attitudes namely Job involvement and Organizational commitment into one model.

## CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

### Based on Pertinent literature

The conceptual model as shown in fig 1 presents a systematic diagram of the researchers’ presumed perception of the relationship among the variables of the study based on the literature reviewed. The model suggests the mediating effect of work attitudes in the relationship between Human Resource Management practices and Organisational Performance. Empirical study in this research works within the framework of Social Exchange theory (SET) which proposes that good HR practices influence employees’ work attitudes through exchange relationship which then influence organisational performance. It is important to consider the intervening steps in the HRM- Performance linkage, or to consider the variables mediating or moderating the end point. Considerable amount of literatures are available in the banking sector to unveil the black box existing between the said relationship. This paper made such attempt to further unveil the black box.



*Fig.1 Research Model*

## RELATIONSHIP BETWEEN HRM PRACTICES AND ORGANISATIONAL PERFORMANCE

Substantial amount of research across the world shows positive relationship between SHRM practices and firm performance (Wright et al. 2003). Meta-Analysis of 56 studies conducted by Rauch and Hatak (2016) revealed that HR-enhancing practices were correlated with performance.

Bartel (1994) studied the impact of post-selection practices on enterprise performance and concluded that organizations having best HRM practices were performing successfully as compared to competitors lacking effective HRM system. Singh (2004) concluded that

recruitment, merit-based selection and fair performance evaluation, skill-oriented training & development programs, employee motivation, justified compensation system have significant positive impact on perceived organisational performance. Abdullah et al (2009) aimed to identify the effect of common HRM practices on Malaysian private companies' performance found that training and development, team work, HR planning and performance appraisal has positive influence on business performance except compensation/incentives and employees security.

Jery and Souai (2014) posits that variation in the organisational performance is explained by the interaction effect of innovation level and various SHRM practices selection, training, incentive,

compensation, participation in decision-making, information sharing, performance evaluation. Even in the service sector HRM plays a significant role and helps in achieving desired level of performance. Continuous development in the HRM practices could ensure bank's efficiency in the long term (Masum, Azad, Hoque & Beh, 2015).

## **H1: HRM practices are positively related to Perceived Organisational Performance**

### **Relationship between HRM Practices and Work Attitudes**

Various literatures indicated a positive and significant relationship between HRD practices and organisational commitment (Jain & Premkumar, 2011; Benjamin & David, 2012). Chang (2005) found that human resource practices impact employees' overall perception which further predicts employees' commitment. Significant relationships were found between different HR practices (selection, training & development, performance appraisal, motivation, compensation & rewards and maintenance) and organisational commitment, discretionary behavior & employee commitment (Hossain & Hossen, 2017). Pasaoglu (2015) evaluate the effects of human resources management practices on organisational commitment and revealed that HR practices have an effect on organisational commitment both singly and systematically. Selection, training & development, promotional & reward policies, performance appraisal systems, technological advances and job security is related with organisational commitment (Suresh & Reddy, 2017).

Abutayeh and Qatawneh, (2012) examined the effect of human resource management

practices consist of job analysis, selection, training, performance appraisal, compensation and career management on Job involvement. The study found that all HRM practices have positive effect on job involvement, in addition selection showed higher effect whereas training showed lower effect on job involvement. Hashim et al (2017) revealed that compensation, performance evaluation and promotion had significant relationship with perceived employee performance.

## **H2: HRM practices are positively related to Work Attitudes**

### **Relationship between Work Attitudes and Organisational Performance**

Meyer and Allen's three component model of commitment i.e. Affective, Normative and Continuance commitment, all effects organisational performance (Nehmeh, 2009). Irefin and Mechanic (2014) examined the effect of employee commitment on organisational performance coca cola limited Nigeria. The result showed that employee commitment of Coco Cola company staff is very high and it shows a very high relationship with organisational performance.

A study revealed that employee commitment of both public and private sector employees in Pakistan had strong influence on organisational performance (Ahmed et al., 2011). Kurniawan, Rivai & Suharto (2018) results showed that organisational commitment and organisational culture both influence organisational performance simultaneously. Job Involvement is a significant work related attitudinal variable that has significant impact on organisational effectiveness and productivity along with

individual performance (Diefendroff et al., 2002). Esfahani and Tamini (2015) evaluated the relationship between Job Involvement, Job Satisfaction and Organisational Productivity, concluded that there exists a significant relationship between job involvement and organisational productivity.

### **H3: Work Attitudes is positively related to Perceived Organisational Performance**

#### **Mediating effect of Work Attitudes between HRM Practices and Perceived Organisational Performance.**

HRM Practices does not affect OP directly rather it affects people performance which in turn affects OP (Messersmith et al., 2011). Horgan and Mohalu (2006) believed that some HRM practices are linked with good employee performance and thereby leads to increased performance. Previous studies have examined affective commitment as mediating variables in the relationship between HRM practices and performance, the results shown mixed results (Kehoe & Wright, 2013). Further, Kehoe and Wright (2010) tested the mediating effect using Baron and Kenny (1987) mediation analysis procedure and reported that commitment partially mediate the relationship between human resource management practice perceptions and performance.

