

Impact of Sustainable Human Resource Management Practices on Organizational Performance of Banking Sector in Batticaloa District in Sri Lanka

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Abstract

The purpose of this research paper is to assess how the various factors of sustainable HRM practices influence organizational performance in the banking sector in Sri Lanka's Batticaloa District. With increasing emphasis on sustainability, organizations are integrating environmental, social, and economic considerations into HR strategies. The study conveniently selected 155 managerial staff and collected data by administering a questionnaire with 20 items covering four sustainable HRM variables or factors. Quantitative analysis was conducted to determine the impact of the factors mentioned above on overall organizational performance. Questionnaires were distributed to collect primary data, and the data collected was analyzed using the Statistical Package for Social Sciences (SPSS 26.0). The study concluded that all factors, including human resource recruitment and retention, performance management, training and development, and organizational ethics, have a positive impact on the organizational performance of the banking sector in Batticaloa District. A few limitations of our study include the geographical scope in which the study was conducted, reliance on self-report data, and its cross-sectional nature. Future research should involve other geographic locations, longitudinal approaches, and qualitative methods. We recommend the advancement of sustainable HRM practices.

Keywords: Sustainable Human Resource Management, Organizational Performance, Banking Sector.

Introduction

Over the past ten years, the global business landscape has undergone significance transformations driven by rapid technological advancements, evolving consumer demands, and shifting economic conditions. Organizations across industries have had to adapt to digitalization, sustainability pressures, and dynamic workforce expectations. The rise of artificial intelligence, remote work models, and data driven decision making has reshaped traditional business operations. Additionally, increasing emphasis on corporate social responsibility (CSR), climate conscious practices, and technical governance has compelled companies to rethink their strategies. Sustainable development prioritizes meeting current needs without compromising future generations' ability to meet their own (Opatha, 2019). The literature suggests that the term 'sustainability' has been used interchangeably. Rompa (2011), cites the 1987 report "Our Common Future" by the World Commission on Environment and Development.

Furthermore, according to Hahn & Figge (2011), millennial prefer to work for companies that prioritize sustainability. Customers are increasingly aware of business policies and practices, and prefer to purchase products and services from companies that prioritize sustainability. Sustainability involves managing a business's processes and activities to benefit people, the economy, and the environment. Implementing

this business model enables an organization to positively impact the environment, society, and economy (Becker et al., 2001). However, in the current business climate, not all businesses are successful in implementing sustainable practices in all three areas. Organizations typically limit sustainability to corporate social responsibility and frequently overlook the importance of incorporating sustainable practices into human resource management. There is a lack of frameworks that explain sustainability in a comprehensive manner. The Triple Bottom Line, proposed by John Elkington, is a framework that provides a comprehensive view of sustainable business models. It emphasizes the importance of having a business model that serves the interests of society, the economy, and the environment (Elkington, 1997).

‘Sustainable development is good business in itself. It creates opportunities for suppliers of green consumers, developers of environmentally safer materials and processes, firms that invest in eco-efficiency and those that engage themselves in social well-being. These enterprises will generally have a competitive advantage. They will earn their local communities goodwill and see their efforts reflected in the bottom line’ (Opatha, 2019). A sustainable enterprise builds trust and loyalty among its employees, customers, and suppliers. Employees typically stay until retirement, customers return for repeat purchases, and suppliers continue to provide inputs (Opatha, 2019). Many businesses focus solely on corporate social responsibility (CSR) activities without considering its long-term benefits. Ignoring the importance of sustainability in human resource management can have long-term negative consequences for businesses. Organizations rely heavily on their people to function effectively. Sustainable practices begin with individuals, so organizations must implement human resources policies that prioritize sustainability. This paper examines the relationship between human resource sustainability and organizational performance in Sri Lanka's banking sector.

