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Gaining competitive advantage status through human resource practices: A study of Indian banks

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ABSTRACT

The current situation calls for effective Human Resource (HR) operations. In order to perform well and remain competitive, especially in service organizations, HR strategies must be given more attention due to ongoing changes in banking, the workplace, Reserve Bank of India (RBI) rules, and rising consumer wants and expectations. It has grown to be one of the most significant differentiators that has an impact on how competitive the Indian banking sector is. The study seeks to assess the current state of the Indian banks' HR system and its status as a competitive advantage. For the final study, a total of 600 replies from Indian banks were gathered. The methodology utilized in the study is partial least-squares structural equation modeling using the Chi-Square test and descriptive analysis, which is based on a large number of independent variables and one dependent variable. There are twelve HR system factors identified that lead to competitive advantage status. Further, these twelve factors collectively explained 63.59 percent of the total variance have been retrieved and all hypotheses lent good support to this study. By concentrating on the HR function, banks can not only survive in this cutthroat economic environment but also obtain a competitive advantage, according to the study's conclusions. There are intersectional variations in the HR systems used by banks and the competitive advantage status they have attained and it is needed to maintain fine-tuning.

1. Introduction

A higher level of quality is required in this dynamic and difficult time. HRs now play a strategic role. The scenario has changed, and the basis of long-term competitive advantage has significantly changed from financial to technology to HR-based. It's critical to locate a resource that can act as a key tool for the achievement of the organization. To succeed in this dynamic and competitive climate where pressure is at an all-time high, one must invest in the most irreplaceable source of competitive advantage, namely people.

Banks mainly focus on the financial results and the scenario has changed and a drastic shift is there from financial to technological to HR.

The time has come when banks have to take strong measures to face critical challenges and perform well in the current competitive environment. This service industry now demands more soft skills than operational skills as they have to attend to the needs of the customers. Now one cannot move forward by using conventional HR practices. Banks must improve and reorganize their HR department in order to survive in this complicated, changing environment and to satisfy the expectations of consumers. Considering the importance of this issue, an attempt has been made to analyze how the HR system can lead to a competitive advantage.

The most valuable resource for every business is its HRM because it carries out all of the strategies. By advancing technology, cutting costs,

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raising quality, and other means, every organization strives to gain a competitive advantage. Yet only to a certain point can these improve the operating performance of the firm. The business must concentrate on its most valuable resource, which is its HR, in order to move past that stage. If a company implements a value-creating strategy that is not being used by its rivals and is not being copied by them in order to reap the benefits of the strategy, it will have a competitive advantage (Barney, 1991).

With the emergence of more private banks, competition between private and public sector banks is increasing at a faster pace. Public sector banks in the near future will witness an unprecedented loss of employees in the form of retirements. Thus it will be the biggest challenge this industry will face to attract, and retain efficient HRs and to reskill fresh talent. Managing their personnel is one of the main challenges that the banks encounter. If banks are to survive the changing economy and the fierce competition, they must carefully consider the HR Management (HRM) role. In our Indian banking industry, there is very less interaction between the employees and HR Managers. Banks mostly concentrate on yearly and quarterly financial outcomes. Even today, banks continue to use traditional HR procedures. Seeing that trends have altered, they must refocus on HR and alter the HR function in order to survive in this complicated, changing environment and satisfy client expectations.

Not much work has been done in this HR area, especially in the Indian banking industry. Considering the importance of this issue, an attempt has been made to analyze the prevailing HR factors in public and private sector banks that can lead to competitive advantage. It shows how by focusing on their HR function banks can not only survive in this increasing competition but can gain a competitive advantage. This research tries to bring out the importance of the most valuable source of competitive advantage and identifies the HR factors that must be developed and reorganized effectively it will increase their competitiveness in the current, cutthroat banking climate in the numerous HR fields where they hope to outdo rival banks. There is a strong need to create a connection between academics and the practical world. The gap has been attempted to be filled in. The study examined how HR satisfies all requirements for being a source of competitive advantage and assists in achieving it. In light of this, our study addressed the following research issues:

RQ1: What are the roles of key practices/factors in HR to create competitive advantage through the workforce and how to identify them?

