

Impact of Talent Management on Employee Performance in Nepalese Commercial Banks

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Abstract

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The purpose of this study is to examine the significant insight into the implementation of effective performance methods for organizational success by analyzing the effect of talent management on employee performance in Nepalese private banks. In order to administer the questionnaire and conduct the study, 384 employees of Nepalese private commercial banks in the Kathmandu District were chosen at random using an explanatory research design. To determine the effect of talent management on employee performance, the Statistical Package for the Social Sciences (SPSS) was used to use the statistical regression analytical technique. The resource-based view (RBV) theory is supported by the data's regression analysis, which demonstrates the significant impact of talent management on employee performance and highlights the necessity of combining performance and effective talent management strategies in order to achieve the goals of successful organizational performance. This study suggests that talent management with comprehensive inclusion strategies must be implemented by practitioners in Nepalese private banks in order to enhance the performance of talented human resources. The study is unique in that it promotes the use of talent management and involvement programs in tandem for successful employee performance tactics.

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Keywords: talent management, employee performance, talent attraction, training and development, reward management, talent retention, performance appraisal, banking sector

Introduction

There has been an increasing emphasis on employee performance and contributions to organizational success. The same can be related with Nepalese banking sectors. As the banks require having high employee performance, Nepalese banking sector is to be dynamic and competitive for their sustainability and competitive. High-performing employees are the catalyst of competitive advantage. The knowledge, skill, and experience of employees, that they exhibit talent, are important factors for better performance in an organization. Talent employees nurture a culture of being innovative and self-motivated in learning, which further assists banks in being competitive and adapting to changing circumstances in the

market (Aboramadan et al., 2020).

Talent Management (TM) is essential in banking sector, and it is one way of discovering future leaders and improving job performance through strategic management practices. Talent management has emerged as a critical strategic concern in this environment and TM in Nepalese emerging markets to the best of knowledge. There is a shortage of research on Nepalese commercial banks, talent management and employee's performance (Mahato, 2022, 9-10).

According to Bayona et al. (2020), TM in banking would be oriented to attracting, retaining, and developing high-quality work force in the best position to meet business needs. As argued by Ozili and Outa (2019), the industry is in constant search for talented candidates in order to guarantee that the right person is hired at the right time for better performance. Employee performance in banking is the extent to which the employee accomplishes his/her assigned tasks and achieves organizational goals. According to Sa'id (2020), banking institutions are concerned majorly with the efficiency of hiring and training methods. It is very important for the bank's reputation and image, which are highly essential in the industry (Soomro & Shah, 2019).

According to Barney (1991), the Resource-Based View (RBV) theory states that creating distinctive, valuable, and inimitable resources is the key to gaining a persistent competitive advantage. Such resources are provided by TM practices

help to retain and develop highly qualified workers and promote a high-performance culture (Boxall & Purcell, 2022). These procedures, which include hiring, training, managing rewards, and evaluating performance, develop specialized talents that are hard for rivals to imitate, which improves performance (Collings et al., 2019). Additionally, employee engagement improves organizational outcomes by mediating the link between TM practices and performance.

The current study attempts to fill in the knowledge gaps about the connection between employee performance and talent management in Nepalese private banks. The characteristics that contribute to high performance in this industry are not well studied, despite the large number of studies on effective workplace performance. Addressing shortcomings in earlier studies that just concentrated on overall employee performance, the study focuses on multiple aspects of talent management in Nepal's banking industry (Li. & Prasittisuk, 2024).

Literature Review and Hypotheses Development

Even though it is very challenging to explain their relationship, managing exceptional individuals is linked to a number of consequences, including utilizing talent personnel to the fullest extent possible in order to accomplish organizational objectives (Dries et al., 2013). Research has shown that investing in TM practices can help achieve a number of objectives, such as employee engagement, motivation, commitment, perceived organizational support (POS), and satisfaction (Collings and Mellahi, 2009; & De-Meuse et al., 2009). Among the immediate outcomes of talent management are POS, motivation, commitment, and employee happiness (Barkhuizen et al., 2014). There is a significant association between TM and employee engagement (Anand, 2011). Employee commitment and TM have been found to be substantially correlated (De Boeck et al., 2018).

Similar to this, TM and employee motivation are two of its direct results (Collings & Mellahi, 2009), as does employee happiness (Gelens et al., 2013). According to Walner (2000), TM and POS are connected. Here, these instant results are referred to as TM outputs. Thus, TM produces TM outputs, which act as antecedents, even if its goal is to guarantee employee performance and, eventually,

organizational performance. Therefore, even though TM's goal is to guarantee personnel performance and, eventually, organizational success, it nevertheless produces TM outputs that act as antecedents.

