

THE IMPACT OF HUMAN RESOURCE PRACTICES ON EMPLOYEE MOTIVATION; EMPIRICAL EVIDENCE FROM PRIVATE SECTOR BANKS OF PAKISTAN

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Abstract

The banking sector plays a vital role in the economic development of a country. This study attempted to examine the impact of Human Resource Management practices on motivation of employees working in the private banks of Pakistan. The significance of the study is that it will help managers to overcome the shortcomings in the existing human resource practices to affect employee motivation positively. The data collected from 266 employees working in different branches of private banks falling in AA or AA+ categories determined by the Pakistan credit rating agency (PACRA) and JCR-VIS which is joint venture of Japan credit rating agency and Vital Information Services (Pvt.) Limited. The simple random sampling method is used for data collection from the respondents. To determine the outcome of various independent factors on the dependent variable the Cronbach's alpha, descriptive statistics and Pearson Correlation coefficient are used. The finding of the study reveals that human resource management practices including training, performance appraisal, compensation & benefits are significant predictors of employee motivation.

Key Words: HR practices, Motivation, Recruitment & selection, Training, Performance Appraisal, Compensation & Benefits, and Banks.

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Introduction

In this age of competition and rapidly changing business environment, whether the organization is public or private, profit or non-profit, manufacturing or service, management is trying to achieve the organizational goals. To reach the organizational goals management uses different approaches to motivate the employees. In the banking sector employees directly deal with the customers which need employees must be motivated to provide good services. In the worldwide economy banking sector plays a pivotal role and the employees of these financial institutions are the most valuable assets that are liable to provide the pleasant services to customers (K. U. Khan, Farooq, & Khan, 2010). The banking sector is the rapidly growing sector in the economy of Pakistan (Kamal & Hanif, 2009) which results in severe competition among the banks. The banks are offering the wide range of high quality services for the satisfaction of customers to survive in the highly competitive environment. The quality services can occupy an everlasting image in the mind of customer. Therefore, it is challenge for the management of the banks to keep employees motivated in order to delivery of high quality services and the satisfaction of customers.

The Human Resource Practices are the major source of sustainable competitive advantage. The resource based view (RBV) of the firm has long provided a core theoretical rationale for HR's potential role as a strategic asset in the firm (Wright & McMahan, 1992). There are five types of resources in any organization;

financial, physical, market, operational and human. The human resources are the more valuable because all the other resources are dependent on human resource and the human resources are more difficult to manage as compare to others (Mello, 2005). There is a large rising body of evidence that express a constructive linking between the development of human capital and organizational performance. The focus on the human capital in the organization reflects the view that market value is less depends upon the tangible assets, but rather than on intangible assets, particularly human assets (Stiles, Kulvisaechana, & Britain, 2003). HR practices are the mean to gain competitive advantage. According to the Resource based view of the firm, an organization can gain competitive advantage through complex HR system that is difficult to imitate for competitors (J. Barney, 1991; Penrose, 2009). The organization can gain sustained competitive advantage by implementing VRIO framework (value, rareness, imitability, organization). The human resources can create value by increasing revenues or decreasing cost, the human resources must have the unique characteristics (e.g., skills, teamwork, employee commitment), the valuable and rare characteristics are not easily imitable by the competitors and it is possible if the organization is committed to exploit the resources (J. B. Barney, 1995).

Many authors have found positive relationship between the HR practices and the financial performance the organization. For Instance, (Cascio, 1991) and (Flamholtz, 1999) argued

that investment in the progressive HRM practices have the substantial financial return. Terpstra and Rozell (1993) found a significant affirmative link between the extensiveness of recruiting, selection test soundness and the use of proper selection system and organizational profits. Russell, Terborg, and Powers (1985) demonstrated a link between the adoption of employee training program and financial performance. The use of performance appraisal and linking such appraisal and compensation have also been consistently connected with the increased firm profitability. An increasing body of work contains the argument that the use of high performance work practices, including comprehensive recruitment and selection process, incentive compensation, performance management system and extensive employee involvement and training, can improve the knowledge, skills and abilities of the existing and prospective employees and increase their, motivation, reduce shirking and enhance retention of quality employees while encouraging the poor performer to leave (Jones & Wright, 1992).