Literature Review

The HRM function of an organization focuses on the management level. Pre-hire, staffing, and post-hire practices help organizations effectively manage employees throughout the employment cycle. HRM practices have a direct impact on employee motivation, behavior, and skill development to enhance organizational performance (Abdi & Azizpour, 2013). The organizations adopt different HRM practices to achieve their respective objectives. Effective human resource management in an organization, e.g., a friendly atmosphere, reward in pay for performance, providing feedback to the employees, a fair evaluation process for the employees, an award ceremony, empowerment of the employees, external and internal motivational incentives, recruitment and retention, training and involvement of the employees, and performance appraisal, guarantees overall organizational performance.

Human Resource Management (HRM) practices are a set of managerial decisions and activities that play a major role to facilitate appropriate organizational functioning. HRM practices are most crucial at the fundamental level right from the initial stage of recruiting and hiring employees since recruitment is one of the fundamental functions of HRM. New employee appointment is an important step that calls for adoption of formalized HRM processes to ensure proper candidates are appointed to realize organizational goals. By job analysis and workforce planning, onboarding and training, HRM practices ensure that recruitment is in sync with the company's goals and corporate culture. Additionally, these practices extend beyond hiring, influencing staff development, performance management, and retention practices. Therefore, effective integration of new employees into an organization relies significantly on the deliberate application of HRM principles, which guide every decision and activity related to the management of human capital (Iqbal, Arif, & Abbas, 2011).

Organizations are faced with a lot of challenges in managing domestic workers, particularly employee retention, training, performance appraisal, communication, and fair compensation. Retaining qualified employees is difficult due to job dissatisfaction, lack of career growth, or better opportunities elsewhere,

leading to high turnover. Training is another issue since organizations need to invest time and resources in order for their employees to have necessary skills, in addition to bridging language or educational gaps. Measuring performance is made more difficult by the evaluation of jobs with immeasurable duties, where productivity is problematic to measure numerically. Communication hindrances from cultural or language differences, or rank, can also hinder company effectiveness and employee motivation. Finally, compensation of domestic workers competitively in spite of keeping organizational expenses under control and respecting the laws offers one more stage of difficulty as underpay may lead to unrest, and paying more might wipe out money (James, Nadarajah, Haive, & Stead, 2012).

It is very difficult to manage staff in a proper way. The staffing issue must be properly addressed; otherwise, it will adversely influence the benefits of the company (Muhajan, 2024). Very few studies investigated this concept in developing countries. However, an evaluation of the sustainable HRM practices on organizational performance in the banking sector is virtually non-existent and narrow. Thus, the current study purposely tests this theory in Sri Lanka. The objective of this study is to analyze the influence of sustainable HRM practices on organizational performance in Sri Lankan state banks. To the authors' knowledge there has been no research carried out with regard to the association of sustainable HRM practices and organizational performance in Sri Lanka. Hence, the present study is prompted by a novel idea whose role is to put emphasis on the assumed association of sustainable HRM practices and organizational performance. Further, the present study argues the role of sustainable HRM practices and assumes the effect on organizational performance.

In the current study, the HR practices to be considered are recruitment and retention, performance management, training and development, and organizational ethics, and a call for how these practices can help improve organizational performance. The main reason for choosing these practices is that they connect sustainability to HRM practices. Sustainable HRM is one of the emerging concepts that have been investigated by some researchers and practitioners (Opatha, 2019, Wikhamn, 2019, Stankevi and Savanevi, 2018). As there is no existing research work on sustainable HR practices (functions), we in our research choose sustainable HRM practices for the measurement of organizational performance. The study aims to contribute to the body of knowledge sustainable HRM in revealing the practices, for example, recruitment and retention, performance management, training and development, and organizational ethics on organizational performance. The present study attempted to answer the research questions that remain to be troubled regarding HRM practices and how the firm can avoid collapse by fostering viable human resource practices. Effective HRM practices are needed to examine the extent to which they are undertaking sustainable HR practices in the achievement of their organizational goals. The current study concentrates on the influence of sustainable HRM practices on organizational performance that dominates the mentioned banks. Here, the independent variables in HRM practices are recruitment and retention, performance management, training and development, and organizational ethics. Organizational performance is the dependent variable.