It has been found that TM improves employee performance while also assisting businesses in overcoming obstacles, breaking into new markets, and outperforming rivals. Effective management of skilled workers lowers labor costs and expenses, boosts efficiency and competitiveness, resolves organizational issues, and eventually increases return on investment (Jackson et al., 2009). Thus, the researcher explained how TM influences employee performance, which in turn influences organizational performance.

Employee Performance

Tasks required of employees and their quality are referred to as employee performance. Numerous personnel directors of businesses assess each worker's performance on an annual or periodic basis in order to identify areas that require improvement. Talent development, acquisition, and retention are significant aspects that impact employee success. It won't work well if key elements like processes, systems, and structure are misaligned or get in the way of each other's progress (Heinen & O'Neill, 2004).

To complete these responsibilities, the company uses the expertise of its people resources. Indeed, a company's talent, or its workers, are typically the most effective lever for improving corporate performance. The collective talents of an organization's talent comprise the majority of its essential competences. According to Sopiah et al. (2020), employee engagement and performance may be impacted by talent management strategies. Implementing talent management strategies can enhance employee retention and performance in Jordanian service firms, according to the findings of a study conducted by Alsakarneh et al. (2023).

Talent Attraction and Employee Performance

Abdullahi et al. (2022 a) found that employee performance and talent management techniques have a substantial link. It highlighted how hiring and keeping top people improve worker performance. Attracting talent improves organizational results and work performance (Iles et al., 2010). Similarly, the idea put forth by Collings et al. (2019) found that investing in talent management increases financial returns. Thus, it can be hypothesized:

H1: There is impact of talent attraction on employee performance of Nepalese commercial banks.

Training and Development and Employee Performance

Santos, et al. (2021) described that talent development is a comprehensive HR process aimed at attracting, developing, motivating, and retaining productive employees. It involves improving performance through knowledge, attitude, or skills. High training intensity can significantly impact young athletes, as they accumulate more training and are more likely to be nurtured (Baker, 2012). A substantial body of research indicates that training and development programs significantly enhance employee performance. Among them the study of Karalar and Atay (2009) and Guchait & Cho (2010) are common. After them, many studies focus that the effective training boosts motivation, job satisfaction, and further enhance performance. Thus, it can be hypothesized:

H2: There is significant impact of effective training and development on

employee performance of Nepalese commercial banks.

Reward Management and Employee Performance

Reviewing an individual's or a team's strengths and shortcomings related to their position within a company is known as reward management. Employees that perform well are also productive. Employee performance is evaluated by all organizations. It is crucial for increasing productivity. A major component of contemporary public management reform has been an effort to quantify and control performance (Bouckaert and Halligan 2008). Several researches have demonstrated the importance of reward management in improving worker performance (Taba, 2018; Rohim & Budhiasa, 2019). Performance is greatly impacted by reward management, as Rohim and Budhiasa (2019) confirmed. This leads to the following hypothesis:

H3: There is significant impact of effective reward management on employee performance of Nepalese commercial banks.

Talent Retention and Employee Performance

The ability of a company to hold onto its workforce is known as talent retention. Many organizations have trouble keeping outstanding talent. Among the elements that affect the organization's ability to retain people include paying competitively, creating a welcoming workplace atmosphere, and acknowledging employees' achievements. The performance of the organization and employee retention tactics are closely related (Igbinoba, E., et al., 2022). According to the

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Padhi et al. (2020) study, staff retention generally improves organizational performance. The study concluded that increased employee performance would result from more effective talent retention strategies. In private sector businesses, talent retention tactics are important performance indicators (Ganga, K.G. et al., 2016). So, it is possible to speculate:

H4: There is significant impact of talent retention on employee performance of Nepalese commercial banks.

Performance Appraisal and Employee Performance

A significant amount of research shows that employee performance in both public and private firms is positively correlated with performance reviews (Gichuhi, A.W. et al., 2014; Mollel, E.R. et al., 2017; and Orhero A.E. & Okolie U. Ch, 2020). Thus, it can be hypothesized:

H5: There is significant impact of Performance appraisal positively influences employee performance of Nepalese commercial banks.