HR outcomes (motivation, retention and development) play a role mediator between the HR practices and the organizational performance. Training and high salaries are positively associated with HR outcomes and job security is the strong predictor of the positive HR outcomes. Furthermore, promotions based on merit have direct positive relationship with the organizational performance (Fey, Björkman, & Pavlovskaya, 2000). The recruitment, employees' selectivity, training and development, rewards and

recognitions, Job definition and work design all are the crucial HRM practices in increasing the employee job satisfaction and the retention of potential employees (M. A. Khan, Rehman, Rehman, Safwan, & Ahmad, 2011)

Huselid (1995) argues that the efficiency of even very trained employees will be restricted if they are not inspired to perform, however HR practices have an effect on employee motivation by cheering them to both work harder and smarter. Examples of firm efforts to direct and motivate employee behavior include the use performance appraisals that assess individual or work group performance, linking these appraisal firmly with the incentive compensation system, the use of inner promotions that focus on employee merit, and other forms of incentives to support the benefits of employees with those of the shareholders (e.g., ESOPs, profit and gain sharing plans).

This study investigates the impact of HRM practices such as recruitment & selection, training and development, performance appraisal and compensation & benefits on the work motivation of individuals working in the banking sector of Pakistan. The impact of the human resource practices on the employee behavior have been become an emerging issue in the field of HRM research. In other words, HR practices are the key to success and the source of competitive advantage for any organization. Motivated employees can make an organization more profitable. In the banking sector, employees directly deal with the customer, that's why the motivation is vital. This study will help the managers to examine

prevailing HR practices and their impact on the employee motivation level. It will make easy to find out the practices which effect motivation positively or negatively. As well as, it will be helpful for the management of banks to make changes in the existing HR practices. Finally, this study can be used to improve the performance of banks which can contribute effectively in the economic development of Pakistan.

2. Literature Review and Hypotheses development

The review of literature is consisted of two sections. First section describes definitions and importance of variables and second section describes the relationship between dependent and independent variables.

2.1 Motivation

Work motivation is a set of “energetic forces that originate both within as well as beyond an individual’s being, to initiate work related behavior and to determine its form, direction, and duration” (Pinder1998, p. 11).Motivation is a theoretical concept that’s accounts for why people (or animals) choose to engage in particular behaviors at particular times (Beck, 1999, p.03). Kreitner & Kinicki (2001) explains “motivation as psychological processes that cause the stimulation, persistence of voluntary action that are goal oriented” (p.162). Robbins & Coulter (2007) defines motivation as a process by which a human’s intentions are reinforced, governed and directed for achievement of objectives. Generally, motivation is any force employed

towards the objectives; we pay more attention on the organizational objectives because our focal point is job-concerned attitude.

Beer et al. (1984) firmly argue in their research study of volatile working circumstances, currently the organizations have completely changed, so that it is necessary for the top level management to bring up new techniques of establishing powerful and long term relationship between the organization and employee for achievement of organizational objectives and meeting the consecutively changing needs of both parties. A thorough and careful understanding of employees’ motivation is needed for the organization to address and bring off those intentions. The above discussion shows that a good relationship between employee and organizations key for success in meeting the requirement of volatile environment for the both parties, to develop a strong ties with personnel the role of top level management is vital in this regard.In other way, a motivated individual has a knowledge of particular objectives must be accomplished in specific ways; therefore he/she moves its efforts to accomplish such goals (Nel et al., 2001).It shows that inspired individual is best fit for the objectives that he/she wants to accomplish as he/she is completely aware of its assumptions (Roberts, 2005).

An internally pleasant, happy and inspired employee or worker is basically creative employee in an organization which contributes in effectiveness and efficiency of organization which directs toward the maximization of profit (Matthew, Grawhich, & Barber, 2009).

Manzoor (2011) has concluded that motivated employees do best in favor of the organization which leads them towards development, affluence and productivity. Messmer (2011) argues that motivated employees are loyal to their organization which results in lower employee turnover rate. Motivation promotes the coordination among employees due to which employee feel easy at work place and enjoy working in teams. Motivated employees provide the excellent services to the customers for their satisfaction. Motivated employees can easily work over time than their formal duty and they don't require more instructions from management, they are self-directed. Furthermore, he argues that money is the most important factor that plays an important role in the motivation of employees

2.1 Recruitment and selection

Lepak and Gowan (2008) defines that recruitment is the process of searching new employees, conveying the characteristics of the job and organization to attract them to apply for the job and selection as process of decision making that involves (a) which candidate should be hired as new employee (b) which employee should be promoted to higher rank within the organization (c) which employee should be transferred within the organization but not promoted. Gomez-Mejia, Balkin, and Cardy (2009) define recruitment as a process of generating a pool of suitable candidates for a specific job.

