

# Impact of high performance work system on financial performance of banking sector in Pakistan.

Naseer S, Karim A, Naseer H\*, Aslam Z

Faculty of Management Sciences, University of Central Punjab, Karachi, Pakistan

## Abstract

Banks play a vital role in the economy of a country and stability of economy is in return impacted by the performance levels of the financial institutions specifically banks within the country. This study is intended to examine the financial performance of all commercial banks listed in Pakistan Stock Exchange. The prime focus for this study revolves around the impact of high performance work systems on determinants of financial performance. In order to investigate, twenty commercial banks were selected. Pilot study was conducted prior and forty questionnaires were distributed to check the results then data was collected in two stages. In first stage, questionnaires were provided to employees of banks and in second stage, data from all the banks was gathered and compiled from their annual reports available at their websites in conjunction with the availability and authenticity of the data obtained from State Bank of Pakistan and the time period was 2016-2017. 384 respondents filled the questionnaire out of 500 from all commercial banks and response rate was 76 percent. By application of Statistical Package for Social Sciences (SPSS), descriptive statistics, correlation among variables, one-way ANNOVA and multiple regression analysis were carried out on the compiled data and concluded on the impact of selected independent variables including recruitment and selection (R&S), training and development (T&D), reward system (RS) and performance management (PM) on financial performance determinants ROA and ROE of the banks. The results showed that all the variables were significantly correlated to each other and had positive correlations. The regression analysis showed that there was a significant relationship among the independent and dependent variables. High performance work systems not only influence the subjective performance but the positive effects can be noticed on employee's productivity. The investigation in high performance work system lead makes employees valuable assets to the organization.

**Keywords:** Financial leverage, Profit growth, Debt ratios.

*Accepted on November 15, 2018*

## Introduction

Banks have a great contribution in the country's economy. Banks are facilitators for invention and entrepreneurship. They fund business developments that provide employment in society and businesses also compete internationally by their backing. Not only this, their support has cuddled the society through ease of buying homes, provision of retirements and securing the education by investment plans and many others. Consequently, banks aid as agents of the financial curriculum as their determinations on behalf of customers add share to the overall firmness which is the core to endure economic progress [1].

### *High performance work system and commercial banks of Pakistan*

High Performance Work Systems (HPWS) represent a systematic and integrated approach of managing human resources toward the alignment of HR functions and the achievement of firm strategy [2].

In today's fast changing business world, high-performance

work systems as a potential firm-level competency can deliver the important activities to create predominant firm performance. Specifically, as firms endeavour to accomplish more with less, giving careful consideration to the practices intended to select, train, reward, and compensate representatives is probably going to pay profits for both hierarchical proficiency and development [3]. According to Karam, Gardner, Gullifor, Tribble and Li scholarly and expert consideration regarding the development of high performance work framework and their suggestions for firms has become significantly grown over the previous decade. Furthermore, Nishii, Lepak and Schneider (2008) made the analysis that various techniques can be offered by different employees to perceive HPWS. Different kinds of organizational outcomes can direct towards various views of high performance work system [4].

Another study found that in bank's modernization system it is mandatory to have development in economy of that country and Pakistan's banking sector is playing vital role in it [5]. Pakistan's banking sector is playing vital role in it [5].

The study of Ahmad, Sharif, Saeed and Kabir (2012) discovered that how supposed performance of employees in banking division of Pakistan is affected by high performance work system. They found that there is a noticeable relationship between both the variables. The relationship of high performance work system and the intentions of employees to stay and work faithfully were observed by Hussain and Rehman (2013). They concluded that intentions of employees' can be improved through certain factors of high performance work system that include person-organization fit, employment security, communication and training and developments. Analysts have investigated that representative execution and authoritative performance have been shaped through high performance work system.

Current focus of the study is to know that how financial performance of associations is influenced by this system. The study is revolves around the examination of the effect of HPWS on the financial performance of banks. The prevailing situations suggest that this area of research is showing its striking strengths and capabilities to the world. Present study is addressing the latest problem in the bank industry in the form of actual financial performance and the role of high performance work system. By addressing the latest issue, the findings of the study will not just cover the gap in the existing body of literature but also provide a framework which can help the management of banking sector. Moreover, the bank management will be able to recognize high performance work practices and can adopt these practices to gain competitive advantage. Both theoretical and practical significances will be presented in the study.

