

Human Resource Management Practices as Antecedents of Employee Competencies: Empirical Evidence from the Banking Industry

Management and Labour Studies
1–18

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Business Management
& Human Resources

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DOI: 10.1177/0258042X221138362
journals.sagepub.com/home/mls



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Abstract

Drawing upon the human capital theory, this article articulates the impact of different human resource management (HRM) practices on various dimensions of employee competence in the Indian context. The survey method was employed to collect data from 325 banking employees including managers and non-managers employed in the State Bank of India, the Bank of Baroda, the Housing Development Finance Corporation and the Industrial Credit and Investment Corporation of India. The self-competence, team competence and social competence are the dimensions of employee competencies and HRM practices include recruitment and selection, training and development, employee involvement and performance appraisal. The validity and reliability of the variables are evaluated through the confirmatory factor analysis and the hypotheses are tested using structural equation modelling. The study's analysis revealed mixed results wherein a significant and positive impact was found between some HRM practices and employee competencies and an insignificant impact between other HRM practices and employee competencies. The study's findings would serve as a guide to the management and policymakers of banks for developing and enhancing the desired employee competencies by investing in HRM practices, thereby better performance at the organization level. This research work enriches the existing literature on HRM and development by empirically validating the HRM-competence linkages in the Indian banking context, where studies of this nature are minimal.

Keywords

Banking, employee competencies, HRM practices, human resource management, India

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Introduction

The present business environment appears volatile, uncertain, complex and ambiguous. A great deal of attention has been given to the importance of employees in general and their competencies in particular. Employee competencies are perhaps the most vital asset of an organization. They are the key source of a sustainable competitive advantage (Nordhaug & Gronhaug, 1994), which largely contribute to innovative developments and accomplishment of organizational goals (Amin et al., 2014; Danish & Usman, 2010). To sustain growth, enhance productivity and be responsive to the changing needs of stakeholders, organizations are required to develop, rejuvenate and nurture the desired competencies of their personnel. Correspondingly, banks, the economic backbone and heart of the financial system of a nation, need to attract, hire and retain the best talent among their workforces. Moreover, the present dynamic, highly competitive, customer-centric business environment has compelled banks to employ personnel who are committed, cooperative, social and more importantly, competent enough to satisfy customers and promptly respond to their changing demands. Organizations have always found it challenging to understand what causes employees to behave and perform in a particular way and what strategies and programmes can help employees develop and nurture their competencies for better organizational performance and productivity. It is widely accepted by researchers that it is the judicious and well thought out implementation of appropriate human resource management (HRM) practices that leads to the development of a competent and committed workforce. Becker et al. (1997) argue that HRM practices directly influence employee skills, knowledge and motivation, which, in turn, influence employee behaviour in terms of innovation, creativity and commitment that ultimately leads to improved organizational performance. Similarly, Prieto Pastor et al. (2010) contend that HRM practices aim to enhance the knowledge, skills, abilities and motivation of employees and provide them an opportunity to perform in accordance with the norms and standards of the organization. Moreover, HRM practices enable organizations to register internal growth by supplying knowledgeable, skilled, motivated, committed and competent employees (Taamneh et al., 2018). In the extant literature, the link between HRM practices and organizational outcomes has been studied extensively, with special respect to operational and financial outcomes. However, there is a dearth of studies on the relationship between HRM practices and more proximal HR outcomes like employee competencies. van Esch et al. (2018) published a paper in *The International Journal of Human Resource Management* in which they measured the impact of the system of HRM practices on employee competencies in China. They suggested to measure the impact of individual HRM practices on various indicators of employee competencies. Moreover, extant literature also does not have adequate research that measures the link between HRM practices and employee competencies in the Indian banking industry. To fill this research gap, the study examines the impact of the different dimensions of HRM practices on employee competencies, particularly in the Indian banking industry.

The article is structured as follows. First, we present the theoretical discussion and hypotheses of the study. This is followed by a detailed account of the research methodology. We then present the analysis, results and discussion based on the findings of the study. We then discuss the implications and limitations of the study along with suggestions for future research and finally present the conclusion.

Theory and Hypothesis Development

Human Capital Theory: The Human Capital Theory explains how investment in human capital leads to better individual and organizational performance. Fitz-Enz (2000) defines human capital as ‘the traits

one brings to the job, one's ability to learn and one's motivation to share information and knowledge'. Typically, the theory is concerned with investment in educational and training activities to enhance the human capital base in order to achieve organizational goals (Holton & Naquin, 2002; Psacharopoulos, 1985). The suggestion made by Jackson et al. (2014) to invest in HRM practices to enhance employee knowledge, skills and abilities (KSAs) has shifted the focus of investment to an extensive range of organizational activities. Following these recommendations, this study proposes that investment in select HRM practices will have a positive effect on employees' competence in the Indian banking sector.