Whitener (2001) examined the mediating role of Organisational Commitment between HRM practices and organisational performance and supported that best HRM practices improves employees' commitment towards accomplishment of organisational goals and have positive impact on organisational performance. Imran et al (2015) explored the mediating role

of Organization Commitment in explaining the HPWS and performance relationship in telecom sector. The result revealed that HPWS had positive impact on performance and organisational commitment partially mediates the relationship.

### **H4: Work Attitudes mediate the relationship between HRM practices and Perceived Organisational Performance**

## **Methodology**

### **Procedure & Sample**

The data for this study were gathered by surveying officers and clerical employees from banking industries (rural banks) using 5-point Likert Scales. All the respondents were holding different positions in rural banks and experiencing directly or indirectly HRM practices. Therefore, they are appropriate candidates to assess organisational level constructs. To ensure the reliability and validity of the study, we adapted mature research scales to test key variables. Since all scales were originally in English, we translated them into local language to ensure the accuracy of the scales. Total 350 questionnaires were distributed of which 300 were returned. The total effective response rate was 85.71%.

To alleviate potential common method variance, we adopted Harman's single factor test. Results of our study shows that the first factor contributes 29.067% of the covariances, indicating the common method bias does not seriously affect the conclusion of the research.

**Research Instruments:** We measured all the multi-item constructs using a Likert five –point scale, in which 1 represents strongly disagree and 5 means strongly agree. Details of which were given below:

### **Independent Variable**

HRM can be defined as a set of policies, practices and programmes designed to maximize both individual and organisational goals. It is a process of developing the abilities and the attitudes of the individuals, leading to personal growth and self actualization of the individual which enables them to contribute towards the organisational goal. In this study we regard HRM practices as a single dimension concept and discuss its relations with other variables. We adapt the scale designed by Saeed et al., 2013; Ayanda et al., 2014 Mufeed & Gulzar, 2015 comprise of dimensions Recruitment & Selection, Training & development, Performance appraisal, Employee Participation, Information sharing, and Job description.

### **Mediator**

Work Attitudes are the feeling employees have towards different aspects of an organisation. Therefore, how employees behave depends on their work attitudes. Employee Attitudes and behaviors reflect their perceptions and expectations, reciprocating the treatment they receive from the organisation. We used two-dimensional measurement developed by Kanungo, 1982 Messersmith et al., 2011; Sagwa et al., 2015; Aguta & Balcioglu, 2015 to measure work attitudes. The dimension includes job involvement and organizational commitment.

### **Dependent Variables**

Organisational performance is very crucial for firm's survival. However, there is no consensus amongst the researchers regarding the measurement of organisational performance (subjective measures or objective). The literature reveals that in the area of studying the impact of

HRM on organisational performance researchers lack a common theory related to organisational performance. Hence, use different indicators or variables to measure such construct. This study used subjective measures (perceived by employees) developed by Rohmetra & Bhasin, 2010; Shitsama, 2011; Mufeed & Gulzar, 2015, comprising of 11 items.

### **DATA ANALYSIS**

#### **Second order Measurement model of HRM**

The analysis started with the first CFA method that is individual CFA. It runs the variables one by one in order to achieve the model fit followed by first & second order model. In this study, the researcher intends to validate the main constructs i.e HRM practices with eight sub constructs of HRM consisting of five items each comprising total 40 items. Individual factor model of all eight constructs revealed good factor loading and convergent validity ( $CR > 0.7$ ,  $AVE > 0.5$ , CR is greater than AVE) except some of the items which were below acceptable limit and hence decided to be deleted. Items such as RS\_1.4, TD\_2.2, ES\_6.1-6.5 and C\_7.1-7.5 were deleted due to low factor loadings and to achieve a better fit to the data. Deletion of 12 items out of initial 40 items improved factor loadings and convergent validity as shown in table 1.

**Table 1: Representing Final Second order Model of HRM**

| Construct                          | Item                                                                             | Factor loading                            | CR (above 0.7) | AVE (above 0.5) | p-value* |
|------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------|----------------|-----------------|----------|
| <b>HRM Practices</b>               | Recruitment & Selection                                                          | .79                                       | .940           | .723            | .000     |
|                                    | Training & Development                                                           | .89                                       |                |                 | .000     |
|                                    | Performance Appraisal                                                            | .91                                       |                |                 | .000     |
|                                    | Employment Participation                                                         | .85                                       |                |                 | .000     |
|                                    | Information Sharing                                                              | .90                                       |                |                 | .000     |
|                                    | Job Description                                                                  | .76                                       |                |                 |          |
| <b>Recruitment &amp; Selection</b> | Recruitment & Selection process is impartial.                                    | .56                                       | .801           | .506            | .000     |
|                                    | All Appointments is based on merit                                               | .68                                       |                |                 | .000     |
|                                    | People with right skill are hired to work.                                       | .81                                       |                |                 | .000     |
|                                    | The value & beliefs are discussed in interviews with potential employees         | Item is deleted due to low factor loading |                |                 |          |
|                                    | Unbiased test and interviewing                                                   | .77                                       |                |                 |          |
|                                    | techniques is used for employee selection.                                       |                                           |                |                 |          |
| <b>Training &amp; Development</b>  | Bank is committed to the training and development of its employees.              | .77                                       | .817           | .533            | .000     |
|                                    | Employees receive additional compensation for training they get outside the bank | Item is deleted due to low factor loading |                |                 |          |