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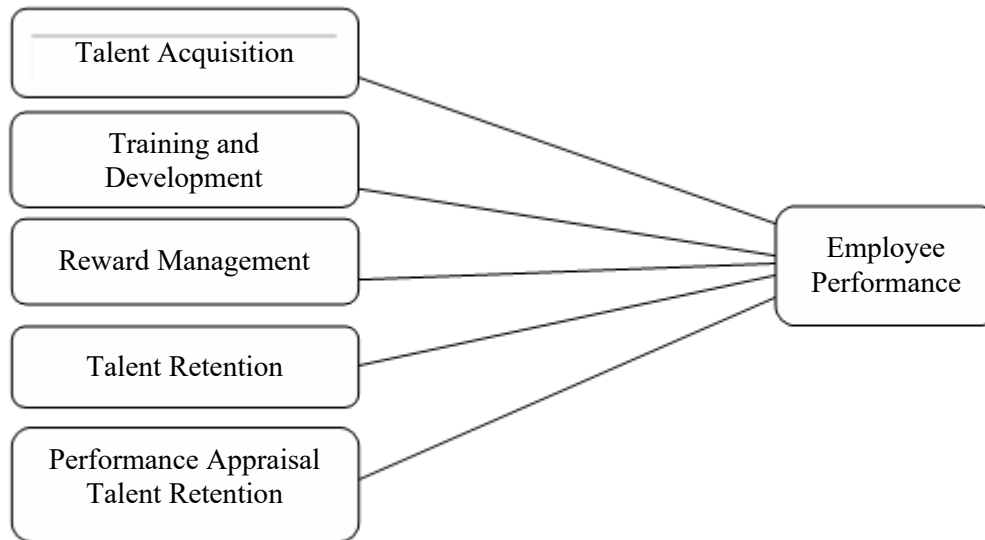
Research Framework

Figure 3.1 demonstrates a cohesive model linking TM practices (talent attraction, training and development, reward management, talent retention and performance appraisal) to Employee Performance in Nepalese commercial banks. This model integrates insights from existing frameworks (Alanazi,2020) and is deep-rooted in the Resource-Based View (RBV) theory.

Organizational performance is improved by efficient personnel management, which includes hiring, choosing, and developing employees. By identifying and rewarding top performers, reward systems also improve performance (Collings et al., 2021). In line with RBV theory, empirical results

demonstrate that TM practices have a positive impact on EP (Chen, Wang, & Huang, 2018). Therefore, for long-term competitive advantage, investing in TM for employee development is crucial.

Figure 3.1: Conceptual Framework



Source: Mahato (2022)

Research Methodology

This study investigated the association between talent management and employee performance of Nepalese private commercial banks using an explanatory research approach. 384 full-time workers from highly regarded banks were chosen at random to participate in the survey. A questionnaire with 45 items covering five constructs and an adjusted five-point Likert scale was used to gather data. The findings supported the instrument's suitability for evaluating employee performance and talent management strategies by confirming its validity and reliability.

Results and Discussion

The data in the Table 1 shows the relationship between talent acquisition, talent development, reward management, performance appraisal, and talent retention with employee performance

Table 1.
Correlations Coefficient EP, TA, T&D, RM, PA and TR

		TA	T&D	RM	PA	TR	EP
TA	Pearson Correlation	1					
T&D	Pearson Correlation	.382**	1				
RM	Pearson Correlation	.690**	.585**	1			
PA	Pearson Correlation	.473**	.474**	.742**	1		
TR	Pearson Correlation	.484**	.449**	.771**	.860**	1	
EP	Pearson Correlation	.773**	.436**	.663**	.654**	.572**	1

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

Table 1 shows the correlation coefficient between talent acquisition and

employee performance was found to be $r = 0.773$, indicating a moderately strong positive correlation between the two variables. Since the p -value was less than 0.05 ($p = 0.01$), this relationship was statistically significant. Similarly, talent training and development was positively correlated with employee performance ($r = 0.436$), also with a p -value of 0.01, indicating a statistically significant

relationship ($p = 0.01 < 0.05$). The correlation between reward management and employee performance was $r = 0.663$, suggesting a moderately positive relationship. The associated p -value ($p = 0.000$) was also below the 0.05 threshold, confirming statistical significance. Finally, the relationship between employee engagement and employee performance was also found to be significant, with $r = 0.663$ and $p = 0.000 < 0.05$. Overall, all the examined talent management practices demonstrated statistically significant positive relationships with employee performance.