Human Resource Management Practices: Human resource may be defined as the pool of human capital under the control of the firm in a direct employment relationship (Wright et al., 1994), whereas HRM practices are the organizational activities aimed at managing this pool of human capital employed towards the achievement of organizational goals (Schuler & Jackson, 1987; Wright et al., 1999; Wright & Snell, 1991). The advocates of human capital management describe HRM practices as strategic levers employed by organizations to build workforce capabilities that are rare, inimitable, valuable and non-substitutable (Barney, 1991; Khatri & Gupta, 2015; Wernerfelt, 1984). HRM practices, if implemented properly, have the potential to produce competent, committed, motivated and satisfied employees, thereby resulting in enhanced individual and organizational performance.

According to Lepak and Snell (1999), there are two different kinds of framework of HRM practices that firms may adopt. They are an internal development framework and acquisition framework. The internal development framework deals with the development of employees to meet the competency requirements of the organization, whereas the acquisition framework focuses on hiring those competencies (Moideenkutty et al., 2011). These frameworks are analogous to high-involvement and traditional HRM approaches (Bae & Lawler, 2000).

However, the important factor that needs to be addressed is to identify those practices that affect HR outcomes. In this regard, the present study looks from the perspective of Jiang et al. (2012) who divided HRM practices into ability-enhancing, motivation enhancing and opportunity-enhancing practices. The ability-enhancing and opportunity-enhancing HRM practices affect employee behaviour directly, whereas motivation-enhancing practices first affect the motivation of the employee which then leads to desirable HR outcomes. For example, incentive and reward, promotion and career development motivate employees to exhibit competent behaviour at work. The present study proposes four HRM practices, namely recruitment and selection, training and development, performance appraisal and employee involvement, all of which directly affect employee competencies.

Recruitment and Selection: Recruitment refers to the process of searching for potential candidates to employ and encouraging them to apply for jobs in the organization (Chhabra, 2005, p. 161). On the other hand, selection encompasses a series of steps by which candidates are screened to select the most suitable person who possesses the competencies required for the job at hand. A robust recruitment and selection system helps organizations acquire employees having the attitude, behaviour and competencies needed for the desired outcome.

Training and Development: The overall purpose of training is to bring a positive change in the knowledge, skills and attitude of employees so that they do their job with proficiency (Chhabra, 2005, p. 224). By designing and implementing relevant training and development programmes, organizations can ensure self-confidence, self-discipline, self-development and learning among employees. Team spirit, teamwork and team management skills can also be developed among employees through appropriate

training programmes. Moreover, special training programmes that focus on the development of social skills would result in positive and effective social interactions between employees and customers, employees and the management as well as the employees themselves. This would have a strong influence on individual and organizational outcomes.

Performance Appraisal: Performance appraisal refers to the systematic evaluation of an individual with regard to his performance on the job and his potential for development (Chhabra, 2005). It is aimed at facilitating the orderly determination of an employee's worth to the organization of which he is a part. It also helps in designing appropriate training programmes for imparting the knowledge and skills necessary to enhance employee competencies.

Employee Involvement: It involves a cluster of processes and structures that enable and sometimes empower employees, directly and indirectly, to contribute to decision-making in the organization (Armstrong, 2003, p. 805). It ensures that employees are allowed to influence management decisions and to play a significant role in enhancing organizational performance. It gives employees a sense of commitment and satisfaction which, in turn, affects their competencies and consequently, their performance.

HRM Practices in Indian Banks

Numerous theoretical and empirical studies that have been conducted in different sectors across organizations lend credibility to the link between HRM practices and their proximal and distal outcomes in India (Arunprasad, 2017; Chahal et al., 2016; Gope et al., 2018; Jiang et al., 2012; Santhanam et al., 2017). However, only a few studies have been carried out in the banking sector. Through a case study, Goel and Rana (2014) established that innovative HRM practices such as recruitment, induction, training, employee empowerment, employee welfare and career development enhance employee retention. These practices assist the organization in transforming their working environment for human capital creation, thereby facilitating employee competence development in private sector banks of India. Kumari (2012) demonstrates that HRM policies and practices significantly affect employee job satisfaction and enhance the productivity and profitability of Indian public sector banks. In a similar study, Karthikeyan et al. (2010) concluded that effective HR practices have a positive and significant influence on the growth of select public and private sector banks in India. They recommended the designing of more comprehensive and robust training programmes for enhanced knowledge, skills and expertise of employees. Jain and Jain (2015) examined the effectiveness of employee training in public, private and foreign banks operating in India. Moreover, Shrivastava and Purang (2011) investigated the perception of fairness of the performance appraisal system and the performance appraisal satisfaction among the employees of Indian public and private sector banks. They found that private sector bank employees perceive greater fairness and are more satisfied with their performance appraisal system as compared to public sector bank employees. The study further suggested the urgent need to revisit and redesign the performance appraisal system in public sector banks. This could be done by employing a 360-degree feedback system and online appraisal. The review of these studies reveals that researchers have focussed on retention and job satisfaction as outcomes of HRM practices in Indian banks. It is advocated that the more effective the HRM practices, the more likely the satisfaction of the employees and the likelihood they would stay on in the organization. Researchers have also attempted to measure the difference in the kind of HRM practices among Indian public and private sector banks. However, no study has specifically