|                               |                                                                                                             |     |      |      |      |
|-------------------------------|-------------------------------------------------------------------------------------------------------------|-----|------|------|------|
|                               | This bank has provided me with training opportunities enabling me to extend my range of skills & abilities. | .87 |      |      | .000 |
|                               | Training needs are identified through a formal performance appraisal mechanism.                             | .59 |      |      | .000 |
|                               | There are formal training programs to teach new employees the skills they needed                            | .66 |      |      |      |
| <b>Performance Appraisal</b>  | Performance of the employees is measured on the basis of objectives and quantifiable results.               | .86 | .900 | .648 | .000 |
|                               | Appraisal system is unbiased and transparent                                                                | .81 |      |      | .000 |
|                               | Appraisal system in this bank is growth and development oriented.                                           | .91 |      |      | .000 |
|                               | Appraisal information is used for bonus, promotion and selected training.                                   | .69 |      |      | .000 |
|                               | This bank conduct performance appraisal on regular basis.                                                   | .81 |      |      |      |
| <b>Employee Participation</b> | Employees are involved in decisions related to branch functions.                                            | .66 | .890 | .619 | .000 |
|                               | Management encourages employees to participate in decision about their particular department.               | .77 |      |      | .000 |
|                               | Management keeps open communication with employee in this branch.                                           | .80 |      |      | .000 |
|                               | Employees are provided the opportunity to suggest improvements in the branch function.                      | .84 |      |      | .000 |
|                               | Employees' contribution are regarded as important and taken in good faith.                                  | .85 |      |      |      |

|                            |                                                                                             |     |      |      |      |
|----------------------------|---------------------------------------------------------------------------------------------|-----|------|------|------|
| <b>Information Sharing</b> | Information about how well the bank is performing financially is shared with employees.     | .67 | .858 | .549 | .000 |
|                            | This bank provides enough information to employees to understand their role in the branch.  | .85 |      |      | .000 |
|                            | Information is shared with employees to perform their job.                                  | .78 |      |      | .000 |
|                            | Employees in this bank can easily communicate their thoughts to management.                 | .71 |      |      | .000 |
|                            | Information related to mission, goals, competitor information etc are provided to employees | .68 |      |      |      |
| <b>Job Description</b>     | The duties of every job are clearly defined in this bank.                                   | .81 | .860 | .554 | .000 |
|                            | Job description in this bank clearly defined to new employees for clarity.                  | .84 |      |      | .000 |
|                            | Each job in this bank has an up to date job description.                                    | .62 |      |      | .000 |
|                            | Job descriptions in this bank are clear and easy to understand.                             | .74 |      |      | .000 |
|                            | Job descriptions are revised from time to time to incorporate the upcoming                  | .69 |      |      |      |
|                            | changes.                                                                                    |     |      |      |      |

**\*p-value<.001**

After testing individual measurement model full first order measurement model were run and the model showed the good model fit with acceptable fit indices such as **CMIN/df=2.181**, **IFI=.927**, **TLI=.917**, **CFI=.926**, **RMSEA=.063**. As far as the reliability and validity is concerned all the constructs showed good reliability with composite reliability (CR>0.7) greater than 0.7 and convergent validity were also achieved. However, the model showed discriminant validity issue when AVE was compared to the inter-correlation between the factors as AVE was found less than MSV i.e. maximum shared variance between the construct. To check this issue one can go for second order constructs by combining the constructs (Kumar, 2015).