### **Hypothesis**

- H<sub>1</sub>**- High performance work system is positively and significantly related to the ROA in banking sector of Pakistan.
- H<sub>2</sub>**- High performance work system is positively and significantly related to the ROE in banking sector of Pakistan.
- H<sub>3</sub>**- Performance management is positively and significantly related to the ROA in banking sector of Pakistan.
- H<sub>4</sub>**- Performance management is positively and significantly related to the ROE in banking sector of Pakistan.
- H<sub>5</sub>**- Recruitment and selection is positively and significantly related to the ROA in banking sector of Pakistan.
- H<sub>6</sub>**- Recruitment and selection is positively and significantly related to the ROE in banking sector of Pakistan.
- H<sub>7</sub>**- Training and development is positively and significantly related to the ROA in banking sector of Pakistan.
- H<sub>8</sub>**- Training and development is positively and significantly related to the ROE in banking sector of Pakistan.
- H<sub>9</sub>**- Reward system is positively and significantly related to the ROA in banking sector of Pakistan.

- H<sub>10</sub>**- Reward system is positively and significantly related to the ROE in banking sector of Pakistan.

### **Literature Review**

Researchers all over the world have carried out different studies to analyse and explore the effects of high performance work systems on perceived as well as on financial performance of all types of banks. In past few years, the rapid evolution of banking sector has evoked the interest of researchers and hence extensive studies can be conducted for the analysis of financial performance of the banks by employing statistical measures that will include actual financial ratios.

#### **High performance work system**

For past two decades, there is an immense change in human resource management studies in sense of newness by HPWS researches. Zhang, Fan and Zhu (2014) in their research work concluded that high performance work systems fulfill the anticipated human resource consequences. Another research has explained that new changes of work environment are being explored by different organizations across the globe. It is not the age when it was thought that by changing a component would alter the performance of the whole firm. High performance work system is the up to dated framework to follow. Such frameworks don't revolve around only one unit of the firm but they govern some major changes towards the performance of the firm. Rebuilding of working environment, retraining of employees and bringing about new variations are some crucial components of high performance frameworks. Aghazadeh and Seyedian (2004) have discovered that efficiency and production quality of a firm is improved to great extent through upgradation of working environment of the firm. This can be done by bringing some modern transition in the firm and insighting the qualities of leadership and efficiency in the employees.

A survey research carried out in Pakistan investigated that primary consideration is given to the high performance work system is essential element of strategic human resource literature. Along with it, organizations that are struggling to find a place in market are also kept in concern. The aim of the research is to put forward the role of motivation in a high performance practice towards a banking sector. High performance systems are responsible of providing source of competitive advantage as they cannot be compared with others owing to their qualities of being historic and rare. The researcher used multiple regression analysis for the purpose. The results were signified that there is a positive relationship between employees' motivation and high performance work system [6].

**Recruitment and selection:** Kadar and Masum (2016) suggested in their research that successful organizations consider the processes of recruitment and selection as of vital importance as these enhance the opportunities to have suitable employees that would ultimately boost up organizational performance. Bottom-line business outcomes

like productivity and financial performance are greatly moved by the selection and recruitment system of the organization. Sunday, Emmanuel and Mary (2015) have made the conclusion in their research that the abilities of planned applicants and the rewards of a certain post are aligned in recruitment and selection process. This is the reason that a part of high performance organization is devoted towards significant assets and vitality to bring about some extraordinary determination frameworks.

Eva (2018) argued in her study on commercial banks that the point of the investigation was to fill the gap with generally utilized enlisting sources, determination techniques, building up a choice model for the section level position alongside distinguishing apparent real boundaries and systems for keeping up the viability of enrolment and choice practices. Both subjective and quantitative methodologies have been taken after to finish this investigation. Information have been gathered from both essential and optional sources. Real discoveries of the examination are most extreme banks have diverse preference level for utilizing sources and choice strategies. They take after various choice strategy for the passage level empty positions. There are likewise remarkable commonalties in utilizing work investigation, some enrolment sources and determination techniques, relegating essential and last procuring choice duties to Human Resource Managers and line chiefs, seeing significant difficulties and receiving systems for compelling enlistment and choice capacities. An endeavour has been made to build up an extensive choice model for the section level position. At last, a few proposals have been given in this paper which will be gainful for banks, HR practicing organizations and for future research.