tested the association between HRM practices and competencies of employees in this sector. Since the banking sector plays a vital role in the growth and development of the Indian economy, its performance is dependent on how competent its workforce is. In order to develop and nurture the desired competencies of employees, the sector is required to identify and implement robust HRM practices. Therefore, to address the above-mentioned research gap, it is important to study the effect of HRM practices on employee competencies in Indian banks.

Employee Competencies: The extant literature suggests that employee competence constitutes an essential resource for the firm (Cardy & Selvarajan, 2006; Nordhaug & Gronhaug, 1994) that has implications for individual performance and also organizational competitive advantage (Kaur & Kaur, 2021; Puteh et al., 2016; van Esch et al., 2018). Employee competence can be either for a job or a role or a position. The concept of competence is not new; however, scant attention has been paid towards its empirical measures as compared to that of theory construction. The reasons are a lack of consensus on its definition, inability to generalize due to the context-specificity nature of constructs and poor attention in academia. For these reasons, it is regarded as an unclear concept. A number of definitions have been proposed earlier by scholars. The most widely accepted definition was presented by Spencer and Spencer (1993). They defined competence as the ‘personality attributes or characteristics possessed by employees such as knowledge, skills, attitudes, abilities, motives and self-concept that result in effective performance and distinguish superior from average performers’. Hellriegel and Slocum (2011) postulated that competencies, be they related to self, ethical, cross-cultural, team, communicative or change competencies, affect employee behaviour and influence teams, which, in turn, lead to outstanding organizational performance. Similarly, literature also supports the fact that competencies such as social, job, emotional and cognitive competencies affect employee as well as organizational performance. In their review paper, Salman et al. (2020a) identified 16 dimensions of employee competence needed to perform at work in various contexts. Different studies have used varied dimensions of employee competence (Elbaz et al., 2018; Otoo, 2019; Otoo & Mishra, 2018; Potnuru & Sahoo, 2016; Salman et al., 2020b). The reason is that there is no single specific combination of employee competence applicable to varied contexts for different roles and positions. Similarly, for the present study, we have taken only three dimensions of employee competence, that is, self-competence, social competence and team competence.

Self-Competence: According to Siriwaiprapan (2004), self-competence may be defined as the ‘ability to adjust to change, readiness to learn, readiness to develop oneself, readiness and ability to initiate action, trust, endurance, receptiveness, broad-mindedness, self-discipline, self-esteem, individuality and self-determination’. In other words, it refers to a set of KSA to understand one’s personality and attitude, assess one’s own developmental, personal and work objectives, being accountable to manage oneself within stressful circumstances at any time and understanding and acting on work motivations and emotions (Elbaz et al., 2018). Therefore, employee self-competence improves individual performance which, in turn, helps the organization reach greater heights and consequently achieve superior performance (Potnuru & Sahoo, 2016).

Social Competence: Social competence refers to the degree to which individuals engage in prosocial behaviour that allows them to successfully create and maintain positive social interactions with others (Anderson-Butcher et al., 2016). This dimension of employee competence has gained extensive attention and is accepted as a true predictor of job performance in various contexts across boundaries.

Team Competence: Team competence refers to the ‘knowledge, skills and abilities of an individual to develop, support and lead a team to achieve its goals’ (Potnuru & Sahoo, 2016). In other words, it is employee behaviour and attitude while working in a team which is important to enhance individual performance and is likely to influence organizational goals. According to Eby and Dobbins (1997), team competence refers to shared efforts and information the team members possess which improves performance. The competence produces cooperative and productive teams, helps in the achievement of group goals, enhances the quality of the outcome and promotes team participation as well as overall improvement.

