



A STUDY OF HR AUDIT AMONG THE EMPLOYEES OF SELECTED BANKS OF MADHYA PRADESH

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ABSTRACT

*This study examines the impact of HR Audit on employee performance in selected banks of Madhya Pradesh. Focusing on key HR functions such as recruitment and selection, training and development, performance appraisal, compensation and benefits, and employee engagement, the research employs a **stratified random sampling method** with primary data collected through structured questionnaires. Statistical tools including correlation and regression analysis are used to test hypotheses. Findings reveal a significant positive relationship between HR audit practices and employee performance across all variables, highlighting HR audits as a strategic tool for enhancing workforce efficiency, motivation, and overall organizational effectiveness in the banking sector.*

INTRODUCTION

Human Resource Audit has emerged as a vital strategic tool for evaluating the effectiveness, efficiency, and compliance of HR practices within modern organizations. In the banking sector, where service quality and employee performance strongly influence customer satisfaction and organizational growth, conducting a systematic HR audit becomes even more essential. Banks in Madhya Pradesh operate in a competitive environment marked by rapid technological advancements, evolving customer expectations, and continuous regulatory changes. These dynamics demand a workforce that is skilled, motivated, and aligned with organizational goals.

An HR audit helps banks assess the strengths and gaps in their HR policies, recruitment systems, training initiatives, performance appraisal methods, and employee welfare practices. It also supports management in identifying areas that require improvement to enhance employee productivity, job satisfaction, and overall organizational performance. Despite its importance, limited research has examined HR audit practices specifically within banks of Madhya Pradesh. Therefore, this study aims to analyze how HR audits are conducted in selected banks of the region and to understand their impact on employees' performance and organizational effectiveness. The findings are expected to offer valuable insights for strengthening HR systems within the banking sector.

REVIEW OF LITERATURE

Shrivastava, Thakur and Sharma (2022) examines the effectiveness of HR audit practices in print media organizations of Madhya Pradesh. The authors highlight how systematic HR auditing helps evaluate existing policies, identify operational gaps and enhance employee performance. The research emphasizes that regular audits improve transparency, strengthen compliance, and support strategic decision-making within media firms. Findings suggest that HR audits not only streamline workforce management but also contribute to organizational growth by promoting accountability and skill development. The study concludes that adopting structured audit mechanisms is essential for improving HR efficiency in the print media sector.

Garg (2018) explores HR audit as an emerging and significant issue in modern organizations. The study emphasizes that HR audits serve as a systematic tool to review policies, procedures and practices related to human resource management. According to the author, an effective audit helps identify deviations, ensures legal compliance and enhances operational efficiency. The paper highlights the growing need for organizations to adopt structured HR audit mechanisms to maintain transparency and improve workforce productivity. Garg concludes that HR audits not only strengthen the HR function but also contribute to better strategic alignment and long-term organizational performance.

Singh (2019) investigates the impact of Human Resource Audit on employee efficiency and effectiveness within service sector organizations. The study highlights that HR audits play a crucial role in evaluating the adequacy of



HR policies, identifying performance gaps and ensuring alignment between employee capabilities and organizational goals. Findings reveal that systematic HR audits lead to improved productivity, better role clarity and enhanced motivation among employees. Singh argues that regular audits help organizations strengthen their HR practices, promote accountability and support continuous improvement. The research concludes that HR audits significantly contribute to higher efficiency and overall organizational effectiveness in the service sector.

Kumar (2007) examines HR policies and training needs in cooperative banks, emphasizing the importance of structured human resource practices for improving service quality and operational efficiency. The study identifies gaps in existing HR policies, particularly in areas of employee development, performance evaluation and training design. Kumar highlights that cooperative banks often face challenges such as limited resources, outdated practices and insufficient training infrastructure. The research stresses that well-designed training programs and updated HR policies can significantly enhance employee skills, customer service and organizational productivity. The study concludes that strengthening HR systems is essential for the sustainable growth of cooperative banks.

Badaruddin (2025) investigates the combined effect of Human Resources Audit and employee engagement through a detailed case study published in the *International Journal of Economics, Finance & Management*. The study highlights that HR audits help organizations assess policy effectiveness, identify operational gaps and ensure compliance with standards. Simultaneously, strong employee engagement fosters higher motivation, better communication and improved job performance. The findings reveal that organizations integrating both practices experience enhanced efficiency, reduced conflicts and a more supportive work environment. The study concludes that aligning HR audits with engagement initiatives leads to improved organizational performance and long-term stability.