**Training and development:** Training and Development (TD) plays a vital role in enhancing employees' performance which further results in firm's performance. The examination uncovers that preparation and advancement is a need in each organization especially for the incompetent or the less experience workers. By and large, representatives' work commitment was enormously enhanced because of the preparation techniques and instruments utilized by the organization. Hence, it prompted a positive effect on representative' execution and a change in their abilities and employment proficiency [7].

Jyoti (2017) stated in his study about rapid changing business environment in banking sector and the consistent difficulties it postures to associations and organizations make it basic to continuously enhance and enhance information and ranges of abilities over the association. Sometimes the issues faced by banks include the shortage of supply of pioneers and the ever increasing demand to produce representative of organization.

**Reward system:** The research work of Yasmeen, Farooq and Asghar (2013) described the impact of rewards on organizational performance in Pakistan. They communicated that the bond between salaries, bonuses and organizational

performances is not very strong in banking sector of Pakistan. But moderate to strong relationship is found between promotion and organizational performance.

Another study in this regard was carried out by Khan, Waqas and Muneer (2017) to examine that how employees' performance is affected by intrinsic and extrinsic rewards. They found a strong relation between these factors.

Irshad (2016) also researched on finding the connections of reward system and employees' performance in banking sector of Pakistan. He collected data through questionnaires and questions were about working conditions, salary and bonuses paid on performance. This study used SPSS and concluded that there is impact of salary and working conditions on motivating employees. Iqbal, Karim and Haider (2015) argued in their research that the effect of rewards and authority on the worker commitment in traditional managing an account segment of southern Punjab. Worker commitment is completely affected by authority, working environment culture, organization notoriety and reward hones. Fulfilled specialists can possibly work adequately and they continuously stay faithful to the association. This examination centers to assess the effect of two covariates compensate and authority on the commitment of the workers. The information incorporates 50 workers of 5 banks chose from conventional managing an account division situated in southern Punjab. The outcomes demonstrate positive effect of reward and administration on worker commitment. The paper gives proof to propose that administration center to upgrade abilities of the workers through legitimate instructing, authority, and inspiration.

**Performance management:** Study conducted on performance management (PM) depicts that organizational performance is affected in a positive way by the performance management and with the human resource management [8].

Yaseen (2015) argued on influence of performance management on over all bank's performance in Pakistan. Three variables included employee motivation, loyalty, efficiency and effectiveness. Research findings with positive relationship between dependent and independent variables also showed that that dissatisfaction is observed among employees when there is no proper guidance and feedback is provided in current appraisal system. Performance evaluation is a broadly perceived process, yet in Pakistan endeavours to ponder and inspect its impact on attitudinal results and firm performance are rare. The present investigation tends to this exploration hole. Specialists investigated the connection between performance appraisal fulfilment, work fulfilment and turnover goals in semi-administrative associations in Pakistan. Utilizing reactions gathered from 123 respondents, we find measurably noteworthy connections between considered factors. The outcomes have critical arrangement suggestions for enhancing the procedure of performance evaluation in semi-administrative associations in Pakistan and additionally other creating nations. Assist the investigation

enhances the collection of learning on performance examination and its effect on authoritative performance in creating nations [9].

**Financial performance**

Studies of Heikal, Khaddafi and Ummah, 2014; Setyorini, Minarsih and Haryono (2016) are some of evidence for the usage of ROA as key performance indicator. The most common and widely used measure of corporate financial performance is checking the return on equity along with return on assets [10].

A key component of management and organizational performance is the inspection and scrutinization of high performance work system. This has been observed from last few years particularly in management of banking industry. Researches in recent years are pivoted on finding the impact of high performance work system rehearses on hierarchical execution and the results of these researches manifest the idea that high performance work system and hierarchical execution are beneficially interlinked [11].