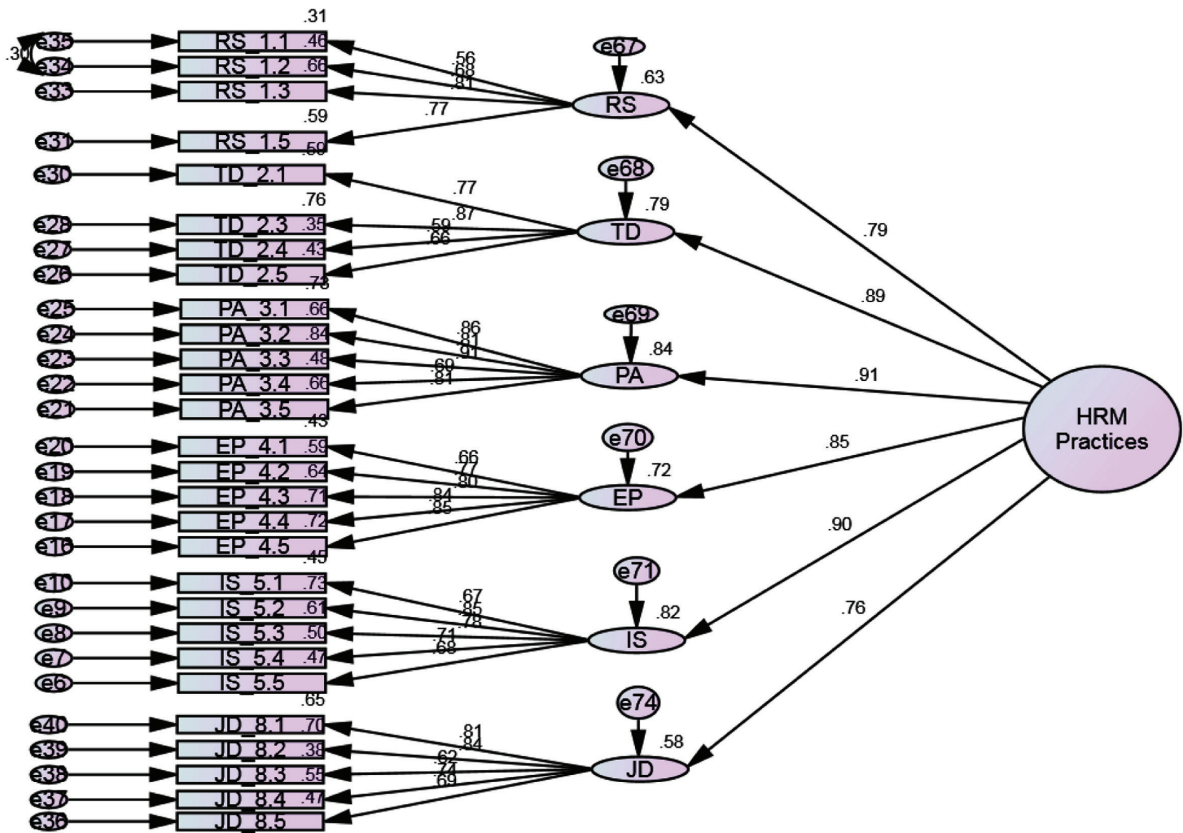


Fig. 2 Second order Measurement Model of HRM

The researcher decided to go for second order measurement model fig 2, the results of which were presented in the table [1] indicated that the second order model of HRM practices achieved good convergent validity, as supported by AVE. In addition GOF indices indicated a good model fit but in order to improve the  $\chi^2$ , errors were allowed to co-vary. Therefore, the CFA was re-run taking into account the remedies found in the modification indices. Allowing the error terms to co-vary resulted in an improved model fit. Hence, the second-order model of HRM practices was accepted.

**Second order factor model of Work Attitudes**

CFA analysis started with the first CFA method that is individual CFA. It runs the variables one by one in order to achieve the model fit. In this study, the researcher intends to validate the main constructs i.e work attitude with three sub constructs consisting of five items each comprising total 15 items. Individual factor model of all three construct revealed good factor loading and convergent validity (CR>0.7, AVE>0.5, CR is greater than AVE) except some of the items which were below

acceptable limit and hence decided to be deleted. Items such as OC\_1.4 and 1.5; and JI\_3.1 were deleted due to low factor loadings and to achieve a better fit to the data. Deletion of 8 items out of initial 15 items improved factor loadings and convergent validity.

After testing individual measurement model full first order measurement model were run and the model showed the good model fit with acceptable fit indices such as CMIN/df=2.923, IFI=.959, TLI=.934, CFI=.959, RMSEA=.08. As far as the reliability and validity is concerned all the constructs showed good reliability with composite reliability (CR>0.7) greater than 0.7. However, convergent validity of job involvement could not be achieved due to low AVE=.40 which is below acceptable limit of 0.5. The model also showed discriminant validity issue when AVE was compared to the inter-correlation between the factors as AVE was found less than MSV i.e. maximum shared variance between the construct.

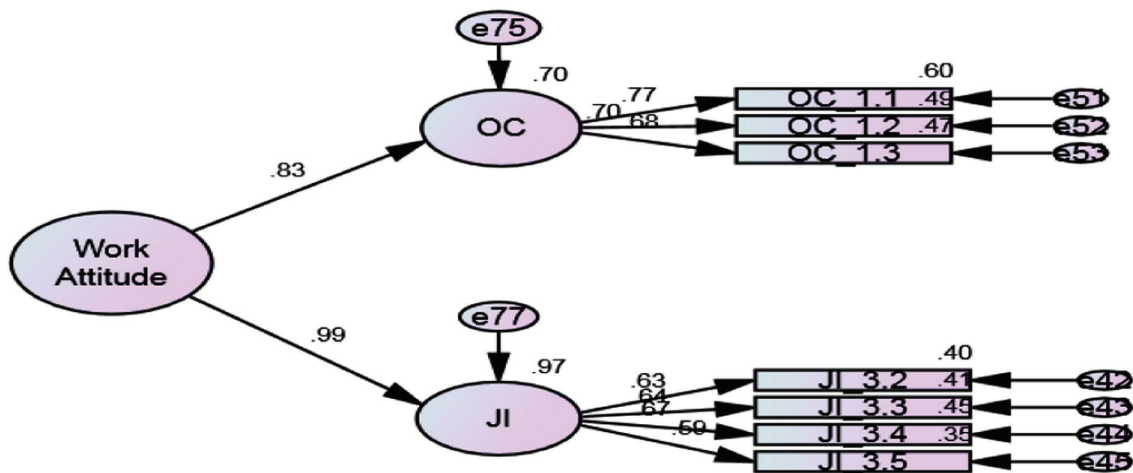
**Table 2: Representing Final Second order Model of Work Attitudes**