RQ2: What is the current scenario of competitive advantage in the Indian banks and how do HR factors lead?

This research work characterizes to evaluation of the competitive advantage of HR in the Indian Banking Industry. The objectives of the study are as follows: (i) to analyze the resource-based perspective and identify the key practices/factors in HRs to create competitive advantage through the workforce, (ii) to assess the current state of the banking organization's HR system, (iii) to study the current status of competitive advantage in the banking industry, (iv) to pinpoint the HR factors that leads Indian banks a competitive advantage.

1.1. Current context in India:

To improve the context and consequences of the research, it is imperative to discuss the generalizability and importance of comprehending HR practices in emerging nations such as India. It is acknowledged that this study's regional concentration is on Delhi and the NCR. While the analysis and results are relevant for this particular region, cultural, economic, and contextual factors may limit their generalizability to other regions of India or other countries with similar economic characteristics. Subsequent investigations may examine the generalizability of the results to other areas by comparative analyses or by broadening the focus to include a more varied geographic region.

Drawing more general conclusions and suggestions may benefit from this. The study highlights how important it is to comprehend HR practices in developing nations because of the special opportunities and problems that these settings bring. To take into account the shifting dynamics in various areas, HR procedures must change. In emerging countries, social norms and cultural aspects are also important for HR management. Further research might be done to examine the ways in which these variables affect HR procedures. The findings can promote efficient HR practices to enhance economic growth and have ramifications for business groups, government programs, and educational institutions in emerging nations.

It is guaranteed that the document offers a thorough comprehension of the goals and justification for this investigation. We provide a succinct and understandable summary of the research justification in the introductory section, along with an explanation of why the study was conducted and a list of the research gaps, issues, or queries that spurred the inquiry. In order to address the study and make sure that the objectives are closely connected with the identified research gaps and justification, the research questions and objectives were designed. It is made clear how the literature review influenced the formulation of the research questions and objectives by presenting the link between it and the goals of the study. We presented a portion that offers a methodological justification in the methodology section, along with an explanation of why the selected research approaches and procedures were thought to be suitable for achieving the study goals. Smart PLS was specifically mentioned in the procedures for collecting and analyzing data as a methodological instrument to help achieve the goals of the research. We have made an effort to make the connections between the study topics and data collecting. Tables that relate the findings to the study objectives and the reasoning behind them are included in the results section, along with clear interpretations that help to address the research questions. The discussion part goes into further detail about how the results match the original justification and the study aims. It also looks at the implications of the findings in light of the identified research gaps.

The structure of this research is discussed in the following sections. Section 2 discusses the review of the literature and the research methodology part is discussed in section 3. Section 4 outlines the data analysis and results followed by the discussion and findings including theoretical and practical implications in Section 5. Section 6 outlines the conclusions, limitations, and future scope of this study.

2. Review of literature and development of hypothesis

An organization's ability to succeed depends on the attitudes, abilities, and skills of its employees as well as their capacity to inspire loyalty and trust toward their employer and function well in complicated interactions. It is the HRs that can use any other resource effectively in order to maximize opportunities and minimize dangers (Choudhury & Mishra, 2010). *Superior HRs are believed to give organizations a competitive advantage since they improve organizational procedures and results, which in turn contribute to the organization's success because it is HRs that utilize other resources. Realizing the importance of the HR department and HR procedures and policies should come after appreciating the value of the organization's HR. Developing a competitive advantage through HR requires a focus on HR practices (Verma et al., 2022). Human assets are the best leverage through effective HR practices. In the Indian banking industry, HRs encounter numerous difficulties. The primary problem facing HR executives is generating value through the HR department, Training, and development of HR to match ever-changing industry demands and enhance their rare characteristics. Managers must understand that a person's motivations are not solely driven by their financial requirements and that their employees must develop a sense of belonging. The most significant difficulty that our Indian banking sector is experiencing is managing HR functions, as the pressure on competition has intensified as a result of the introduction of more private sector banks and mass retirements anticipated in public sector banks in the near future. In order to survive in this hard, competitive period*

and to satisfy the growing expectations of clients, this service industry must now develop and reenergize its HRs.