Gratton (2000) argues that by the start of twenty-first century, a large number of managers have realized that the only exclusive

and long term source of competitive advantage is the motivation, skills and effort of employees. In this age it is the challenge for the human resource professionals to retain and make employees more strong, and recruitment and selection is the essential for accomplishment of these objectives. Lepak and Gowan (2008) explained that if the employee is selected having good knowledge, skills and abilities can make great contribution in accomplishment of organizational goals. If the organization selects the employee that is not suitable with the job, the cost to replace that employee is annual salary plus benefits, to avoid these costs the managers should make a good selection decision. The more damaging; if the selection decision not ends with the turnover, if employee has not right skills for a job, it can result in more mistakes that increases the cost of production that and at the end lose the customers. Good persons have many benefits and wrong persons have many costs.

The sophistication of systems, procedures and technology of an organization does not matter; it is the competencies and engagement of its employees that guarantees its success. Without the suitable combination of people at various levels, with fit skills, knowledge and inspiration, the performance of the individual and company will be affected. It is therefore necessary to prosperity of organization to make recruitment and selection is effective and provides the efficient employee at minimum cost (Banfield & Kay, 2012). Gomez-Mejia et al. (2009) selection reflects the overall class of the firm's people, Imagine if wrong person is

hired what happen, and a line manager cannot work on the production line to cover the mistakes of bad employees. Catano (2009) argues that recruitment & selection practices can become the source of organization's success and failure. Empirical studies show that organizations applying efficient recruitment & selection practices attain a competitive advantage in the market. Furthermore, effective recruitment & selection practices help to develop employee trust and enhance the knowledge, skills and abilities of an organization existing and prospective employees, boost motivation and encourage to retain well-performing employees while suggest lower performers to leave. So we can hypothesized that

H1: Recruitment & Selection process is positively and significantly correlated with Employee Motivation.

2.2 Training & Development

Noe (2008) defines the training as arranged struggle by the organization to prepare the employees to gain the job related expertise, these expertise include knowledge, skills and behaviors that are more important for the auspicious job completion. The objective of training for employees is to proficient the knowledge, skills and behaviors focused in the training program and utilize them in daily working. Durai (2010) argues that training is value-addition activity performed by the organization to increase the value of its most important resource, called its humans. Training is just making the difference between the where the employee knowledge, skills and abilities

falls presently and where he will be stands after the training.

Mello (2005) argues that employees are frequently moving from one employer to another as compare to past, they are more loyal to their own career rather than with the employer, it's necessary for new hires to provide training to become more effective on workplace. Mergers and acquisitions are taking place in the world which results the integration of employees relating to different cultures, the problem arises to manage the people and training is the solution of this problem which makes employees easier. Training is very helpful in the performance management of employees and compensation. Noe (2008) argues that training is helpful to achieve the strategic objectives of the organization which results to gain competitive advantage. The training practices are very useful for the business growth and better customer services through teaching the skills and providing knowledge to the employees. Organizations are facing the rapid changes because of the globalization of business, E-commerce, technological and economic changes, it is a great challenge for the organizations to attain, retain and motivate the employees. Training is not an enjoyment; it is the compulsion for the organization to provide the quality products and services in the global market. Training provides opportunities to the employees to gain their own competitive advantage which results in the long term job. Training leads employees towards the attainment of the high ethical standards and makes the employees easier to share

knowledge with others. (Jackson, Schuler, & Werner, 2011).

Most of the organizations have identified the training as a technique of achieving the strategic objectives and a tool for employee retention within the organization. Now organizations consider their employees the valuable assets rather than cost and make investment on its humans. Training is helpful for employees to learn the basics skill and knowledge to perform a job and increase the efficiency and effectiveness of the existing employees. The employees become more loyal with the organization because of the personal growth and acknowledgement which results in better customer services which increased the overall performance of the business (Durai, 2010). Mathis and Jackson (2011) argues that the nature of technological innovations and changes demands that employee will be trained every time, if they are not, the company will suffer badly and lose its competitiveness. For example, look at the telecommunication sector and make comparison with last few years, because of the new technological trends and innovation, without the consecutive training the employees may not have the appropriate knowledge, skills and abilities to perform well.