Sharma (2015) presents a comprehensive discussion on the concepts and criteria of Human Resources Audit in the *Indian Journal of Management & Economics*. The study explains that HR audits serve as a systematic evaluation of an organization's HR policies, procedures and practices. Sharma highlights key audit criteria such as compliance, effectiveness, alignment with organizational goals and employee welfare. The research underscores that well-structured HR audits help identify deficiencies, enhance transparency and strengthen decision-making processes. The author concludes that adopting standardized HR audit frameworks is essential for improving HR efficiency, ensuring accountability and promoting overall organizational development.

More (2022) conducts a detailed compliance study of different types of Human Resources Audit checklists, highlighting their importance in ensuring systematic evaluation of HR processes. The research emphasizes that comprehensive checklists help organizations assess policy adherence, identify operational gaps and maintain regulatory compliance. More explains that using structured audit tools enhances consistency, accuracy and transparency in reviewing HR functions. The findings reveal that organizations employing diverse and well-designed checklists are better equipped to improve efficiency and reduce risks. The study concludes that adopting a robust HR audit checklist framework is essential for strengthening HR management and promoting continuous organizational improvement.

Mehta (2016) presents a comprehensive literature review on HR practices in the banking sector, highlighting the evolving role of human resource management in improving service quality and organizational performance. The review synthesizes research findings related to recruitment, training, performance appraisal, employee motivation and retention strategies in banks. Mehta notes that effective HR practices contribute significantly to enhancing employee competence, customer satisfaction and overall productivity. The study emphasizes the need for continuous training, transparent appraisal systems and employee-centric policies. It concludes that strong HR practices are essential for sustaining competitiveness and ensuring long-term growth in the banking sector.

Singh and Mishra (2025) examine how audit-driven human resource strategies can significantly enhance operational efficiency in the banking sector. The study argues that regular HR audits provide valuable insights into policy gaps, workforce capabilities and process inefficiencies. By integrating audit findings into strategic HR planning, banks can improve employee performance, strengthen compliance and streamline operations. The authors highlight that audit-based strategies promote accountability, reduce operational risks and support better decision-making. The study concludes that adopting HR practices guided by systematic audits is essential for boosting efficiency, ensuring transparency and achieving sustainable growth in modern banking institutions.



Jain and Hyde (2018) present a comprehensive review of Human Resource Management practices in selected banks across India. The study examines key HR functions including recruitment, training, performance appraisal, employee engagement, and retention strategies. The authors highlight that effective HR management plays a critical role in enhancing workforce productivity, service quality, and organizational competitiveness. The review also identifies challenges faced by banks, such as skill gaps, evolving regulatory requirements, and employee motivation issues. The study concludes that adopting innovative and employee-centric HR practices is essential for improving efficiency, fostering growth, and sustaining long-term success in India's banking sector.

OBJECTIVES OF THE STUDY

The various objectives of the study are as under

1. To study the relationship between HR Audit and employee performance towards **Recruitment and Selection Practices**.
2. To study the relationship between HR Audit and employee performance towards **Training and Development Systems**.
3. To study the relationship between HR Audit and employee performance towards **Performance Appraisal Mechanisms**.
4. To study the relationship between HR Audit and employee performance towards **Compensation and Reward Management**.
5. To study the relationship between HR Audit and employee performance towards **Employee Engagement and Welfare Practices**.

HYPOTHESIS OF THE STUDY

H_{a1}: There is a significant relationship between HR Audit and employee performance towards **Recruitment and Selection Practices** in selected banks of Madhya Pradesh.

H_{a2}: There is a significant relationship between HR Audit and employee performance towards **Training and Development Systems** in selected banks of Madhya Pradesh.

H_{a3}: There is a significant relationship between HR Audit and employee performance towards **Performance Appraisal Mechanisms** in selected banks of Madhya Pradesh.

H_{a4}: There is a significant relationship between HR Audit and employee performance towards **Compensation and Reward Management** in selected banks of Madhya Pradesh.

H_{a5}: There is a significant relationship between HR Audit and employee performance towards **Employee Engagement and Welfare Practices** in selected banks of Madhya Pradesh.

RESEARCH DESIGN

The study adopts a **descriptive and analytical research design** to examine the impact of HR Audit on employee performance in selected banks of Madhya Pradesh. Descriptive research helps in systematically collecting information about HR policies, practices, and employee perceptions, while analytical research allows testing the relationship between HR audit components and performance indicators. The population includes employees from public and private sector banks operating in Madhya Pradesh. A **structured questionnaire** is used as the primary data collection tool, focusing on areas such as recruitment, training, performance appraisal, compensation, and employee welfare. The study employs **statistical tools** like correlation, regression, and ANOVA to analyze data and test hypotheses. This research design ensures both qualitative insights and quantitative validation, providing a comprehensive understanding of HR audit practices and their influence on employee effectiveness and organizational efficiency.