As a result, businesses must continuously spend money on improving and implementing best HR practices as well as recruiting, selecting, training, developing, compensating, and retaining employees. HR capability can be inculcated in employees through proper talent management and by adopting HR practices like recruitment, training, and reward ensuring that the organizational culture becomes difficult to replicate (Merkel et al., 2009).

2.1. HR practices

Some of the important components of HR practices based on previous studies are summarised:

2.1.1. Job satisfaction

Job satisfaction is the level of pleasure employees derive from their work. This goes beyond their regular responsibilities to cover contentment with coworkers and bosses, contentment with organizational rules, and the effect of their work on their personal lives, to name a few characteristics like employees to feel a sense of belongingness, recommend this organization a good place for work, employees are committed to the organization, feel secure about their job, feel compensation package is fair as compared to others in the industry, they have all avenues to grow and develop their skills, fringe benefits and retirement security is paid to the employees. All these statements help the employee to get a better job satisfaction level in the organization.

2.1.2. Training & Skill Development Practices

Training and skill development is another important HR system for gaining a competitive advantage over other organizations. A well-designed and broadly adopted training policy exists in the organization, and employees are regularly sponsored for training programs; adequate emphasis is there on developing managerial capabilities and competencies through training in the organization. Many researches depicted that training is conceptually and empirically linked to organizational performance and competitive advantage (Cutcher-Gershenfeld, 1991; Gerhart & Milkovich, 1990; Huselid, 1995; Huselid & Becker, 1996; Iqbal, Hussain, et al., 2013; Jüttner & Wehrli, 1994; MacDuffie, 1995; Wright et al., 2003). Thus it concludes that banks should give regular training as per need and focus on developing the skills, capabilities, and competencies of their employees so that there will be an improvement in the performance of employees. The banks ensure employee training, which will improve performance and give the bank more qualified employees HRs.

2.1.3. Organisational Climate

Organization climate is another important HR factor that is considered by employees of Indian Banks. This factor includes statements like Organisation believes in maintaining fair HR policies/practices for heterogeneous employees; employee welfare conditions such that they feel reluctant to leave the bank and can devote their all mental energy to work; people are helpful; healthy working conditions; conducive work climate where every employee is inclined to acquire new knowledge and skills; Ethics and morality are given importance; The manager promotes a workplace with little interpersonal conflict and organization is seriously concerned about employees' welfare thus the name Organisational Climate has been assigned. In the Indian banking industry, it is considered as if a bank has a more conducive work climate then employees of that bank feel good, perform efficiently, and feel reluctant to leave it. Maintaining a positive work environment is crucial for any organization to have devoted and productive staff. So, the due focus should be given to creating a healthy and conducive organizational climate.

2.1.4. Recruiting and Hiring Criteria

Setting the standard of recruitment and hiring criteria like targeting

potential Recruits; Hiring practices, talent retention practices with new ideas; providing the right kind of talent to the organization; competencies, and experience-based selection are some of the components making recruitment more effective. As per the theory and available literature we analyzed that the last statement does not match with all other statements as it is related to the reward system. The talented and potential recruits are easier to develop as they have high cognitive abilities and thus act as a strong resource for the bank. Higher quality of HR results in higher financial gains and helps in gaining a competitive advantage. This is one of the crucial factors that should be considered in the Indian banking industry.

2.1.5. Employee participation

Employee participation is the next important factor of a better HR system. Some of the activities like how Employees participate in determining the training needs regularly and frequently; and how the organization accepts suggestions to improve work performance and make the participation better and effective. The more the employees are involved in decision-making, the better they will perform as they become more responsible. Employee engagement is essential since it helps them better serve and comprehend the company's clients. Also, it has a quantifiable and direct effect on output, talent retention, financial outcomes, and customer satisfaction. As per the employees of Indian banks if employee participation is promoted then banks will have more productive employees.

2.1.6. behavior of Senior Managers

Senior manager orientation toward developing subordinates makes the HR system more competitive. It includes four statements. Managers are effective leaders who inspire workers to perform at their highest levels. Managers place a high priority on the development of their staff, and staff members are encouraged to communicate their emotions to their superiors.