| Construct                                       | Item                                                                               | Factor loading                            | CR (above 0.7) | AVE (above 0.5) | p-value* |
|-------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------|----------------|-----------------|----------|
| <b>Work Attitude</b>                            | Organisational Commitment                                                          | .83                                       | .909           | .834            |          |
|                                                 | Job Involvement                                                                    | .99                                       |                |                 |          |
| <b>Organisational Commitment</b>                | I would be very happy to spend the rest of my career in this bank.                 | .77                                       | .761           | .515            | .000     |
|                                                 | This bank deserves my loyalty.                                                     | .70                                       |                |                 | .000     |
|                                                 | I would feel guilty if I left my bank now.                                         | .68                                       |                |                 |          |
|                                                 | Right now, staying with my bank is matter of necessity as much as desire.          | Item is deleted due to low factor loading |                |                 |          |
|                                                 | I really feel as if this bank problem is my own.                                   | Item is deleted due to low factor loading |                |                 |          |
| <b>Job Involvement</b>                          | I am very much involved personally in my job.                                      | Item is deleted due to low factor loading |                |                 |          |
|                                                 | I have very strong ties with my present job that would be very difficult to break. | .63                                       | .728           | .401            | .000     |
| <b>I like to spend most of my time at work.</b> | .64                                                                                |                                           |                |                 |          |

|                                                                          |     |  |  |  |      |
|--------------------------------------------------------------------------|-----|--|--|--|------|
| I get the most satisfaction in my life from my job.                      | .67 |  |  |  | .000 |
| I can overwork to finish things even if I don't have the necessary time. | .59 |  |  |  | .000 |

\*p-value<.001

Further, the researcher decided to check for second order measurement model as shown in fig 3 and re-run the CFA model, the results of which were presented in the above table [2]. The result indicated that the second order model of work attitude achieved good convergent validity, as supported by AVE. In addition GOF indices indicated a good model fit as all indicators of goodness of fit were in the range of acceptable limit. Hence, the second-order model of work attitude practices was accepted.



GOF Indices  
 CMIN/df=2.923  
 IFI=.959  
 TLI=.934  
 CFI=.959  
 RMSEA=.08

Fig.3 Second order Measurement Model of Work Attitudes

### Measurement Model of Perceived Organisational Performance

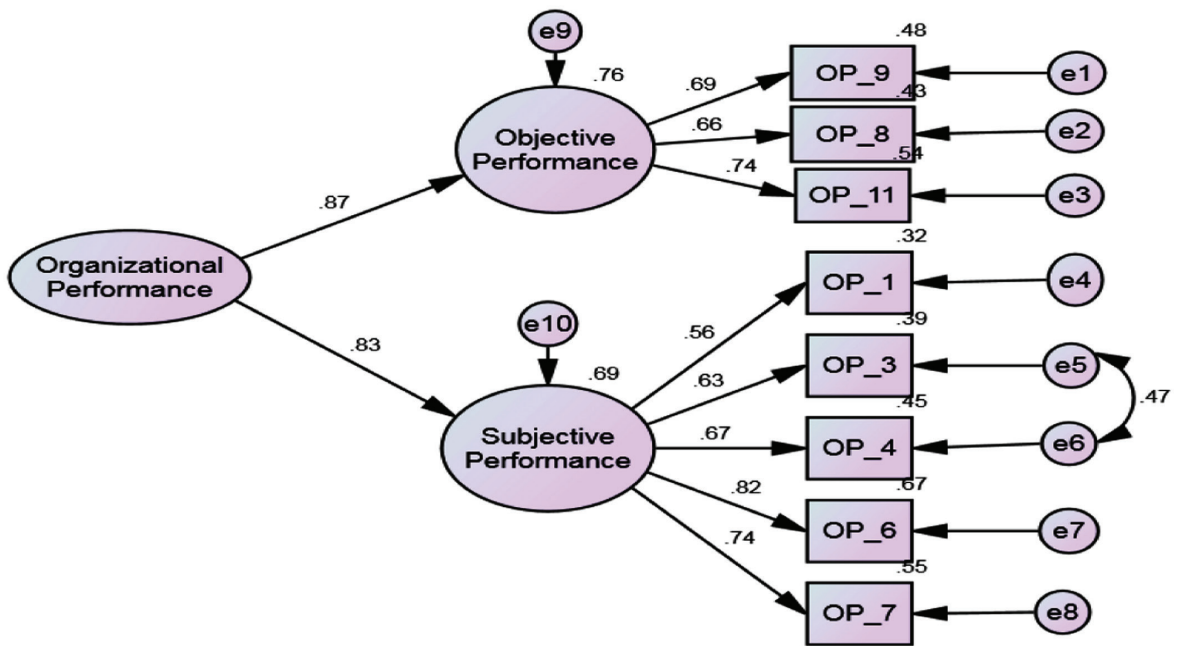
Perceived Organisational performance was taken as a construct measured with 11 items consisting of both subjective and objective indicators. The first run of CFA analysis showed a bad fit to the data with CMIN/df=7.672, IFI=.770, TLI=.710, CFI=.768 and RMSEA=.149. Convergent validity was also not within the acceptable limit with AVE =.378, less than acceptable limit of .05. Standardized factor loadings for OP\_2, OP\_8, OP\_9 and OP\_10 were below recommended level and thus may have been causing the model misfit. Modification indices and standardized residual covariance showed that various items of OP had high residual covariance with each other, which may further leads to discriminant validity problem when full measurement model were run. So to check this issue the researcher decided to go for second order model of OP as shown in fig.4 by combining the constructs of objective measures and subjective measure.