RESEARCH APPROACH

The study follows a **quantitative research approach** to examine the impact of HR Audit on employee performance in selected banks of Madhya Pradesh. This approach emphasizes numerical data collection and statistical analysis to establish relationships between HR audit practices and employee outcomes. Primary data is collected through a **structured questionnaire**, covering key areas such as recruitment and selection, training and development, performance appraisal, compensation, and employee welfare. The quantitative approach allows the researcher to **measure the strength and significance of relationships** between HR audit components and employee performance using tools like correlation, regression, and ANOVA. By employing this approach, the study provides objective, data-driven insights into how HR audits influence employee efficiency, satisfaction, and overall organizational effectiveness, ensuring reliability and generalizability of the findings.



Sampling Technique

Sampling Technique and Sampling Method: The study uses a stratified random sampling method. The population of employees from selected banks in Madhya Pradesh is divided into strata based on type of bank (public sector banks, private sector banks) and employee level (HR staff, managerial staff, and general staff). Respondents are then randomly selected from each stratum to ensure balanced representation across different bank types and employee categories, minimizing bias in the sample.

Sample Area: The sample area includes selected banks operating within the urban limits of Bhopal, Madhya Pradesh. Public sector banks such as State Bank of India (SBI) and Bank of Baroda, and private sector banks like HDFC Bank and ICICI Bank, are included. This ensures coverage of diverse banking environments and employee experiences.

Data Collection Method: Primary data is collected through structured questionnaires distributed both in-person and via online platforms such as Google Forms and email. Secondary data is obtained from HR manuals, internal audit reports, organizational websites, and previous research publications. This combination allows a comprehensive understanding of HR audit practices and their impact on employee performance.

Testing of Hypothesis

Table 1: Relationship between HR Audit and Employee Performance

Hypothesis	Variables	r-Value	p-Value	Regression β	Result
H _{a1}	Recruitment & Selection	0.582	0.000	8.036	Accepted
H _{a2}	Training & Development	0.683	0.000	6.512	Accepted
H _{a3}	Performance Appraisal	0.612	0.002	9.006	Accepted
H _{a4}	Compensation & Benefits	0.579	0.001	7.890	Accepted
H _{a5}	Employee Engagement & Welfare	0.641	0.001	7.324	Accepted

FINDINGS

- The analysis shows a significant positive relationship ($r = 0.582$, $p = 0.000$) between HR Audit and employee performance in recruitment and selection. This indicates that banks with effective HR audit practices in recruitment processes ensure better employee placement, leading to improved performance and alignment with organizational goals. The hypothesis Ha1 is accepted.
- A strong positive relationship ($r = 0.683$, $p = 0.000$) exists between HR Audit and employee performance in training and development systems. This suggests that auditing training initiatives enhances skill development, learning effectiveness, and employee productivity. Structured and monitored HR practices in training significantly contribute to overall employee efficiency. Ha2 is therefore accepted.
- The results reveal a significant correlation ($r = 0.612$, $p = 0.002$) between HR Audit and performance appraisal mechanisms. Banks implementing systematic HR audits ensure fair and transparent appraisals, which motivate employees and improve performance outcomes. Effective evaluation practices validated through HR audits strengthen accountability and goal achievement. Ha3 is accepted.
- A positive relationship ($r = 0.579$, $p = 0.001$) is observed between HR Audit and employee performance concerning compensation and benefits. This highlights that audited compensation policies and benefit schemes enhance employee satisfaction and engagement, leading to improved productivity and retention. Ha4 is accepted, confirming the importance of structured HR oversight in rewards management.
- The study shows a significant correlation ($r = 0.641$, $p = 0.001$) between HR Audit and employee engagement and welfare practices. HR audits help banks evaluate engagement programs and welfare initiatives, ensuring employees remain motivated and satisfied. Properly audited engagement strategies positively influence morale, loyalty, and overall organizational effectiveness. Ha5 is accepted.

CONCLUSIONS

The study on HR Audit among employees of selected banks in Madhya Pradesh demonstrates a significant positive relationship between HR audit practices and employee performance across multiple dimensions. Analysis of recruitment and selection, training and development, performance appraisal, compensation and benefits, and employee engagement and welfare confirms that systematic auditing of HR functions enhances efficiency, transparency, and effectiveness within the banking sector. Banks that implement structured HR audits ensure fair



recruitment, skillful workforce development, equitable performance evaluation, competitive compensation, and well-designed welfare programs. These factors collectively contribute to higher employee motivation, satisfaction, and productivity.

The findings suggest that HR audits are not merely administrative tools but strategic instruments that strengthen organizational performance and align employee efforts with institutional goals. By continuously monitoring and improving HR processes, banks can foster a positive work environment and sustain competitive advantage. Overall, the study reinforces the critical role of HR audits in enhancing human capital management and provides actionable insights for banking institutions aiming to optimize employee performance and organizational effectiveness.

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