2.1.7. Strategic facilitation of HR

Strategic facilitation of HR contributes to the bottom line and also to the top line; HR strategy is drawn from and aligned to overall business strategy; the top management views HRs as an enormously valuable resource that should be handled more humanely; Organisation invests regularly in the development of employee skills and competencies and mechanism exists to evaluate the contribution of HR to the organizational performance (NSB et al., 2023). All the statements are related to the facilitation of the HRs in strategic form, thus it is named strategic facilitation of HR. Clear strategic direction and alignment of HR strategy with business strategy are essential for high performance and sustainable success. In this competitive era, employees are the most important assets and thus they should be treated like strategic partners. If management realizes the value of its HRs by treating them as a strategic resource and investing regularly in them, it will help in gaining extraordinary results.

2.1.8. Effective Communication System

Effective communication facilitates how information concerning the affairs of the company is well communicated to employees; organizations employ a variety of strategies to promote healthy two-way communication. Top management shares the business plans and results with employees regularly and with strategy, one can encourage productive employee communication. Clear instructions and regular feedback make employees clear about what is expected from them so they can put their effort in the right direction.

2.1.9. Cordial Interpersonal Relations

Cordial Interpersonal Relations building practices like supervisors handle mistakes made by any employee with humanity and compassion for the offending workers. Employees are informed about their weaknesses in a non-threatening manner making the HRS system more

comprehensive and agile for better productivity. Usually, the employees hesitate to discuss matters with their managers they may step towards a union. So for the smooth functioning of the bank and the high efficiency of its employees, the treatment of the manager when employees face problems or make mistakes is very important.

2.1.10. Employee Empowerment

Employee empowerment makes the HR system sound as it improves service quality. Banking is a service-oriented industry and customers frequently interact with employees so it is essential that employees are empowered. Without empowerment, employees in the banking industry lack innovation, confidence, and freedom, which results in under-performance. Only when the management gives employees the necessary authority and support will they be effective in dealing with their consumers (Huang et al., 2019). It immediately influences both customer happiness and the caliber of services provided by the staff.

2.1.11. Practice of Promoting Innovators

With consistently higher levels of employee satisfaction and retention, innovative workplaces are happy workplaces. This helps firms stay ahead of the competition and safeguard their bottom lines. Companies are more aware than ever of the benefits of encouraging innovation. Chief innovation officers are now employed by 63% of companies to promote novel concepts and solutions. Yet, doing so successfully takes effort and patience. By promoting innovation employees are encouraged to perform instinctively. An innovative style of performance by experimenting with creative ideas and thinking out of the box develops the skills of HRs and thus keeps them apart from their competitor's HRs. Thus by engaging these innovative and high performers effectively, banks can have higher gains.

2.1.12. Reward system

The reward system should be fair and as per the performance as it encourages employees to perform well. If banks give competitive rewards and have clear promotional policies, then they are able to retain the star performers. It also increases the commitment level of employees. Major HR factors (practices) that employees of the Indian Banking Industry feel are important for gaining Competitive Advantage are reported in the figure given below:

Successful application of these concepts will result in committed employees who can sustain business operations in a fast-paced, cut-throat market. It will therefore gain a sustained competitive edge since it will take time for competitors to match this degree of commitment and confidence in their workforce. Nonetheless, the company's competitive strategy and its internal HR procedures need to mesh. Thus, the business needs to take into account both the human process advantage (learning, teamwork, etc.) and the human capital advantage. Happier, more capable, and driven employees reduce the risk of accidents, boost output and efficiency, reduce employee attrition, and, of course, provide superior customer care. The organization's commitment, trust, and pride are constant improvements that give it a platform to boost its revenue and profitability. Through years of dedication, expertise, and senior management commitment, an organization can create a culture of commitment, trust, and pride (Truss et al., 1997).