Research Questions

What is the impact of sustainable human resource management practices on organizational performance in banking sector in Batticaloa District?

Methodology

The research design employed the statistical information to explore whether dependent variables in relation to recruitment and retention, performance management, training and development, and organizational ethics are contributory factors which influence organizational performance. The sustainable HR practices are the independent variables of this study, while the organizational performance is the dependent variable. The objective of the present study is to identify the impact of sustainable human resource management practices on organizational performance of the chosen commercial banks of the Batticaloa Region in Sri Lanka. The research was based on the primary data. The primary data were collected using a self-administered questionnaire. The survey was performed on

a sample of 155 employees of selected commercial banks from the Batticaloa Region in Sri Lanka. The sampling design of the survey was convenient sampling, as it was to provide coverage of employees in different grades for the choice banks. The main data gathered from the sample were analyzed using the computer statistical data analysis software, SPSS (version 26.0) to measure the descriptive statistics, simple regression, and multiple regression analysis.

Conceptual Model

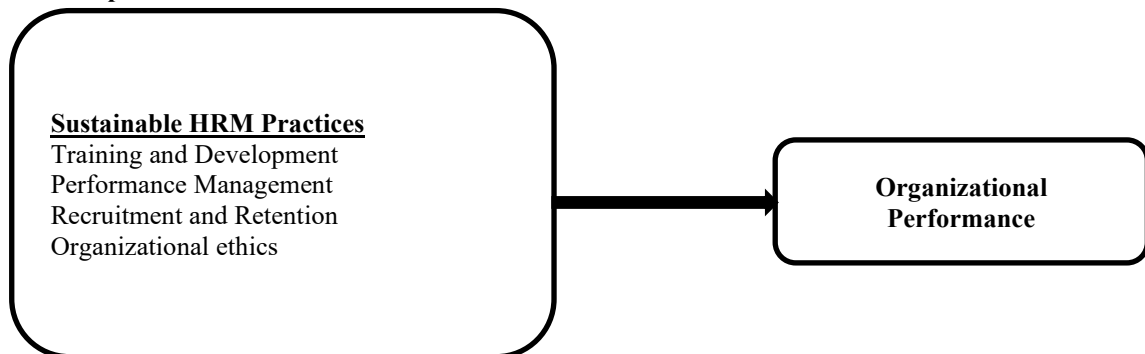


Figure 1: Conceptual model
 (Source: Develop for this study purpose)

- H1: There is a significant impact between Training and Development and organizational performance
 H2: There is a significant impact between Performance Management and organizational performance
 H3: There is a significant impact between Recruitment and Retention and organizational performance
 H4: There is a significant impact between Organizational ethics and organizational performance

Results and Discussion

Reliability Analysis

The sample had ethical considerations not to disclose their name and address in any part of the study. The Questionnaire had been designed on the basis of 4 sustainable HRM tools drawn from the research study on sustainable HRM practices across different countries by Zaugg and Thom (2001). The study reworded the statements for survey purposes. Under the four variables, a total of 20 items were compiled. The item distributions were as follows:

Table I: Reliability Analysis

Sustainable HRM Practices	No. of items	Cronbach's Alpha Value
Training and Development	05	0.767
Performance Management	05	0.783
Recruitment and Retention	05	0.787
Organizational ethics	05	0.781

All the statements of this instrument were measured on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) to represent how the respondents agree or disagree with regard to the presence of SHRM practices in their banks. The Cronbach's Alpha for SHRM practices is high overall, above 0.7, thus it is strongly acceptable.

Univariate Analyses

Table II: Descriptive Statistics

Variables	N	Mean	Standard Deviation
SHRM Practices	155	4.06	0.70
Organizational Performance	155	4.10	0.82

The study's descriptive statistics indicate high levels of SHRM practices and organizational performance in selected commercial banks in Sri Lanka's Batticaloa region.