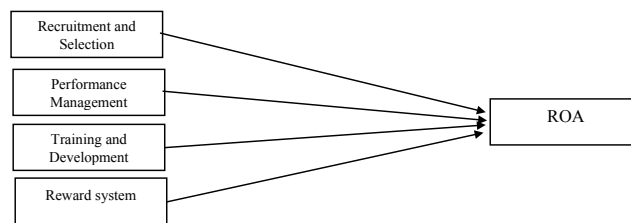
Jimoh (2011) conducted a study on relationship between human resource practices and financial performance. The outcomes got from this investigation demonstrate that vital HRM is decently honed by organizations working in the Nigerian assembling segment and that execution symbolized by development rate of income, monetary quality, return on equity (ROE), return on assets (ROA) and benefit is sensibly improved by eight out of the nine vital HRM rehearses tried. Likewise, key human asset administration analysts have firmly upheld a framework point of view and gave impressive proof that specific framework of human resource rehearses significantly affect individual and authoritative execution. However, difficulties of understanding the development of human asset frameworks still stay in the writing. In particular, couple of endeavours have been made to elucidate the inside fit in human asset frameworks alluding to how the practices in human asset frameworks cooperate. To clarify human asset frameworks develop, an examination audit the segments of human asset frameworks and outline how the parts of human asset frameworks cooperate to impact representative execution [12].

**Theoretical framework**

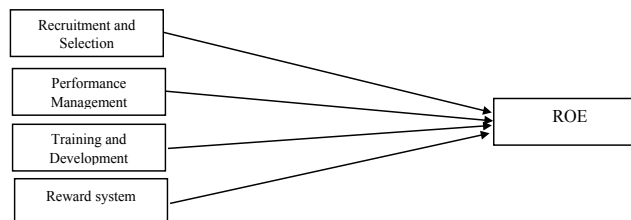
Theoretical Framework is explained in the form of Figures 1 and 2.

**Research Methodology**

For the purpose of research objectives to align with the methodology, Pragmatic approach was used in the study contextual. Furthermore, a mixed study is conducted using secondary data as well as primary data. Data is collected in two stages. Both primary and secondary data are used. As concern for primary study, a structured questionnaire was used for the objective of the current study. After developing the questionnaire, the first step is to conduct a pilot study



**Figure 1. Theoretical Framework of the Study.**



**Figure 2. Theoretical Framework of the Study.**

to test the measurement scale of the questionnaire. Pilot study helps to identify questions that do not make sense to participants or issues with the questionnaire that might lead to biased answers. For conducting the pilot study, 40 questionnaires were distributed to the employees of all commercial banks. According to the results from the pilot study, respondents were taking two minutes to fill out the questionnaire. Respondents who filled the questionnaire in less than two minutes likely failed to read the questions carefully. On the basis of pilot study, mostly respondents are inclined towards neutral to agree. It represents respondents are satisfied with the overall performance of banks. So, on the basis of results, the equal scale was assigned to the variables to compute constructs and run correlation matrix. After conducting pilot study, in first stage, 500 questionnaires are provided to employees of banks and in second stage, data from all the banks in this study was gathered and compiled from their annual reports available at their particular websites in conjunction with the availability and authenticity of the data obtained from State Bank of Pakistan and the time period will be 2016-2017. Data regarding these banks is available on their respective websites.

**Findings**

**Inferential statistics**

**Reliability of the instrument:** The reliability analysis of the variables was performed in spss and the result was as follows. The Table 1 depicts the cronbach’s alpha values for the variables under study.

The results of the reliability analysis shows that all the variables for this study have a value of cronbach’s alpha higher than 0.7 which is necessary for the instrument to be valid for a particular study. Basically cronbach’s alpha is a measure of internal consistency in a given study. It identifies that how close are the items related to each other. Internal consistency is basically the measure of correlations between different variables in a given study. It is used to check that the

items that are measuring a variable can produce linear results or not. The cronbach's alpha cannot be considered a statistical test, rather it is a coefficient of reliability which measures the consistency among various constructs. In the above table as the result depicts there are four independent variables. All the variables have a high reliability with the highest reliability of training and development. The overall reliability of these variables is also measured and the cronbach's alpha value of overall reliability is 0.787 which is also on the higher side.