Barney (1991) analyzed a firm's opportunities and threats within a competitive environment. It is suggested that a resource must give value to the company, be scarce, imperfectly imitable, and be non-substitutable in order to qualify as a source of sustained competitive advantage. Moreover, Barney and Wright (1998) looked at the function of HR in the creation of long-term competitive advantage. Using the VRIO framework, it covered the resource-based concept of competitive advantage, value, rareness, inimitability, and organization and explained that HR influences the firm performance, so more attention should be paid to their development. It concluded that by developing skilled and motivated employees, the firm delivers high-quality performance; and by creating a culture that encourages trust and teamwork

firm gains a competitive advantage. Boxall (1998) defined the term "HR advantage" as the result of organizational processes and human capital. According to a resource-based perspective, it was determined that HRs serve as an important source of competitive advantage. Achieving success requires that HR plans be in line with company strategies, according to Dyer (1993), who recognized the usefulness of HR strategies as a source of competitive advantage. According to the study, HR strategies need to be updated and modified, and emphasis should be placed on raising employee morale and contribution. The study provided evidence that the company's people resources can help it gain a competitive advantage. According to Jassim (2007), the resource-based perspective model, the matching model, and the capability model are the concepts and models of competitive advantage. Several competitive tactics and HR procedures that have a major impact on employee performance were investigated. According to the study, employees can get a competitive advantage because they are the ones who perform and have the power to make an organization successful. Bal (2011) talked about how people are becoming more aware of the importance of HR in creating a competitive advantage. The study, which was based on a resource-based approach to strategic HRM, found that having a highly qualified workforce contributes to gaining a competitive advantage. HRM's criteria for improving organizational performance were examined by Pablos and Lytras (2008). Results showed that human capital has an effect on organizational outcomes. The resource-based perspective was the main point of emphasis, and it explained how to develop and transform HR into a source of long-term competitive advantage. The resource-based view (RBV) perspective of strategic HRM was investigated by Faugoo (2009). The study showed that HR practices and competence produce superior human capital, which enhances organizational effectiveness and aids in attaining competitive advantage. It also highlighted HR practices are positively correlated with organizational performance. It conveys HR capability enhances the competitive position of an organization and contributes to creating superior human skills, knowledge, and experience and thus adds value to the firm. The study provided solid evidence that businesses may achieve high performance and obtain a competitive advantage by implementing effective HRM techniques.

Yeung and Berman (1997) articulated the value of the HR function, specified the paths through which HR can contribute to the performance of a business, and explained how HR practices exert an impact on business performance. According to Bartlett and Ghoshal (2002), HR managers should view employees as talent investors if they want their organizations to succeed in the modern world. Rogers et al. (2002) examined the close relationship between human capital and financial performance and thus stated that an organization that adopts these HR initiatives and delivers what it promised intends to have higher results that will further lead to success in the future. Boxall (2003) reviewed the theory and research on the advantage of HR in the service sector and recommended that in order to reap the greatest productivity benefits, a firm should imply high and consistent investment in its HRs, which will subsequently create a high-performance work system. Findings depicted that the service industry has having greater fit between competitive strategy and HR strategy than it is in manufacturing. After examining how managers and HR practices contribute to a sustained competitive advantage, Wright et al. (1993) came to the conclusion that HR must meet certain requirements in order to be a source of sustained competitive advantage. HR procedures include selection processes, training programs, communication systems, and reward systems that motivate staff to act in the company's best interests, which boosts output. Collins and Clark (2003) provided insight into how HR plays a key role in maintaining sustainable competitive advantage. The study suggested a proper and systematic framework of HR practices aimed at building extensive, diverse, and intimately tied network systems that can lead to higher performance. It indicated that HR practices could impact performance in a specific or general way. However, it is the specific activities that increase the potential of the professionals. Zaugg and Thom (2002) assumed that in order to have excellence it is required to

establish the implicit competencies in organizational development, knowledge management, and HRM. Organizations must optimize their processes constantly and search for innovative solutions that may lead to competitive advantage. It has been suggested more firms will invest in employees' better results as it will lead to success in the long run.