**Table 3: Representing second order Measurement Model of POP**

| Construct                                   | Item                                                                        | Factor loading                            | CR (above 0.7) | AVE (above 0.5) | p-value* |
|---------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------|----------------|-----------------|----------|
| <b>Perceived Organisational performance</b> | Subjective performance                                                      | .83                                       | .839           | .723            |          |
|                                             |                                                                             | .87                                       |                |                 |          |
| <b>Subjective performance</b>               | Quality of services has been improved over past years.                      | .56                                       | .817           | .48             | .000     |
|                                             | Development of new products or services is a major activity of the bank     | Item is deleted due to low factor loading |                |                 |          |
|                                             | Bank's ability to attract employees has improved as compared to past years. | .63                                       |                |                 |          |
|                                             | Ability to retain employees is a major strength of this bank.               | .67                                       |                |                 |          |
|                                             | Satisfaction of customers is preferred in this bank.                        | Item is deleted due to low factor loading |                |                 |          |
|                                             | Management and employees are having trustful relationship with each other.  | .82                                       |                |                 |          |
|                                             | Relationship among employees is cooperative and trustworthy                 | .74                                       |                |                 |          |

|                              |                                                                        |                                           |      |     |      |
|------------------------------|------------------------------------------------------------------------|-------------------------------------------|------|-----|------|
| <b>Objective performance</b> | Number of branches of this bank has increased as compared to the past. | .66                                       | .739 | .48 | .000 |
|                              | Profitability of this bank has increased as compared to past years.    | .69                                       |      |     |      |
|                              | Number of District covered by this bank has also increased.            | Item is deleted due to low factor loading |      |     |      |
|                              | Branch productivity of this bank has improved                          | .74                                       |      |     | .000 |

\*\*\*p-value<.001



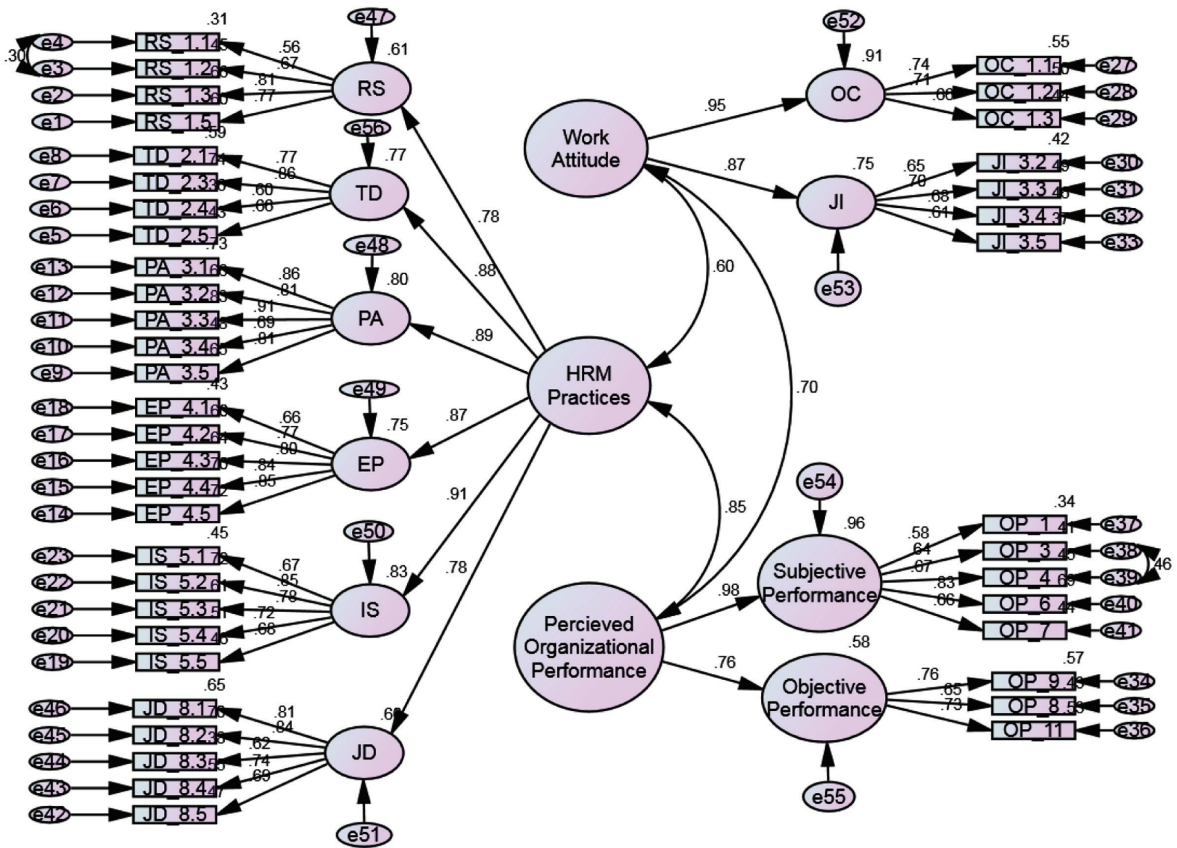
GOF Indices  
 CMIN/df=3.323  
 IFI=.954  
 TLI=.928  
 CFI=.954  
 RMSEA=.08