**Correlation analysis:** For examining the level of correlation between and among the variables we have performed the test on data of all banks which is as follows Table 2:

The results indicated that variables are correlated with each other in a positive manner. A positive correlation was found among variables which are in line with the hypothesis of this study. For example if high positive correlation is found among training and development it will return on assets with a value of 0.782 which falls in between -1 and +1. This indicates that if training and development increases return on assets increases too and a linear relationship would develop between the two. The significance value in this case is 0.00 which is less than 0.05 which indicates that training and development and return on assets are significantly correlated with each other. It also signifies that part of the hypothesis which explains that there is a noticeable relationship between performance management and return on assets.

A high positive correlation is noticed between the relationship of return on assets and return on equity with a value of 0.761. The significance value is also 0.00 which is less than 0.05. It also indicates that the return on assets and return on equity are largely correlated with each other and as return on assets increases return on equity also increases along with the fact that they have a significant relationship with each other.

The moderate and positive relationship between performance management and return on assets with a value of 0.649

and since the significance or p value is less than 0.05 there is a moderate and significant correlation between the two variables, which makes performance of the management independent and return on assets dependent variable. The consistence relationship between reward system and training and development is significant with a value of 0.665 which is on the moderate side. Training and development and return on assets with a positive relation with each other and with a value of 0.742 are significant. It denied the act that as training and development increases, return on assets also tends to increase in a positive direction. The other independent variables and the dependent variables among the correlation were also measured. The above table's result indicated by quoting that for independent and dependent variables it can be stated as training and development and return on assets, return on equity ( $r = 0.752, 0.703$   $p > 0.01$ ), recruitment and selection and return on assets, return on equity ( $r = 0.704, 0.681$   $p > 0.01$ ), reward system and return on assets, return on equity ( $r = 0.681, 0.730$   $p > 0.01$ ), performance management and return on assets, return on equity ( $r = 0.649, 0.742$   $p > 0.01$ ). The variables are significantly and positively correlated in correlational analysis and in such relationship if one variable increases the other one will also increase but in the same direction so to say that the variables for this study have a linear relationship with each other. The independent variables are correlated positively with dependent variables i.e. return on assets and return on equity.

#### Factor analysis

The statistical tool such as, factor Analysis are used for the measurement of the impact of a few un-observed factor variables on a large number of observed variables. A major concept behind the factor analysis is that differently observed variables have same patterns of responses as they are linked with a latent (i.e. not directly measured) variable. Their association with an underlying latent variable, the *factor*, cannot easily be measured.

**Table 1. Reliability of instrument.**

No.	Dimension	No of items	Cronbach's alpha
1	Recruitment and Selection	3	0.769
2	Training and Development	3	0.778
3	Reward System	3	0.771
4	Performance Management	3	0.768
5	Overall Reliability	12	0.787

**Table 2. Correlation Matrix.**

Correlations						
	Recruitment and Selection	Training and Development	Reward system	Performance management	Return on assets	Return on equity
Recruitment and Selection	1	.237**	.581**	.393**	0.004	-0.064
Training and Development	.237**	1	.110*	.588**	-0.042	-0.003
Reward system	.581**	.110*	1	.245**	-0.03	-0.058
Performance management	.393**	.588**	.245**	1	-0.002	-0.032
Return on assets	0.004	-0.042	-0.03	-0.002	1	.497**
Return on equity	-0.06	0	-0.06	-0.03	.497**	1

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

\* . Correlation is significant at the 0.05 level (2-tailed).

**KMO and Bartlett’s test**

**Kaiser-Meyer-Olkin measure of sampling adequacy:** This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a suggested minimum.

**Bartlett’s test of sphericity:** This tests the null hypothesis that the correlation matrix is an identity matrix. An identity matrix is matrix in which all of the diagonal elements are 1 and all off diagonal elements are 0.

Taken together, these tests provide a minimum standard which should be passed before a factor analysis (or a principal components analysis) should be conducted.

Table 3 shows that value obtained by Kaiser-Meyer-Olkin measure of sampling adequacy is more than 0.50 and closer to 1.0 i.e. 0.641. It indicates that a factor analysis is useful with data.

Value obtained from Bartlett’s test of sphericity is less than 0.05 of the significance level indicates that factor analysis is useful with our data.