Elliott (2003) went into further detail about the value that HR practices may bring to the business and noted that the foundation of HRM and competitive advantage is human capital. Additionally, he developed empirical and theoretical connections between HR procedures and successful performance outcomes. It also stated effective strategic HRM practices develop the HRs and they contribute to the firm performance leading to sustainable competitive advantage. Sharma and Narang (2012) outlined how HR practices contribute to achieving a competitive advantage and outlined several effective HR strategies that businesses have used to their benefit. It stated that implementing these standards is a lengthy process that could take years. But, once achieved, an advantage through these methods gives the organization a solid foundation that is likely to remain for a long time. Merkel et al. (2009) defined strategic differentiating capabilities and explained the process of identifying and creating such capabilities with the help of effective talent management processes. Findings suggested that HR is the primary source of strategic advantage leading to the development into a high-value bank; gaining and instead of competing on product pricing, focus on providing outstanding customer service to keep customers. According to Choudhury and Mishra (2010), a company's greatest asset is its human capital, which should not be viewed as a cost. Hence, ongoing initiatives to build a knowledge-based atmosphere with regular coaching, mentoring, training activities, seminars, and counseling should be made in order to support continuous learning and development. In order to achieve competitiveness via people, Poloski (2008) argued that organizations should concentrate on their HRM strategies. Lawler (2009) and Kumar et al. (2023) emphasized the value of HRs and the actions that good leaders should take to gain a competitive advantage, including good performance management system execution, and good interpersonal and communication skills. Moreover, it supports effective training, effective handling of grievances, effective communication, organizing leadership development programs, and senior management support (Kumar & Sharma, 2018). According to Gilani et al. (2012), organizations have adequate conditions for HR input, but unfavorable conditions exist for HR application and maintenance. Saha and Gregar (2012) discussed how HRM contributes to achieving long-term competitive advantage and emphasized that a firm can only do this when it values its competent personnel.

2.2. HRM practices, performance, and competitive advantage

Pauwe (1996) created an integrated framework that connected the activities, results, and business performance of HRM. According to the model, actions taken in HRM lead to results in HRM, which in turn affect the firm's performance. Stroh and Caligiuri (1998) reported a positive relationship between global HR practices and organizational performance and suggested realizing the value of HR and its role in increased performance. Guest (1999) conveyed that HR Practices directly influence the commitment level of employees towards their performance which in turn impacts productivity and quality levels and further impacts the organization's financial performance. Thus this model supported that there is a direct link between the HR practices a firm follows and the performance of the employees and organization. Wright and Gardener (2000) identified the relationship between HR practices and the performance of the firm and reported high-performance HR practices result in providing benefits to the firm. Molina and Ortega (2002) looked for a relation between effective human capital management and the performance of a firm. It suggested that the effective and efficient use of HR policies led to better utilization of HR for obtaining the organization's objectives and thus led to higher gains. Carmeli and Schaubroeck (2005) advocated the resource-based view paradigm and

discussed the connection between HR practices and performance. The study focused on the importance of HR capital and the means by which they are leveraged so as to have increased performance. It demonstrated that strong financial performance results from strong HR capital, and it claimed that strong HR capital combined with smart resource usage improves an organization's outcomes and performance, making it more competitive.

Simon (2007) explored the link between HR and individual and business-level performance based on a qualitative case study. The role of HR policies was highlighted and these practices were measured in terms of outcomes as per every individual rather than based on perception from experts. Som (2003) revealed the importance of HR functions in order to gain a competitive advantage and reported that the successful transformation of HRM practices was only possible when there was top management support and employee commitment. The study also explained that when HR becomes aligned with the business needs it becomes a competence for an organization that can be leveraged and thus can provide value to the firm. The study's findings provided significant evidence that achieving a competitive advantage is possible. Through HRs and by adopting effective HR practices. Wright et al. (2003) showed that HR practices were strongly related to organizational commitment, while organizational commitment was weakly associated with quality and shrinkage but substantially connected to remuneration and productivity. Additionally, it showed how organizational commitment and HR practices were closely linked to operating costs and profitability, suggesting that companies that use progressive HR practices to manage their workforce may expect to do well operationally. Pfeffer (2005) suggested a holistic and wholesome model for sustainable competitive advantage, one that comprises myriad components for the effective management of professionals. It suggested sixteen HR practices to gain competitive advantages.