Pearson Correlation Analysis

Table III presents the correlation coefficient test output summary. This helps assess the impact of sustainable human resource practices on organizational performance. It also demonstrated the correlation between sustainable human resource practices and organizational performance. Table III shows that all independent variables, including human resource recruitment and retention, performance management, training and development, and organizational ethics, had a significant effect on organizational performance ($p\text{-value} < 0.05$).

Table III: Pearson Correlation Analysis

Variables		Organizational Performance
Training and Development	Pearson Correlation	0.562**
	Sig. (2-tailed)	.000
Performance Management	Pearson Correlation	0.580**
	Sig. (2-tailed)	.000
Recruitment and Retention	Pearson Correlation	0.542**
	Sig. (2-tailed)	.000
Organizational ethics	Pearson Correlation	0.524**
	Sig. (2-tailed)	.000

Regression Analysis

Regression analysis is a statistical technique used to evaluate the relationship between a dependent variable and one or more independent variables. In this study, predicting variables were training and development, performance management, recruitment and retention, and organizational ethics, and the outcome variable was the organizational performance.

Table IV: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.881 ^a	.785	.776	.294
a. Predictors: (Constant), training and development, performance management, recruitment and retention, and organizational ethics				
b. Dependent Variable: organizational performance				

The R value is 0.881, which indicates that there is a strong positive relationship between the dependent variable and the independent variable. The R-square of the model provides an understanding of whether the research model followed is a good fit to the research data or not, and also considers the extent of variability of the dependent variable explained by the independent variable (Gupta, 2000). It can be seen from table iv that the R-square of the study was 0.785, which means 78.5% of variation of the dependent variables, i.e., organizational performance, is explained by the independent variables, i.e., dimensions of sustainable HRM (Gupta, 2000). The Adjusted R-square showed that 77.6% of the variation in

organizational performance was explained by the tools of sustainable HRM (Gupta, 2000).

Conclusion

This study was conducted to quantify whether sustainable human resource practices have an impact on organizational performance. An in-depth and extensive review of various research studies, academic journals, and informative articles on sustainable human resource management and its impact on organizational performance were reviewed and studied. The study concluded that every one of the four factors or variables of sustainable human resource management has a positive impact on organizational performance.

The first is human resource recruitment and retention. The human resource training and development process is sustainable when it is capable of recruiting the best workers who can meet the needs of the empty position. The second is performance management. A company that aims to effectively enhance its performance appraisal systems in the banking sector the next variable recruitment and retention, this factor is significantly impact on organizational performance Therefore, organizations or financial institutions invest a lot in training and development programs, and the final factor is organizational ethics, which is organizational culture, systems, vision, mission everything has an impact on organizational performance.

This study covered only the Batticaloa District, which limits the generalizability of the results for potential application in the extensive banking sector in Sri Lanka. Due to the cultural, economic and institutional contexts in each district, there will be differences in organizational practices and employees' practices. This study primarily used self-report questionnaires administered to managers to collect data, and these responses are often compromised by biases, such as social desirability and selective response, which can affect the quality and reliability of the results. Since the study used a cross-sectional design, it can only capture a snapshot of the association between sustainable HRM practices and organizational performance, and does not capture the dynamic nature and long-term effects, or changes throughout time.

Future research opportunities include extending the geographical scope by including additional districts or conducting national studies to enhance the external validity of the results. Comparative research that examines sustainable HRM practices between banking institutions in urban and rural contexts may also surface contextual differences in implementing sustainable HRM. Moreover, longitudinal studies that examine the longer-term impact of sustainable HRM practices on organizational performance would be encouraged. This lens enhances our understanding of causal linkages rather than considerations of associations. Finally, future research may adopt a mixed-methods approach, such as combining a quantitative survey with qualitative methodological approaches, such as interviews or focus groups. Qualitative methods may add further richness to the study by enriching the experiences of employees, organizational culture, and the managerial interpretation of practices embedded in sustainability discourse in HRM.

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