Fig. 4 Second order Measurement Model of Perceived Organisational Performance

The results of second order results were shown in the table [3] above. Convergent validity of objective & subjective performance could not be achieved due to low AVE=.48 which is below acceptable limit of 0.5. The model also showed discriminant validity issue when AVE was compared to the inter-correlation between the factors as AVE was found less than MSV i.e. maximum shared variance between the construct. But, it was decided to retain both performance indicators as the result of overall second order CFA indicated good model fit and also achieved good convergent validity, as supported by AVE.

**Pooled CFA**

After performing the second order model of CFA for all variables under study, the researcher continued with the second CFA method that is Pooled CFA. This method is considered more efficient and highly suggested for assessing the measurement model (Wan Afthanorhan et al., 2014). This method combines all latent constructs in one measurement model and performs the CFA at once as shown in fig 5.



The table 4 depicts the goodness fit indicators of full measurement model, the result revealed that model-fit for the proposed model was not very good but satisfactory with adjustments using modification indices, when compared with threshold limit given by (Hu and Bentler, 1999). As per Katou and Budhwar (2010), in complex models, the limits of the acceptable fit, especially for NFI and CFI, could be as low as .80 (Hart 1994). However, Goodness of fit is inversely related to sample size and the number of variables in the model. Thus, the thresholds below are simply a guideline. Other indicators of GOF indices were not found very good but satisfactory such as TFI=.87; TLI=.86; PCFI= .81.

**Table 4: Comparing default model with threshold limit**

|                        | Cmin/df                  | CFI                                            | RMSEA                                                      | RMR                |
|------------------------|--------------------------|------------------------------------------------|------------------------------------------------------------|--------------------|
| <b>Threshold limit</b> | <3 Good<br><5 acceptable | >.95 Great; >.90 traditional; >.80 permissible | permissible<br><.05 Good;<br>.05-.10 moderate;<br>>.10 bad | Smaller the better |
| <b>Default model</b>   | <5 acceptable            | .87                                            | .06                                                        | .06                |

Table 5 represents that final measurement model showed good convergent validity of all the three variables i.e. HRM practices, work attitude and perceived organisational performance as supported by CR and AVE. With regards to discriminant validity all variables under study had achieved the criteria of discriminant validity also. Therefore, the measurement model consisted of three variable was accepted.

**Table 5: Representing convergent validity and discriminant validity**

|                                              | CR    | AVE   | MSV   | MaxR(H) | Work_ Attitude | HRM_ Practices | Percieved_ Organisational _Performance |
|----------------------------------------------|-------|-------|-------|---------|----------------|----------------|----------------------------------------|
| <b>Work_ Attitude</b>                        | 0.906 | 0.828 | 0.477 | 0.927   | 0.910          |                |                                        |
| <b>HRM_ Practices</b>                        | 0.940 | 0.725 | 0.723 | 0.969   | 0.596          | 0.852          |                                        |
| <b>ercieved_ Organisational _Performance</b> | 0.855 | 0.749 | 0.723 | 0.978   | 0.691          | 0.850          | 0.865                                  |

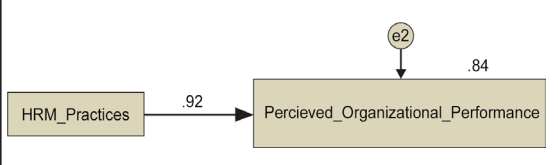
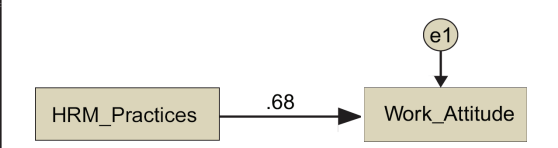
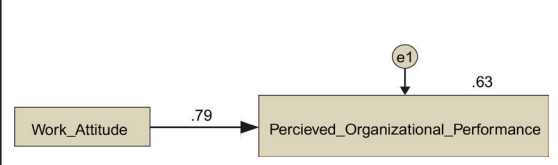
**Path Analysis and Hypothesis Testing**

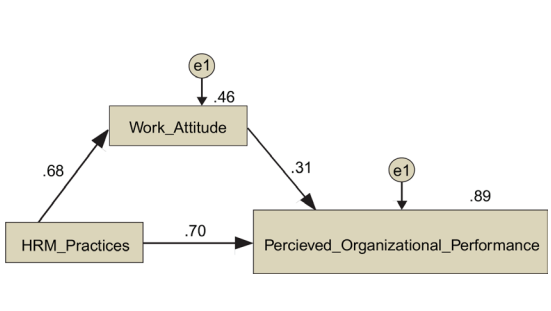
Path analysis is a special case of structural model where imputed score (estimated through CFA) of the constructs were used as variables rather than using constructs along with their variables in the structural model. All variables in the path analysis are represented by rectangles denoted as observed variables (Grapentine, 2000). These variables can be used in the structural model in order to analyze the interrelationship between different constructs represented as rectangles.