2.7 Training and Motivation

Lester (1999) said: "Professionals must relearn and retain to maintain the relevance of their skills" .In this quote he argues that unsterilized business environment needs employees and managers to learn the skills and competencies to keep their knowledge up to date. He found a positive relationship between the training and

the level of education obtained by the employees that increases employee motivation. He also argued that if employees have positive perception about training and they perceive that training can make their resume worthy their motivation increases. Nadeem (2004) has concluded the positive relationship between training and motivation, when employees get training they are motivated. The reason for this motivation is the employee positive thinking that they are growing in the organization and their knowledge is valuable asset for the organization and they feel more confident and own the organization, which results in employee motivation, less job switching and more productivity.

Training is the necessity for the management of company for the better accomplishment of the goals. Training is helpful for the employees in reduction of frustration and anxiety caused by work load, they are not ready to perform job due to lacking the required skills (Chen, Chang, & Yeh, 2004). In the recent business world, the skills that are required by employees to perform their job only learn through training. A lot of companies train their employees in such a way that is helpful for employees in their career development. This type of training leads toward high level of commitment and motivation by the employees, who utilize the opportunity they provided (Chiaburu, Tekleab, 2005).

Murphy, Cross, & McGuire (2006) argues that training has a positive impact on the employee's level of motivation. He concluded that there are so many factors influence

employee to learn the new skills and competencies necessary to meet the requirements of volatile environment and effect positively their motivation. These factors may be promotion opportunities, self-esteem, self-confidence and career satisfaction. He also found some hurdles like employer's financial compensation, rewards, recognition and not realizing the value of training for the employee that decrease the employee motivation. He suggested that organization should overcome these hurdles and provide the training that will increase the employee motivation.

Gamage (2007) conducted an empirical analysis of manufacturing SMEs in Japan to know the effect of HRD practices on business performance. A mail survey was conducted; the respondents were owner(s) and managers(s) of manufacturing SMEs in Aichi Prefecture in Japan. They drew a sample of 320, but only 105 respond positively. They concluded that Human Resource development practices increase the employee motivation which affects the firm performance positively. Sahinidis & Bouris (2008) examined the relationship between employee perceived training effectiveness and employee attitude. The total respondents were 134 female and male (71 and 63 respectively), participating in a training seminar. The respondents were the first-line managers and employees working with the five well known Greek organizations (employing over 1,000 people each), respectively five sectors of the industry. The respondents were given the questionnaire to fill out, at the end of seminar, they attending. At the end, they concluded that there is strong relationship

between perceived training effectiveness and employee motivation.

The employees to whom organization provides training, mostly they have high morale and motivation because they acknowledge the company's investment for their development and ability which results in lower turnover rate. Trained employees can work more confidently as a team member and they have more decision making skills perform well. In addition, the employees who receive continuous training, they are more adoptive to change and come up with new ideas (Saleem, Shahid, & Naseem, 2011). Akhtar, Ali, Sadaqat, & Hafeez (2011) conducted a questionnaire survey on 100 employees of commercial banks in Pakistan in Punjab region including public/private banks and conventional/Islamic banks to determine the effects of training on employees' motivation and job involvement. They concluded that training has a positive effect on the employee motivation.

H2: Training is positively and significantly correlated with Employee Motivation.

2.3 Performance Appraisal

Performance Appraisal process mostly include explicit audit and answer back discussion and may include plan for developing work design, conducting self-evaluation and establishing performance objectives. The procedures inherent in these structures and the performance evaluation consequences themselves can have great impact on employee's responses toward their function, their boss and their organization as a whole.

The performance evaluation process can also become a mean of disappointment and anxiety when employees recognize that the appraisal system is prejudice, political and immaterial (Skarlicki & Folger, 1997).

Performance appraisal is a “formal management system that provides for the evaluation of the quality of an individual’s performance in an organization. The appraisal is usually prepared by the employee’s immediate supervisor. The procedure typically requires the supervisor to fill out a standardized assessment form that evaluates the individual on several different dimensions and then discusses the results of evaluation with the employee” (Grote, 2002). Conventionally, Performance appraisal is treated as official each year dialogue that creates social cooperation between the employees and managers to design a work plan through a conversation on employee’s existing job performance and future developmental requirements (Murphy, Cross, & McGuire, 2006). Most presently, rather than considering performance appraisal as a very simple technique to put on paper and arranging individual’s performance; performance appraisal is used as more holistic and strategic approach to develop coordination between the strategic plan of headquarters with the subsidiary and employee performance (Fletcher, 2004).