HRM Practices and Employee Competencies

Despite the availability of extant research on the relationship between HRM practices and different attitudinal and behavioural aspects of employees at work, very few studies have focused on the linkage between HRM practices and employee competencies (Otoo & Mishra, 2018; Potnuru & Sahoo, 2016). It is argued that HRM practices affect employees in several ways, resulting in the development of their competence (Potnuru & Sahoo, 2016). Therefore, it becomes imperative for every organization to develop the competencies of the workforce through HRM practices, thereby resulting in outstanding performance of both, the employees as well as the organization (Otoo, 2019; Otoo & Mishra, 2018; Potnuru & Sahoo, 2016). As per McKelvey’s (1983) model, competencies are a part of an individual’s KSAs. According to the AMO (ability, motivation and opportunity) framework, HRM practices do affect the ability (skill), motivation and opportunity of employees (Obeidat et al., 2016). The same has been advocated by Lopez-Cabrales et al. (2009) who argued that the basic objective of HRM practices is to increase the abilities and motivation of employees. Wright et al. (1999) also found that HRM practices have an impact on the skill and behaviour of employees. Similarly, in their study, De Cieri et al. (2008) support the links found between HRM practices and individual attitude and behaviour. Liu (2018) opines that employee perception regarding high involvement HRM practices of recognition, competence development, empowerment and information sharing are positively related to employee learning, which, in turn, contributes to their employability. Subramony (2009) posited that rigorous recruitment and selection procedures employed by organizations facilitate the hiring of employees who possess relevant competencies required by the organization. Higher levels of employee involvement in organizational decision-making processes influence their attitude, behaviour and job performance (Jabroun & Balakrishnan, 2000; Subramony, 2009). Performance on the job is an indicator of employee competence. Youndt and Snell (2004), Potnuru and Sahoo (2016) and Otoo and Mishra (2018) opined that training and development positively influence employee competencies, thereby increasing their productivity, efficiency and performance which consequently leads to improved organizational effectiveness. Moreover, performance appraisal is positively related to employee competencies (Potnuru & Sahoo, 2016). This is contrary to the results found by Otoo and Mishra (2018) who claimed that performance appraisal does not have any significant influence on employee competencies. Additionally, the strategic implementation of HRM practices serves lends the organization a competitive advantage by enhancing employee competencies, thereby contributing to their superior performance as well as improved organizational performance.

The studies, research and arguments mentioned above serve as an important base for this study. Accordingly, we propose the following hypotheses:

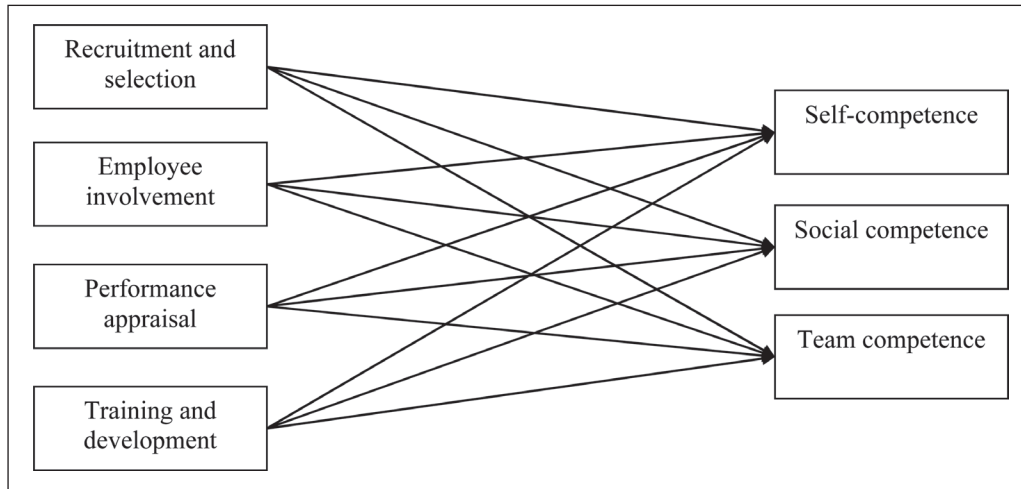


Figure 1. Hypothesized Research Model.

Source: The authors.

- H_1 : Recruitment and selection are significantly related to an employee's self-competence.
 H_2 : Recruitment and selection are significantly related to an employee's social competence.
 H_3 : Recruitment and selection are significantly related to an employee's team competence.
 H_4 : Employee involvement is significantly related to an employee's self-competence.
 H_5 : Employee involvement is significantly related to an employee's social competence.
 H_6 : Employee involvement is significantly related to an employee's team competence.
 H_7 : Performance appraisal is significantly related to an employee's self-competence.
 H_8 : Performance appraisal is significantly related to an employee's social competence.
 H_9 : Performance appraisal is significantly related to an employee's team competence.
 H_{10} : Training and development have a significant relationship with an employee's self-competence.
 H_{11} : Training and development have a significant relationship with an employee's social competence.
 H_{12} : Training and development have a significant relationship with an employee's team competence.