**Assessing the Direct and Indirect HRM-Performance Linkage**

The hypothesized mediation relationships were tested following the mediation procedure recommended by Baron and Kenny (1986). For a mediation relationship to exist, first, a significant association between the independent variable and the dependent variable needs to be established. Second, the independent variable needs to be strongly related with the mediator. Third an association between mediator and organisational performance need to be significant. Finally, the relationship between the independent and dependent variable in the presence of mediator must show insignificance for full mediation, or drop either in significance or in estimate for partial mediation. The direct effects of HRM practices on work attitude and work attitude on organisational performance have been tested by conducting simple regression in AMOS graphics. The mediation model then tested for work attitude using bootstrapping option in AMOS to examine the direct and indirect effects of HRM performance on organisational performance. This step establishes the possibility of absolute or partial mediation path.

**Table 6: Representing convergent validity and discriminant validity**

| Hypotheses                                                             | Variables and Labels in SEM                                   | Causal Path tested in AMOS Graphics                                                 | Standardized Beta ( $\beta$ ) | Significance of direct and indirect effect* |
|------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------|
| H1: Perceived Organisational Performance is explained by HRM Practices | IV: HRM practices<br>DV: Perceived organisational performance |  | .917                          | .001 (Hypothesis Accepted)                  |
| H2: HRM practices positively predicts Work Attitude                    | IV: HRM practices<br>DV: Work Attitude                        |  | .682                          | .001 (Hypothesis Accepted)                  |
| H3: Work Attitude Positively Predicts Organisational Performance       | IV: Work Attitude<br>DV: Perceived organisational performance |  | .793                          | .001 (Hypothesis Accepted)                  |

|                                                                                                                  |                                                                                             |                                                                                                                                                                                                                                                                                                                                  |                                                                         |                                                                                                    |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| <p>H4: Work Attitude mediates the relationship between HRM practice and Perceived Organisational Performance</p> | <p>IV: HRM practices<br/>DV: Perceived organisational performance<br/>MV: Work Attitude</p> |  <pre> graph TD     HRM[HRM_Practices] -- .68 --&gt; WA[Work_Attitude]     HRM -- .70 --&gt; POP[Perceived_Organizational_Performance]     WA -- .31 --&gt; POP     e1((e1)) -- .46 --&gt; WA     e2((e1)) -- .89 --&gt; POP             </pre> | <p>.703 (Direct effect) with mediator</p> <p>.214 (Indirect effect)</p> | <p>.001 (Hypothesis Accepted)</p> <p>.001 (Hypothesis Accepted)<br/>Type of Mediation= Partial</p> |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|

\*p-value<.01

Based on the result presented in table (6), the presence of and significance of all the hypothesis (Hypothesis 1 to Hypothesis 4) direct and indirect effect have been established. Therefore, the variables HRM practices and work attitude positively predicts the dependent variable (represented by hypothesis 1, 2, and 3). Moreover, work attitude partially mediates the relationship between HRM practices and perceived organisational performance (hypothesis 4).

The first model, as presented in table 6 addressed the first requirements of the mediation process. The result of model 1 indicated that the HRM practices had a positive and significant effect on perceived organisational performance ( $\beta=.917, p=.001$ ). Hence, the first requirement of mediation was successfully met. The result of model 2 indicated that HRM practices was significantly and positively associated with work attitude ( $\beta=.682, p=.001$ ). Thus, the second requirement of mediation was satisfied. In Model 3, a direct relationship between work attitude and perceived organisational performance was established and indicated that the work attitude was positively and significantly affected perceived organisational performance ( $\beta=.793, p=.001$ ). Thus, the third requirement of mediation was met. The final step in mediation addressed the indirect effect, which was assessed through a bootstrapped confidence interval with a 2000 sample requested. Model 4 indicated that the relationship between HRM practices and perceived organisational performance suffered a significant drop in  $\beta$  after entering work attitude ( $\beta=.703, p=.001$ ). Hence, a partial mediation was justified. Accordingly, the hypothesis 4 was accepted. Model fit indices of final structural model shows CFI and GFI=1.00.

## DISCUSSION AND IMPLICATIONS

Based on the results, it can be concluded that work attitudes partially mediate the relationship between HRM practices and Perceived Organisational Performance. The result validated the social exchange theory in Indian context that HRM practices influence work attitudes (employees commitment and job involvement)

which in turn improve organizational performance. The study contributes to the HRM research by extending the research to identify inter-related intervening variables (mediating) between HRM-Performance linkages. It also validated different dimensions of HRM practices, Work Attitudes and Organisational Performance in the Indian context. The study would be

helpful for the concerned authority in the ways like understanding of HRM-Performance mechanism specifically, redesign HRM policies as employee centric, focus on social exchange relationship in an organization to improve organizational performance etc. Management could think of providing department wise training so that employees could give focused attention towards their specific department. The results of this study specifically could help

regional rural banks also in developing a HR system that can motivate employees' of diverse group through clear job description at branch level, avoidance of work overload, rewards, recognition, improvement in promotion policy, co-operation from seniors, career opportunity, allowances and benefit at par with other commercial banks to ensure more commitment and employees involvement in order to further improve their performance.

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