Performance appraisal is a “formal, structured system of measuring and evaluating an employee’s job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the

future so that the employee, organization and society all benefit” (Randhawa, 2007). The main objective of the performance appraisal has been perceived to be the evaluation of employee’s performance-compensation association. Spiegel and Mumma (1961) argues that beyond the establishment of salary & wage structure, performance evaluation is also used for training & development of employees, man-job matching, career planning, promotion useful for employees to be aware about their strengths and weaknesses and also helps supervisors to evaluate the performance of their subordinates. Barrett (1966) divides three main objectives of performance evaluation: Managerial decisions like determination of financial compensation and promotion need assessment for training and performance feedback, employee research to keep information about the manpower. Williams (1977) describes the use of performance appraisal for two major objectives; individual needs for improvements and organizational decisions of salary revision, promotion and transfer.

It has been realized that performance evaluation plays a vital role in the organization (Borman, 1979; Landy, Barnes, & Murphy, 1978; Saal, Downey, & Lahey, 1980). The organization use performance evaluation system for multiple purposes such as selection decisions making, determination of salary increment, and serve as a major source of feedback between employees and supervisors. Till now, lot of research focus on development of improved methods of psychometric dimensions of performance evaluation.

Analoui and Fell (2002) argues that performance appraisals undoubtedly have managerial and motivational aims and we don't like to give little importance to these valuable objectives, the use of this system provides the charismatic control measure. Sadly a lot of firms "...seem to important matrices without giving any thought to the consequences of these matrices on human behavior and ultimately organizational performance" (Hammer, 2007, p. 22). We find it significantly right from performance appraisal point of view. There are so many issues about the concept of performance appraisal (Antonioni 1994; Lawler 1994), but the elimination of this practice is not practical, an organization should use performance appraisal system as strategic performance measure tool. Caruth and Handlogten (2001) concluded that performance appraisal system is essential for any organization to fulfill the managerial, motivational, strategic and developmental needs of employees, managers and top management with strategic responsibilities. A study of Brown, Hyatt, and Benson (2010) has concluded that performance appraisal is a primary function of Human resource management: the results of information provided by the performance appraisal are helpful for making decisions related to Human Resource. While organization gives times and invest resources into Performance appraisal, research shows that quality of employee performance appraisal experience fluctuate, employees have high quality experience of performance appraisal process, on the other hand if some employees report low quality of performance appraisal experience the

organization will have to price in terms of high turnover rate, low job satisfaction and organizational commitment.

2.8 Performance Appraisal and Motivation

In addition, research on the job characteristics model (Hackman and Oldham, 1976) has found the relationship between the cognitive elements of experienced meaningfulness, accountability of consequences and information of original results of work and intrinsic motivation (Fried and Ferris 1987; Johns, Xie, & Fang, 1992). Deci and Ryan (1985) argue that feedback is the acknowledgement of the good performance that can increase intrinsic motivation because it increases the perceived capability of the employee. Intrinsic motivation is the motivation to accomplish the task for itself, in this sense, experience the happiness and comfort inherent in the activity (Deci, Connell, & Ryan, 1989). Establishing goals and feedback are strongly conceived that to affect performance in a positive way through increasing the knowledge and inspiration crucial for work performance (Early, Northcraft, Lee, & Lituchy, 1990). Robert and Reed (1998) argues that involvement, objectives and feedback increases the appraisal acknowledgement, which influences the appraisal delighters and ultimately employee motivation and output. Similar effects of performance appraisal on motivation are suggested by PettiJohn et al. (2001a, b). Performance appraisal, as a source to convey and interpret strategic visions and objectives to employees, can increase the intrinsic

motivation through the experienced meaningfulness of the work, because superordinate goals have the ability to communicate to employee something in which they believe (Latham, 2003).

Robbins (2008) believes that employee motivation depends upon three relationships, if these relationships are powerful; employees are motivated, if any one of these is weak, and it leads to lower employee motivation. First, employees believe that after exerting a good effort they will be appraised highly, unfortunately, for the most employee the answer is No, because their skills level have deficiencies, effort does not matter they exert or organization performance appraisal process is designed to analyze the determinants other than performance like inventiveness and devotion, the high level of efforts may not be appraised well. There is a possibility that employee wrongfully or correctly conceive the boss not like him/her, the employee will not get good appraisal even by putting extra effort. These examples suggest that a possible mean of the employee lower motivation is employee's belief and his/her effort not matter, in result the good performance appraisal is low. Secondly, Employees conceive that if they appraised highly, this will results in organizational reward, many of the employees find the weak performance-reward relationship, because the organization rewards beyond the performance, for example, the pay increased on the basis of seniority not performance, this will demotivate the employees. Last, the employee may not get the reward, he/she expecting, for example, expecting the promotion but the salary

increased. Finally, he concluded that employee may not motivated at work ,if the gap exist between effort and performance, between performance and reward and between what they expect and actually receive ,if you need motivated employees, make these relationships more powerful.