**Component matrix:** The major output of principal components analysis is component matrix. It consists on the relationship among the variables and the estimated components (Table 4).

There is strong correlation between the question raised against dimension named Recruitment and Selection with component 1 whereas in another question of same dimension correlations between recruitment process and component 1 is very low but all values of correlations are not less than 0.3 or 0.40 showing that as compare to all components, first component seems to measure propensity of overall performance.

**Composite variables:** Composite variables were computed by assigning independent variables a weight equal to ratios i.e. dependent variables. After defining new variables, multiple regression was run keeping in account all assumptions of Multiple Regression Analysis.

**Multiple regression analysis**

Regression analysis was applied to find out the relationship between dependent and independent variables for this study.

**Regression results of commercial banks for ROE**

This is explained in Table 5.

**Regression results of commercial banks for ROA**

The above results show the values of R, R square, Adjusted R Square, F-value and the Sig value derived from the analysis of variance Table 6 (anova table). Regression results of all commercial banks showed that the overall model of the financial performance determinants ROA and ROE is significant as the p-value is  $0.000 < 0.05$ . Moreover, the test of Durbin Watson also showed no autocorrelation within the residuals of the model as the value for ROE stood as 1.19 and ROA at 1.48. The R<sup>2</sup> value or the R Square value shows the total amount of variation in the dependent variable that can be explained by the independent variables Adding to the effectiveness of models, the best fit of data was also determined by the values of R-square for ROE at 0.79 and ROA at 0.69 in along with Adjusted R-square values at 0.71 of ROE and 0.59 of ROA that are heading towards the standard value set of 1. This notifies that the explanatory variables are significantly impacting on the financial performance determinants of the bank used for this study. The F-value or the F-statistics has a

**Table 3. KMO and Bartlett’s Test.**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.641
Bartlett's Test of Sphericity	Approx. Chi-Square	1313.41
	df	66
	Sig.	0

**Table 4. Component Matrix.**

	Component			
	1	2	3	4
Does the HR team act as a consultant to enhance the quality of the applicant pre-screening process?	0.778	-0.176	-0.1	-0.355
Training and development practices have resulted in increased encouragement and contentment level of employees.	0.717	-0.114	-0.417	-0.35
The system measures the actual results and how they are achieved.	0.69	-0.425	0.13	-0.187
How well are the organization’s affirmative action needs clarified and supported in the selection process?	0.639		0.356	0.251
I am satisfied with the quality/quantity of the rewards.		0.643	0.2	-0.136
Does the organization clearly define the position objectives, requirements and candidate specifications in the recruitment process?	0.209	0.579	0.376	-0.162
Employees are working efficiently after attending training course	0.364	0.571	-0.194	0.352
Managers view the appraisal as a valuable management tool	0.394	0.463	-0.446	
Were you ever been recognized for the Idea/ideas that got implemented?	0.256	0.406	0.598	-0.149
Employees work more as a team in order to gain the rewards.	0.571	-0.211	0.581	0.148
Training and development practices have improved knowledge and skills of employees	0.49	0.273	-0.49	
Performers who need improvement are given developmental opportunities	0.451	-0.167		0.688

Extraction Method: Principal Component Analysis.

value of 1.04 and the sig (p value) obtained from the anova output is 0.000 which states the good fit of the model.

**Coefficient results of commercial banks for ROA**

Table 7 on the other hand provides the beta values of regression, their standard errors, the t values and the sig (p values) for testing the hypothesis of our study. The coefficients table is shown below and the results are discussed in detail.

**Coefficient results of commercial banks for ROE**

The coefficients Table 8 is shown below and the results are discussed in detail.

In the above tables the unstandardized coefficients indicates the level of variance in the dependent variables i.e. ROA and ROE with an independent variable when all other independent variables are held constant. From the results of Table 4, it can be interpreted that for a similar increase in recruitment and selection there is an increase of 0.232 in the level of return on assets. Similarly it can be interpreted that for a similar increase in the levels of performance management there is 0.384 level of decrease in return on assets. Apart from performance management which has a negative B value all other independent variables have a positive B value. It can be seen that for all the independent variables (p<0.05). It shows that there is a significant effect of these independent variables on the dependent variable ROA.