Methods and Measurements

Sampling and Data Collection

A survey was conducted to test the hypothesized linkages. The content validity of the items in the questionnaire was established by pretesting (Zikmund, 2003) through in-depth discussions with 2 academicians, 10 research scholars and 5 banking professionals. A total of 350 completed questionnaires were collected from managerial and non-managerial employees of the State Bank of India, the Bank of Baroda, the Industrial Credit and Investment Corporation of India and the Housing Development Finance Corporation. The participants had at least three years of work experience and were from the following

four Indian cities: Delhi, Agra, Lucknow and Aligarh. On the basis of their market capitalization, leading public and private sector banks were chosen to generalize the study for the Indian banking sector. After removing unengaged and missing value responses, 325 questionnaires qualified for the final analysis. This sample size is adequate for confirmatory factor analysis (Kline, 2011) as the responses per item is more than five (Hair et al., 2011). The respondents were personally met and required to fill the questionnaire during working hours at their respective bank branches. They were informed about the objectives of the research and assured of the confidentiality of the information provided by them. The questionnaires were filled independently in the presence of researchers. Table 1 presents the demographic profile of the respondents including age, gender, educational qualification, organizational tenure and total work experience.

Measurement of Constructs

Recruitment and Selection: To measure the robustness, transparency, fairness and effectiveness of the recruitment and selection procedures employed by the banks, we adapted the scale developed by Demo et al. (2012). The objective of the scale was to determine the influence of these procedures on employee competencies. The items were adapted to fit the present study. Cronbach's alpha is 0.765, indicating the reliability of the variable.

Training and Development: To measure how effectively training and development programmes are implemented in the sample organization, we adapted the scale developed by Demo et al. (2012). The basic purpose was to check to what extent these programmes could enhance employee competencies. The scale has six-items and Cronbach's alpha is 0.874, which indicates the reliability of the variable.

Table 1. Demographic Data of the Respondents.

Item	Contents	No of Samples	Percentage
Age	Below 30	156	48%
	30–40	123	38%
	40–50	20	6%
	50 and above	26	8%
Gender	Male	208	64%
	Female	117	36%
Educational qualification	Undergraduate	142	44%
	Postgraduate	183	56%
Organizational tenure	Below 5	157	48%
	5–10	126	39%
	10–15	14	4%
	15 and above	28	9%
Total work experience	Below 5	121	37%
	5–10	138	43%
	10–15	26	8%
	15 and above	40	12%

Source: The authors.

Note: Sample size = 325 bank employees.

Performance Appraisal: A five-item scale developed by Demo et al. (2012) was adopted to measure the effectiveness of performance appraisal procedures employed by the organization and how these procedures would help in enhancing employee competencies. The scale was adapted to fit the present study with 0.870 as the Cronbach's alpha.

Employee Involvement: We adapted the scale developed by Demo et al. (2012) to measure how supportive and cooperative the organization is regarding the welfare, work recognition and autonomy of its employees and to what extent they are encouraged to participate in the decision-making processes. The scale was modified for the current research scenario and has a 0.862 Cronbach alpha.

Employee Competencies: For measuring individual competence, we studied three competencies that are considered important for the banking sector: self, team and social competence. In the absence of a single scale for measuring employee competence (Potnuru & Sahoo, 2016), existing scales of each dimension of competence available in literature was used in the study.

Self-Competence: To measure employee self-competence, we used the self-liking/self-competence scale developed by Tafarodi and Swann Jr. (1995), which includes positively and negatively worded 20 items in the original scale, equally distributed between self-competence and self-liking. For the present study, we adopted seven items of self-competence and converted the negatively worded items into positive ones. For example, 'I don't succeed at much' was converted to 'I succeed at much'. The seven item self-competence scale has a 0.90 Cronbach's alpha.

Team Competence: Team competence was measured by adapting the scale of Eby and Dobins (1997). It measures the effectiveness of an individual in a team which includes the competence to lead a team. The scale was modified for the current study which has 0.87 Cronbach's alpha.

Social Competence: It measures employee engagement in creating and maintaining positive social interaction with others. We adopted the social competence scale developed by Anderson-Butcher et al. (2008) and Anderson-Butcher et al. (2016) and modified it to fit the current research settings. The eight-item scale has a reliability of 0.91.

Analysis

At the very outset, a preliminary data analysis was carried out to check the suitability of the data for analysis, which includes normality and multi-collinearity of all the variables after observing unengaged responses, missing values and the accuracy of the data provided. After the basic analysis, we assessed the psychometric properties of the scales, the reliability, convergent validity and discriminant validity through confirmatory factor analysis using AMOS 20. In the end, the proposed hypotheses were tested using structural equation modelling (SEM).