Najafi , Hamidi, Vatankhah & Purnajaf (2010) conducted a self administered questionnaire survey on 220 official employees of Toyserkans health system, including health houses, hospitals and health care staff system, urban and rural health centers in Iran to determine the effect of performance appraisal on employees' motivation and job promotion. After data analysis, they concluded that performance appraisal has a minor effect on the enhancement of employee motivation. Mathison & Vinja (2010) conducted online survey to address the question that the annual performances review as a positive source for employee motivation in USA. The sample was eighty-one business managers from different 23 companies from which 35% were working for companies having less than 100 employees and remaining 65% were having 100 to 1000 employees. They resulted that annual performance review has a positive effect on employee performance.

H3: Performance appraisal is positively and significantly correlated with Employee Motivation.

2.4 Compensation & Benefits

Caruth and Handlogten (2001, p.01) define compensation as the "total reward package

offered by the organization to its employees. Compensation encompasses all of the rewards or payments: tangible or intangible, monetary or non-monetary, physical and psychological, that an organization provides its employees in exchange for the work they perform". Compensation "represents both the intrinsic and extrinsic rewards employees receive for their jobs. Together, both intrinsic and extrinsic compensation together describe a company's total compensation system. Intrinsic compensation reflects employees' psychological mind-set and results from performing their job. Extrinsic compensation includes both monetary and nonmonetary rewards. Organizational development professionals promote intrinsic compensation through effective job design. Compensation professionals are responsible for extrinsic compensation" (Martocchio & Joe, 2011, p.05).

Compensation consists of three main components. "Direct compensation encompasses employee wages and salaries, incentives, bonuses, and commission. Indirect compensation comprises the many benefits supplies by the employers, and Non financial compensation includes employee recognition programs, rewarding jobs, support, work environment and flexible work hours to accommodate personal needs" (Snell & Bohlander, 2012, p.394). The structure of reward system in terms of the inducement payment used is important for the success of the company. Genuinely, practical proof has found that pay structure is related to the financial performance (Gerhart and Milkovich, 1990).Reward has a greater impact on the

employee recruitment, productivity, motivation and employee turnover (Bernardin and Rusell, 1993). Pfeffer (1994) articulates that one of the essential features of the effective organizations is the use of incentive compensation for the people. More particularly, in analyzing the human resource practices ,the use incentive payments has positive effect on the organizational performance(Huselid, 1995; Delaney and Huselid, 1996).The theory suggest that incentive payments can motivate employees better than the fixed rewards. Mclean and Tanner has conducted the survey in 1996 shows that 58% of the human resource managers and 70% of CEOs said that compensation system can enhance the productivity or performance of employees (Hays, 1999).

2.9 Compensation & Benefits and Motivation

Belcher and Atchison (1987) argues that generally, in the manufacturing firms payment to employee is more than 20% of the total expenses and can be more than 80% in the service based organizations which shows that organizations have to pay more attention on compensation to make employees motivated to perform good at work. In other words, reward system plays a vital role in the employee performance by connecting the interests of employee with the team and organization, thereby increasing struggle and performance (Kalleberg and Moody, 1994; Huselid, 1995; Kling, 1995).

The capabilities of skilled employees are to be

likely confined if they are not inspired to perform. One of the major source through which an organization can increase motivation of employees to perform is to provide work-based rewards (Delaney and Huselid ,1996).Banjoko (1996) argues that many managers use money to compensate or punish employees, this is possible through compensating employee for their good performance or introducing the concept of firing of employees from job or other related issues (e.g. no promotion or annual increment).The ambition to earn more money and get promotion is good motivating factor for the employees.

Akhitoy (2000) argues that money is the very important part of inspirational strategy. As far back as 1911, Frederick Taylor and his scientific management have declared the money as more valuable motivational factor for the industrial employees. Taylor viewed the compensation and reward as a managerial technique to motivate employees, increase productivity and reduce the turnover intentions. Robbins (2001) articulates that when employee think that their aspirations are acknowledged and the corporation developed a structure of unprejudiced arrangement of rewards and satisfaction, the organization has optimized the motivation, by enhancing the employee motivation that will increase employee performance.