The correlation coefficient between talent retention and employee performance was found to be $r = 0.572$, indicating a positive and statistically significant relationship, as the p -value ($p = 0.000$) is less than 0.05. Therefore, it can be concluded that the relationship between talent retention and employee performance is significant ($r = 0.572, p = 0.000 < 0.05$). Similarly, the correlation between performance appraisal and employee performance was $r = 0.654$, suggesting a moderately strong positive relationship. The p -value associated with this correlation was $p = 0.01$, which is also below the 0.05 significance threshold. Hence, the relationship between performance appraisal and employee performance was statistically significant ($r = 0.654, p = 0.01 < 0.05$).

Multiple Regression Analysis

This study had also gone through Multiple Regression Analysis to investigate the extent of the impact of independent variables on dependent variable (employee performance) by setting the following five alternative hypotheses:

H₁: There is a significant impact of talent acquisition on employee performance in Nepalese Commercial Banks.

H₂: There is a significant impact of talent development on employee performance in Nepalese Commercial Banks.

H₃: There is a significant impact of reward management on employee performance in Nepalese Commercial Banks.

H₄: There is a significant impact of performance appraisal on employee performance in Nepalese Commercial Banks.

H₅: There is a significant impact of talent retention on employee performance in Nepalese Commercial Banks.

The result of the Multiple Regression Analysis is depicted in the Table 2.

Table 2
Multiple Regression Analysis Coefficients

Model		Unstandardized Coefficients		Standardize Coefficients		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance VIF
1	(Constant)	0.165	1.159		3.315	.002	
	TA	0.154	0.052	0.332	3.186	.002	0.746 3.664
	T&D	0.225	0.058	0.256	3.813	0.000	0.715 1.838
	RM	0.378	0.052	0.025	7.285	0.000	0.670 3.698

a. Dependent Variable: EP

The multiple regression analysis presented in Table 2, talent acquisition was found to significantly contribute to improving employee performance in the Nepalese banking sector. The analysis also revealed a significant impact of compensation packages on employee performance ($\beta_1 = 0.154$, $t = 3.186$, $p = 0.002 < 0.05$). Thus, Hypothesis 1 (H1) is accepted. Similarly, Hypothesis 2 (H2) was supported, as the results indicated a significant impact of talent development on employee performance ($\beta_2 = 0.225$, $t = 3.813$, $p = 0.000 < 0.05$). This suggests that employee development initiatives can positively and significantly influence performance within the Nepalese banking industry. Furthermore, reward management was also found to significantly impact employee performance ($\beta_3 = 0.378$, $t = 7.285$, $p = 0.000 < 0.05$). Therefore, Hypothesis 3 (H3) is accepted. These findings confirm that reward management plays a crucial role in enhancing employee performance in the sector. Performance management was found to significantly contribute to employee performance in the Nepalese banking industry. Specifically, performance appraisal had a significant impact on employee performance ($\beta_4 = 0.126$, $t = 2.212$, $p = 0.028 < 0.05$). Thus Hypothesis 4 (H4) is accepted.

In addition, talent retention also showed a significant contribution to employee performance. Based on the results, Hypothesis 5 (H5) is accepted, indicating that talent retention positively and significantly influences employee performance in the banking sector of Nepal ($\beta_5 = 0.284$, $t = 5.386$, $p = 0.000 < 0.05$).

Conclusion and Implications

The analysis of data in this study shows that all the independent variables have significant influence and contribution to enhance employees' performance in the banks under study. Talent attraction affects employee performance highlighting its importance in attracting top personnel. The Multiple Regression Analysis (MRA) confirms that training and development (TD), reward management (RM), and performance appraisal (PA) significantly influence the employee performance in the banks under study. Rewards and fair performance evaluations motivate employees. The study supports the Resource-Based View (RBV) notion of fair performance reviews to maximize employee potential and organizational success. Results indicate significant partial mediation, underscoring the pivotal role of reward management in translating talent management practices into improved employee performance.

In conclusion, the research examines factors influencing employee performance in Nepal's banking sector, including talent acquisition, development, engagement, and retention. It suggests that improving organizational justice and rewards can enhance commitment and emotional attachment. However, low agreement levels suggest inconsistent application of justice procedures, potential bias, and a lack of ethical standards. The study reveals that bank rewards and recognitions can improve employee performance, but low agreement levels suggest inconsistent application of justice procedures. It suggests a need for long-term approaches, transparency from senior leadership, and improved organizational culture. Innovation is heightened in R&D-enabled and multicultural sites. Prioritizing talent management practices and fostering a culture of engagement can give organizations with a competitive advantage, ensuring sustained success in the long term.

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