Table 2 illustrates the factor loadings, the average variance extracted (AVE), the composite reliability (CR) and the Cronbach's alpha of the constructs. CR and Cronbach's alpha are used to assess the internal reliability and factor loadings while AVE examines the convergent validity. The square root of AVE is used to assess the discriminant validity. Items of the questionnaire with factor loadings below 0.5 were removed while items with loadings greater than 0.6 were retained thus fulfilling the criteria of

Table 2. Reliability and Convergent Validity.

Constructs	Items	Item Loading	Cronbach's Alpha	CR	AVE
Recruitment & selection	4	0.71–0.75	.765	0.767	0.523
Employee involvement	4	0.73–0.83	.862	0.864	0.615
Training & development	5	0.74–0.80	.874	0.875	0.584
Performance appraisal	4	0.70–0.86	.870	0.874	0.636
Self-competence	7	0.67–0.83	.904	0.906	0.580
Team competence	4	0.72–0.83	.869	0.864	0.629
Social competence	8	0.61–0.82	.907	0.910	0.560

Source: The authors.

Note: AVE = average variance extracted; CR = composite reliability.

Table 3. Discriminant Validity.

Diagonal Values: Square Root of AVE, Non-Diagonal Values: Correlations							
	R&S	SC	SC*	T&D	PA	EI	TC
R&S	0.723						
SC	0.444	0.761					
SC*	0.535	0.662	0.749				
T&D	0.560	0.465	0.431	0.764			
PA	0.463	0.387	0.375	0.693	0.797		
EI	0.537	0.431	0.450	0.762	0.572	0.784	
TC	0.531	0.752	0.732	0.530	0.463	0.547	0.793

Source: The authors.

Note: R&S = recruitment and selection; SC = self-competence; SC* = social competence; T&D = training and development; PA = performance appraisal; EI = employee involvement; TC = team competence; no validity concerns.

convergent validity (Bagozzi & Yi, 1988). The Cronbach alpha values for all constructs were greater than the acceptable limit of 0.7 and the CR ranged from 0.76 to 0.91, which is greater than 0.7, the minimum acceptable level (Fornell & Larcker, 1981), all of which indicates good internal reliability. The AVE of the variables lies between 0.50 and 0.65, which is greater than the acceptable level of 0.50 (Fornell & Larcker, 1981), indicating good convergent validity.

Discriminant validity was assessed by comparing the squared root of the AVEs of each construct with its corresponding correlation (Fornell & Larcker, 1981). As shown in Table 3, the squared root of the AVEs of each construct is greater than the inter-construct correlation, indicating good discriminant validity.

Controlling Common Method Bias (CMB)

CMB is that bias in which the deviations in rating are a result of the measurement method or questionnaire and not due to the inclination of the rater that the questionnaire seeks to uncover (Podsakoff et al., 2003), which has the potential to contaminate the empirical results. In order to deal with CMB in a proper way, Conway and Lance (2010) recommend the following four ways: (a) a valid argument regarding the use of self-reports; (b) evidence for the validity of the constructs; (c) lack of overlapping of the items for different constructs; and (d) proactive steps taken to minimize the threat of CMB.

The present research work was conducted in the Indian banking sector and the respondents included managerial as well as non-managerial employees. Necessary instructions for filling the questionnaire were provided. The respondents were also informed of the importance and relevance of their responses for research and the need for appropriate responses regarding HRM practices and employee competencies. The scales adapted were validated by running confirmatory factor analysis and the results indicated satisfactory construct validity. The questionnaire items were thoroughly examined to ensure no overlapping of items. During the whole process, the respondents were assured of their anonymity which helped in reducing evaluation apprehension. In conclusion, the influence of CMB was very negligible. Besides, Harman's single factor test was also conducted. The variance explained by a single factor was less than 50%, confirming no threat of CMB to our study. Moreover, the assumption of multivariate normality was also satisfied as all the values of the skewness of all constructs were between +1.50 and -1.50, as recommended by Tabachnick and Fidell (2013).

Structural Equation Modelling

In order to evaluate the model, many indicators of fit indices were used:

- the relative/normed chi-square (CMIN/DF),
- the goodness of fit index (GFI)
- the comparative fit index (CFI)
- the root mean square error of approximation (RMSEA).

The values obtained from the analysis show that the values of the fit indices meet the recommended criteria as the estimated GFI is greater than 0.9 (Jöreskog & Sörbom, 1989), the CFI is greater than 0.90 (Hu & Bentler, 1999), RMSEA less than 0.08 (Browne & Cudeck, 1992) and less than CMIN/DF 3. As illustrated in Table 4, the model showed a good overall fit of all indices (CMIN/DF = 1.890, GFI = 0.849, CFI = 0.930 and RMSEA = 0.052) except GFI, which is a little below the acceptance criteria.