A compensation and reward system of an organization depends upon expectancy theory, which suggests that employees are more motivated to perform if they perceive a powerful relationship between the

compensation they receive and their performance (Guest, 2002; Mendoca, 2002). Sinclair, Tucker, Cullen, & Wright. (2005) explains the worth of money with the process of job choice. They argue that money has the strength to attract, retain and motivate the employees to perform. For example, if employee has another job offer with greater reward than existing job, the employee may prefer the new job.

Khan, Farooq, & Ullah (2010) conducted a questionnaire survey to examine the effect of four dimensions of reward including: payment, promotion recognition and benefits on the employee work motivation. The sample was 167 employees of all levels in commercial bank of Kohat, Pakistan. They concluded that all the independent variables have a significant effect on employee work motivation. Ghazanfar, Chuanmin, Khan, & Bashir (2011) conducted a research study on managerial level employees in the sales department of the cellular services provider in Lahore, Pakistan to know the effect of satisfaction with compensation on work motivation of employees. They used self designed questionnaire as data collection tool and the respondents were 60 employees of managerial cadre employees. They concluded that the positive relationship between satisfaction with compensation and employee work motivation exists.

Zaman, Hafiza, Shah, & Jamsheed (2011) Conducted a questionnaire survey on employees of three non-profit organization(World Vision, PERRA and Sungi development foundation) working in province

Khyber Pakhtunkhwa of Pakistan to determine the relationship between rewards and employee motivation in the non-profit organizations of Pakistan. They collected data from 107 employees and found a direct relationship between extrinsic rewards. However, found an insignificant relationship between intrinsic reward and motivation.

H4: Compensation & Benefits are positively and significantly correlated with Employee Motivation.

3. Data & Methodology

Data Collection and Procedure

The type of this study is descriptive which means that the study is typically related with expressing the attributes of certain groups, to measure the frequentness or proportion of subjects in a defined population to examine the correlation between the variables to make particular forecasting (Zikmund, 2003). The population of this study was employees working in different branches of 9 private banks operating in Lahore, the capital city of province Punjab that are falling in AA or AA+ category of long term credit rating by the Pakistan credit rating agency limited (PACRA) or JCR-VIS which is the joint venture of Japan Credit rating Agency and Vital information services (Pvt.) Limited as on January 1, 2012. The only private banks are included in this study because no public bank has the AA or AA+ credit rating in the long term. In this research multistage random sampling has been applied. The five banks were randomly selected to study. The 350 questionnaire were randomly

distributed among the employees by the method of proportional allocation. The 290 questionnaire were returned back out of which 266 used for data analysis. The response rate was 76%.

Measurement

Questionnaire of Rathnaweera (2010) is used for the data collection purpose with some amendments regarding questions and variables. The five point Likert scales 1-strongly disagree to 5-strongly agree has been used to measure the variables effectiveness and relationship. A pilot study consisted of 20 respondents was conducted to testify the reliability and validity of the questionnaire. The value of Cronbach's alpha reliability coefficient is .837 that is good. In this research multistage random sampling has been applied. The five banks were randomly selected to study. The 350 questionnaire were randomly distributed among the employees by the method of proportional allocation. The 290 questionnaire were returned back out of which 266 used for data analysis. The response rate was 76%.

4. Results

The software, statistical package for the social sciences (SPSS V.16) is used to analyze and present the data in this research. Descriptive statistics illustrate the unrefined data in the clear way, According to Neuman (2000:24) this method enables the presentation of numerical data in a structured, accurate and summarized manner. The descriptive statistics are considered appropriate for this research.