For testing the third hypothesis of study there was one independent variable (performance management) and one dependent variable (ROA). The regression results showed that p value < 0.05 which allows us to reject the null hypothesis and accept H:3 which states that there is a significant relation between performance management and ROA. Recruitment and selection and ROA had a p value less than 0.05 i.e. p < 0.05 which allowed us to reject the null hypothesis and accept H:5 which stated that there was a significant relation between recruitment and selection and ROA. The p value for training and development and ROA was found out to be less than 0.05 p < 0.05 which allowed to accept the alternate hypothesis H:7 which stated that there was a significant relation between both variables. Regression was run also to test for H:9 and p value was again less than 0.05 p < 0.05 which proved the hypothesis 9. It also had an R square value of 0.494 which meant that 49.4 percent change in dependent variable can be explained by return on assets.

**Table 5. Regression result for ROE.**

Multiple Regression between ROE and independent variables of Commercial banks		
Model Summary		
No.	Items	Values
1	R	0.828
2	R Square	0.791
3	Adjusted R Square	0.719
4	F-Value	9.04
5	Sig ( p-value) Anova	0.002
6	Durbin-Watson	1.19

a. Dependent Variable: RETURN ON EQUITY  
b. Predictors: (Constant), R\_S, TD, RS, PM

**Table 6. Regression result for ROA.**

Multiple Regression between ROA and independent variables of Commercial banks		
Model Summary		
No.	Items	Values
1	R	0.752
2	R Square	0.697
3	Adjusted R Square	0.599
4	F-Value	11.04
5	Sig ( p-value) Anova	0
6	Durbin-Watson	1.48

a. Dependent Variable: RETURN ON ASSETS  
b. Predictors: (Constant), R\_S, TD, RS, PM

**Table 7. Coefficient results for ROA.**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.644	0.938		-0.686	0.494
	R&S	0.232	0.06	0.37	3.849	0
	T&D	0.178	0.066	0.28	2.707	0
	RewardSys	0.337	0.072	0.367	4.706	0
	PM	-0.384	0.09	-0.297	-4.255	0

a. Dependent Variable: RETURN ON ASSETS

**Table 8. Coefficient results for ROE.**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.751	0.985		-0.773	0.596
	R&S	0.324	0.071	0.411	4.678	0
	T&D	0.261	0.078	0.396	3.506	0
	RewardSys	0.437	0.084	0.467	4.908	0
	PM	0.267	0.07	0.233	3.813	0

a. Dependent Variable: RETURN ON EQUITY

Likewise, from the results of Table 8, it can be interpreted that all the independent variables had p < 0.05 and so had a significant relation with the dependent variable. In this way H:4, H:6, H:8 and H:10 were accepted and their null hypothesis were rejected. The overall results showed that there was a significant relationship between the independent variables and the dependent variables i.e. accepting H:1 to H:10.

**Conclusion**

This research focused on the performance of the commercial banks in Pakistan. The current chapter is summing up all the results which were retrieved from the data. The economic growth of any country relies on different facts which actually leave an impact.

As grasped from earlier studies, the economic growth of a country is based on numerous factors on the financial performance of the sectors. Nonetheless banks play a vital role in the economic expansion of a country and this significant role in construction the economic wellbeing of a country shows the constant scrutiny and gauging the performance of Banks' to ensure betterment of economy. The pivotal purpose

of the research is attained and results lead towards the fact that attention of Pakistani bank industry should be high performance work system which has been perceived through the perception of employees of banks.

The objective of the research was to check the influence of high performance work systems on performance and the probability of competitive advantage through RBV in the cutthroat competition of Pakistani banking sector. The purpose behind the study was to validate the point that the adaptation of high performance work systems actually shows good performance and motivation of higher level. The implementation and adaption should rely on the systems which are based on resource based view of the firm at that point the motivation and performance of organization would enhance in future.

To sum up it can be said that the development of high performance can lead towards the banks who excel in the market regarding their performance which was also reflected in the reports of State Bank of Pakistan.

Intangible assets will be operationalized for attaining the competent benefits through these banks. Different practices should be developed in such banks through a system with the emergence current study like recruitment and selection, training and development, reward system and performance management.