Results and Discussion

The present study offers some important insights to answer whether HRM practices help in building employee competencies in the Indian banking sector. Table 5 summarizes the results of the study. The results indicate that recruitment and selection have a significant and positive effect on employee self-competence ($\beta = .175, P < .01$), social competence ($\beta = .305$ and $P < .01$) and team competence ($\beta = .220$ and $P < .01$) with the stronger impact on social competence. Hence, H_1 , H_2 and H_3 are supported.

Table 4. Model Fit Indices.

Model	CMIN/DF	GFI	CFI	RMSEA
Study model	1.890	0.849	0.930	0.052
Recommended value	Less than 3.00	Greater than 0.90	Greater than 0.90	Less than 0.08

Source: The authors.

Table 5. Results.

Variables	Self-Competence		Social Competence		Team Competence	
	Beta	P-Value	Beta	P-Value	Beta	P-Value
Recruitment & selection	.175	.002	.305	***	.220	***
Employee involvement	.125	.068	.173	.009	.234	***
Training & development	.177	.016	.084	.237	.125	.066
Performance appraisal	.120	.057	.093	.127	.145	.013
R^2	.226		.276		.331	

Source: The authors.

It implies that the employment of meticulous, transparent and effective recruitment and selection procedures develop a sense of self-confidence, motivation and commitment among those selected. The recruitment and selection process further helps organizations hire effective and competent employees who are equipped with self-competence, social competence and a great sense of team spirit and team competence. The results also showed that employee involvement has a positive and significant impact on employee social competence ($\beta = .173$ and $P < .05$) and team competence ($\beta = .234$ and $P < .01$) with a strong influence on team competence, but it does not affect employee self-competence ($\beta = .125$ and $P > .05$). This implies that encouraging and providing opportunities to the employees to participate in the decision-making process would lead to the organization being able to influence their attitude and behaviour, improve social interactions and enhance team spirit and teamwork. It supports the arguments of previous researchers (Jabroun & Balakrishnan, 2000) who emphasized that the high level of perceived participation among employees influences their attitude and behaviour. It is further supported by the findings of Rossler and Koelling (1993) who posit that employee involvement builds individual competence, control and obligation. The reason for the insignificant relationship between employee involvement and self-competence may occur due to the fact that the ideas and suggestions put forth by employees are not given due consideration and weight, which, in turn, leads to decreased morale and self-confidence. Thus, H_5 and H_6 are supported while H_4 is not. Further, the findings also demonstrate that performance appraisal is positively related to employee team competence ($\beta = .145$ and $P < .05$) but has no significant effect on employee self-competence ($\beta = .120$ and $P > .05$) and social competence ($\beta = .093$ and $P > .05$), implying that a work culture that encourages teamwork, has professional, skilled and experienced work teams and positive support and feedback from the management, helps develop a sense of teamwork and team spirit among employees. This further spurs the employees, including those who lack self-competence, to perform well as a team through support, encouragement and guidance from other team members. Employee perceptions of fairness and satisfaction regarding the performance appraisal system may influence their attitude and behaviour as well as self-belief and confidence, whereas a low degree of fairness will result in decreased self-confidence, dissatisfaction and consequent low performance. The results are aligned with previous findings of Kinicki et al. (2013) and Potnuru and Sahoo (2016). Therefore, H_9 is supported, whereas H_7 and H_8 are not. Finally, the results also confirmed that training and development have a significant and positive effect on employee self-competence ($\beta = .177$ and $P < .05$), thus supporting the findings of Potnuru and Sahoo (2016) and Otoo and Mishra (2018). Surprisingly, training and development were found to not have any significant influence on employee social competence ($\beta = .084$ and $P > .05$) and team competence ($\beta = .125$ and $P > .05$), which is inconsistent with the findings of several other researchers (Otoo & Mishra, 2018; Potnuru & Sahoo, 2016; Youndt & Snell, 2004), who argue that training and development activities augment context-specific expertise and the required competencies of employees. This finding reflects that the training and

development programmes employed by Indian banks fail to develop social and team competence among their employees. The reason may be that the management is not able to properly identify the training needs of its employees, which would result in the designing and development of inappropriate and unsuitable training programmes that are beneficial neither for the employees nor the organization. Moreover, training professionals may not be competent enough to impart relevant knowledge and develop appropriate skills and attitudes among employees that help them to perform better at work. Hence, H_{10} is supported, while H_{11} and H_{12} are not. Overall, HRM practices explained 23%, 28% and 33% of variance in employee self-competence, social competence and team competence respectively ($R^2 = .226, .276$ and $.331$).