Table 1. Demographics Characteristics of Respondents (N=266)

Gender	Frequency	Percent
Male	229	86.1
Female	37	13.9
Age (Years)		
Below 30 years	126	47.4
30-40	104	39.1
Above 40	36	13.5
Marital Status		
Married	171	64.3
Single	95	35.7
Nature of job		
Permanent	190	71.4
Contract	76	28.6
Designation		
supervisory level	149	56.0
Middle Level	112	42.1
top level	5	1.9
Education		
Bachelor	72	27.1
Master	182	68.4
M.phil/M.S	12	4.5
Job experience		
up to 5 year	51	19.2
up to 10 years	150	56.4
more than 10 years	65	24.4

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviaton
Recruitment &	266	1.83	4.67	3.5614	.54483
selection	266	1.00	5.00	3.5846	.63237
Training					
Performance	266	1.40	4.40	3.3962	.54737
Appraisal					
Compensation	266	1.43	5.00	3.3641	.59841
Motivation	266	1.00	5.00	3.6378	.55928

The descriptive statistics are used to determine the effectiveness of variables. The recruitment and selection process mean = 3.5614 and standard deviation=.54483 which indicates that people agreed that recruitment and selection process has effectiveness. The mean=3.5846 and standard deviation=.63237 for training which shows that employees are agree that training has effectiveness on their behavior. The performance appraisal has effectiveness because it's Mean=3.3962 and Standard deviation=.54737. The Mean=3.3641 and Standard deviation= .59841 for compensation which clearly shows that employees are agree that compensation & benefits affect them.

Pearson correlation analysis showing the degree of variability among the dependent and various independent variables incorporated in the study. The relationship between motivation and the recruitment & selection process is insignificant because $p > 0.05$. The training has

a highly significant relationship with employee motivation because $p < 0.01$. The coefficient of correlation between training and motivation is $r=.402$ showing the moderate degree of variability in the dependent variable. The results show that performance appraisal and motivation have highly significant relationship because $p < 0.01$ and the value of correlation between the performance appraisal and motivation is $r=.305$ indicating the moderate relationship .The next variable incorporated in the study is compensation and benefits which have the coefficient of correlation $r=.397$ which indicates that compensation and benefits have moderate effect on the motivation but these both are statistically highly significant because $p < 0.01$.

Table 3. Pearson Correlation Analysis

Independent Variables		Dependent Variable (Motivation)
Recruitment & Selection	Pearson Correlation	.100
	Sig. (2-tailed)	.105
Training	Pearson Correlation	.402**
	Sig. (2-tailed)	.000
Performance Appraisal	Pearson Correlation	.305**
	Sig. (2-tailed)	.000
Compensation and Benefits	Pearson Correlation	.397**
	Sig. (2-tailed)	.000

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

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

5. Conclusion

The primary objective of this study was to investigate the relationship between the human resource practices and employee motivation in banking sector of Pakistan. The study has found weak and insignificant relationship between the recruitment & selection process and motivation, the reason is that when employees are selected after fulfilling all the criteria for selection and become the member of bank this process is ended and never repeated and have no effect on the employee behavior regarding work. The banks need to hire the young and energetic candidates from campuses of universities and colleges. The study has found significant and positive relationship between training and motivation and these results are consistent with the study of (Akhtar, Ali, Sadaqat, & Hafeez, 2011) because training provided by the banks to their employees and

motivation because training provides opportunities to learn new skills and competencies which make employees more productive and competitive. The training is helpful to keep their knowledge up to date regarding the rapid technological changes. The training also promotion opportunities and self-confidence of employees and motivate employees. The banks should conduct the training sessions after reasonable time period and give incentives to make training more effective. The relationship between the performance appraisal and motivation is positive significant and the results are similar with the study of (Kuvaas, 2006).The performance appraisal found the strengths and weaknesses of employees which help them to overcome their shortcomings and enhance their performance. The feedback is the acknowledgement of good performance which motivates the employee. If the employees are

appraised highly they get the organizational reward. The banks have required making performance evaluation system fairer and eliminate the biasness and use different methods of performance evaluation. There is a significant positive relationship between the motivation and compensation & benefits and results are consistent with the study of (Van, Van, & Cools, 2005). The compensation & benefits provided by the banks to their employees have positive and significant impact on employee motivation because the employees work for the money and the banks are providing good salary packages and incentives to motivate employees. The banks should provide the salary, bonuses and incentives to employees more than other banks retain the employee and provide flexible hours to accommodate the personal needs of employees. Human Resources Practices and their effect on employees' motivation has to be regarded as a serious matter in terms of existing theory and practices of human resource management. This study has found an insignificant relationship between recruitment and selection process and employee motivation and a significant relationship between training, performance appraisal, compensation & benefits and motivation. The basic purpose of this study was to know the impact of human resource practices on employees' motivation working in the banking sector of Pakistan. The study includes only private banks and the employees working in the branches not policy makers. This research also does not focus on the effect of HR practices on the financial performance of banks. The future research should also include top level employees and employees working in public sector banks of Pakistan.

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