The dimensions of high performance work systems which have been mentioned should be focused to attain positive employee's positive attitude. Such high performance work system provide the base for competitive advantage because it is difficult to imitate.

Reward system is considered the most important high performance work system in banking sector from the four dimensions. The results indicate that the contribution of dimensions not only resulted employees positive behaviour also left a positive impact on organizational performance. Firms cannot play a positive role if they cannot measure what they have implemented when it comes to their human resource which is empirically evident. Such highlighted dimension helps the managers to enhance performance of banks through employee satisfaction.

Further, recruitment and selection, performance management and training and development repeatedly turned out to be most significant dimensions of high performance work systems. Such practices not only influence the subjective performance but the positive effects can be noticed on employee's productivity. The investigation in high performance work system lead makes employees valuable assets to the organization.

The findings also provide support for the universalistic perspective of SHRM, as most of the best dimensions selected are significantly influencing firm performance. This high performance work system helps the manager to create capabilities and skills through employees and such

capabilities are difficult to imitate as per resource base view of the firm.

## **Recommendation**

Nonetheless the researchers suggest that the current research has provided ample information about the relationship between high performance system and performance of banks but still few limitations were found.

Results of the current research are found compatible with a theoretical framework the demand of a longitudinal design is required for an exploration which is in depth to grasp the relationships of the variables. Causality couldn't be established in the study as it relied on a cross-sectional set of data and to establish causality longitudinal set of data was required which was not possible to collect under the circumstances. This point should be considered by the researchers for future implication.

Use of self-report measures in some parts is the second limitation of this research which leads to a method commonly biased due to which the relationships reported are usually inflated. In questionnaire negative and positive wordings are used to some extent for reducing this inflation but in future researchers are recommended to use multisource data to handle this issue completely.

The third limitation is that the response rate was modest, which could bias the findings and its interpretations because of the reluctance of the respondents to answer such questions that discuss their job or the organization. Such surveys are not much appreciated and entertained by the organizations all over the globe and as well as in Pakistan. Consequently, in future researchers are required to expand respondent's base.

The focus was only on the listed commercial banks in Pakistani banking sector which is the fourth limitation of the research. The size of the sample and scope may increase by including the employees of the banking sector at all levels. In future, this issue requires to be addressed by the researchers

## **References**

1. Shahid A. Economic development and banking sector growth in Pakistan. *J Sustain Fin Invest.* 2015;5(3):121-35.
2. Li-Qun Wei. High performance work systems and performance: The role of adaptive capability. *Sage J.* 2018;63(10):1487-511.
3. Patel P, Messersmith JG, Lepak DP, et al. Walking the tightrope: An assessment of the relationship between high-performance work systems and organizational ambidexterity. *J Acad Manag.* 2013;56(5):1420-42.
4. Paauwe. HRM and performance: Achievements, methodological issues and prospects. *J Manag Stud.* 2009;46(1):129-42.
5. Zaidi, Akbar. *Issues in Pakistan's Economy.* Karachi: Oxford University Press. 2005.



6. Naqvi R. Impact of high performance work practices system. *Interdisciplinary J Contem Res Bus*. 2011;3(8):197-210.
7. Engetou E. The impact of training and development on organizational performance. 2017.
8. Pavlov A, Mura M, Franco-Santos M, et al. Modelling the impact of performance management practices on firm performance: Interaction with human resource management practices. *Prod Plan Con*. 2017;28(5):431-43.
9. Ahmed A, Hussain I, Ahmed S, et al. Performance Appraisals Impact on Attitudinal Outcomes and Organisational Performance. *Inter J Bus Manag*. 2010;5(10):62-8.
10. Rappaport. *Creating shareholder value*. Free Press. 1986.
11. Qureshi, Hijazi T, Ramey S, et al. Impact of high performance work systems on Pakistani organizations. *J Bus Policy Res*. 2007;3(2):128-38.
12. Jiang K, Lepak DP, Han K, et al. Clarifying the construct of human resource systems: Relating human resource management to employee performance. *Human Res Manag Review*. 2012;22(2):73-85.

**\*Correspondence to:**

Hina Naseer  
Faculty of Engineering  
University of Central Punjab  
Karachi, Pakistan  
E-mail: saimanaseer21@ucp.edu.pk