Theoretical Contribution

This research work offers some useful theoretical contributions. First, this work adds to the literature on the link between HRM practices and employee competencies, particularly the effect of HRM practices on HR outcomes, knowledge, skill, attitude and behaviour. We found that HRM practices affect the behavioural characteristics of employees; their self, social and communicative competence. This implies that HR practices at the individual level lead to the enhancement of employee competencies that are required to achieve the performance goals of an organization. The study gives insights to the competency-based perspective of HRM, which suggests that HR practices should be designed according to the competency needs of an organization in order to achieve the performance threshold. There are various studies that have investigated the relationship between HRM practices and employee competencies in which employee competencies have been studied as a single construct (Otoo, 2019; Otoo & Mishra, 2018; Potnuru & Sahoo, 2016). The present study examines the relationship between a multitude of HRM practices and employee competencies. Another contribution of the study may be seen from the lens of the human resource development (HRD) theory. HRD is a process of investment in human resources to develop employees' competence level for the benefit of the organizational community (Swanson & Holton, 2001). Generally, HRD literature focuses on the KSA model of competence. Here, we consider a different behavioural aspect of employee competence. The study also provides an alternate explanation of the theory by suggesting investment in HRM practices for the development of employee competence. The argument is also consistent with the definition of McLean and McLean (2001), who defined HRD as any activity or process that has the potential to develop employee work-related knowledge and competence. Therefore, it can be argued that HRM practices include different activities that affect different dimensions of an employee's competence, which contribute to HRD and human capital creation. For example, involving employees in discussions on issues related to any branch of the bank will allow them to express their opinion and present solution-oriented ideas. This opportunity will enhance their self-efficacy, social involvement and ability to work in teams.

Managerial Implications

The findings of this study offer a series of practical implications for the banking sector. It suggests that branch managers of banking organizations should strategically implement HRM practices designed by the top management as it would have a positive impact on employee competencies. Jiang et al. (2012) have argued that HRM practices directly affect the behaviour of employees, that is, competencies.

Consistent with the results of Jiang et al. (2012), the study recommends that organizations should focus on recruitment and selection, training and development, employee involvement and performance appraisal, to develop, nurture and improve employee competencies. The results of the study also suggest that decision-makers in banks should adopt rigorous and appropriate recruitment and selection procedures to hire the most competent and effective employees for better performance of their organizations. The study further recommends that the management in banking organizations must empower their employees and encourage them to participate in decision-making processes as the inputs received from organizational members result in better decisions and implementation. This subsequently results in finding appropriate solutions to organizational problems at various levels. In order to develop the desired competencies among employees, the management in banks must design a suitable performance appraisal system, wherein they provide their employees with proper and constructive feedback. The results of the study have an important implication for training professionals of banks, that is, to design and implement training and development programmes in concurrence with the requirements of the job and for developing the desired competencies among employees. Moreover, from a strategic point of view, managers must define performance goals and identify the competencies required to achieve them effectively. Only then can managers frame appropriate HRM practices that would lead to the development of those competencies among employees.

Limitations and Directions for Future Research

Although the present study makes a significant contribution to the existing literature on the HRM-competence linkage, it has its limitations. First, the data collected from respondents express the subjective opinion of the employees. However, subjective opinions obtained through a multi-item scale are generally fair and consistent with objective measures. Researchers can develop and measure the objective measures of employee competencies in banks and test the relationship with HRM practices. Second, the results of this research cannot be generalized to cover other sectors because different sectors need a different set of competencies to execute their work. Cross-cultural studies may be carried out to see if variations occur in other cultural settings. Third, we examined a few dimensions of HRM practices. Future researchers may study other practices such as compensation and benefits and career development. Similarly, only a few dimensions of employee competencies were studied. Researchers may examine other competencies of employees such as communicative competence, emotional competence, leadership competence and change competence among others (Salman et al., 2020a). All of these will result in a more comprehensive view of the link between HRM and competence.

Conclusion

In spite of all the limitations, the present study provides theoretical as well as empirical evidence of the underlying assumption that HRM practices affect employee competencies (Jiang et al., 2012). We examined independent relationships between a few HRM practices and employee competencies rather than considering employee competencies as a single construct. The results indicated a significant impact of quite a few HRM practices on employee competencies. Therefore, it is imperative for organizations to first identify the competencies the most desire in their employees and then implement well thought-out, robust and effective HR practices to develop, nurture and enhance those competencies in order to

achieve organizational goals. In a nutshell, it is suggested that organizations should adopt competence-based HRM philosophy in order to survive and compete in the present volatile and highly competitive business environment.

Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship and/or publication of this article.

Funding

The authors received no financial support for the research, authorship and/or publication of this article.

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