Iqbal, Hussain, et al. (2013) indicated that in order to gain a competitive advantage firm must rely on its internal management and mentioned that by adopting strategic HRM practices effectively firms nurture, involve, motivate, and promote their employees and can achieve a competitive advantage with enhanced performance. Browning et al. (2009) found high performing service organizations actively engage in best HR practices and thus achieve a quality culture that delivers high results. It also revealed organizations that were more aware of HR as a source of competitive advantage and utilized them effectively through effective implementation of HR practices performed well. Lockwood (2007) pointed out that in order for the organization to retain the sharpest brains of the industry, they need to develop a conducive environment with healthy work culture, foster work-life balance, promote open communication, and instill a sense of self-pride and pride in the organization among the employees. Brockbank (1999) described specific practices through which HR can lead to more success and thus help in achieving greater competitive advantage. Studies reported that by following good HR practices organizations can create a culture of innovation, and creativity and can link internal capabilities to external market requirements. It suggested management should ensure that the organization should have a free flow of information, employee involvement, effective measurement, fair rewards, promotion, and Quality training, and reinforce the importance of customer focus and thus contribute to greater competitive advantage.

Sum (2011) explained training employees not only leads to better performance but also increases the skill-set of the employees thus helping the organization to carve out a place for itself in the industry and setting it ahead of its competitors. It also noted that training increases innovation in the workplace. Cole (2004) suggested that every organization that invests in its HR in the form of training and development and pays considerable attention to its resources will enjoy the advantages of a highly enriching work environment, including higher staff retention rates and improved performance. Khanam and Shamsuddoha (2003) identified the cause-and-effect relationship between job satisfaction and the overall productivity of a firm with the help of a case study. It

concluded each employee should be given adequate training and development in order to achieve the dual objective of making them the best in the market and increasing productivity at the workplace. This would develop a congenial and healthy work environment, full of opportunities for self-growth leading to greater job satisfaction and in turn increasing efficiency, profitability, and productivity. [Cunha and Pina e Cunha \(2004\)](#) pointed out the importance of innovation and its relation with HR practices. Also, the study depicted that effectively and systematically implemented HR practices help to create an innovation-friendly atmosphere by translating organizational goals into individual goals and thus easing and simplifying the workload of the employees. [Pahuja and Dalal \(2016\)](#) emphasized the necessity for their expansion and disclosed the significance of HR as a highly important source of competitive advantage. It also recommended rearranging these resources properly to gain the greatest competitive advantage possible.

The model is framed based on available literature that reflects how good HR and effective HRM practices lead to competitive advantage. The development of HRs is shown to be achieved through the application of efficient HRM techniques as they lead to competent, committed, and satisfied employees who will help in achieving higher results through their outstanding performance and make an organization gain a competitive advantage.

The above arguments lead to the following hypothesis:

- H1.** The behavior of Senior Managers has a significant influence on the HR System.
- H2.** Cordial Interpersonal Relations have a significant influence on the HR System.
- H3.** Effective Communication Systems have a significant influence on HR Systems.
- H4.** Employee Empowerment has a significant influence on the HR System.
- H5.** Employee Participation has a significant influence on the HR System.

- H6.** HR Systems have a significant influence on Competitive Advantage.
- H7.** Job Satisfaction has a significant influence on the HR System.
- H8.** Organisational Climate has a significant influence on the HR System.
- H9.** The practice of Promoting Innovators has a significant influence on the HR System.
- H10.** Recruiting and Hiring Criteria have a significant influence on the HR System.
- H11.** Reward Systems have a significant influence on the HR System.
- H12.** Strategic facilitation of HRs has a significant influence on HR System Training and Skill Development Practices have a significant influence on HR System.
- H13.** HR systems have a significant effect in gaining competitive advantages in the market.

The research framework is shown in [Fig. 1](#).

2.3. Research gaps

Finding research gaps is an important part of the research process since it indicates areas that require more study. The following possible research gaps are noted in relation to this study.

- (i) The study looks at the connection between HR practices and competitive advantage; nevertheless, there might be a lack of information in the literature about which HR practices specifically affect competitive advantage in the banking industry ([Abunaila, 2022](#); [Mehta, 2016](#)). It notes that these methods can provide insightful information. A more thorough investigation of the banking industry's methods for determining competitive advantage would be beneficial to the research ([Abou-Moghli et al., 2012](#)). In this particular environment, some financial

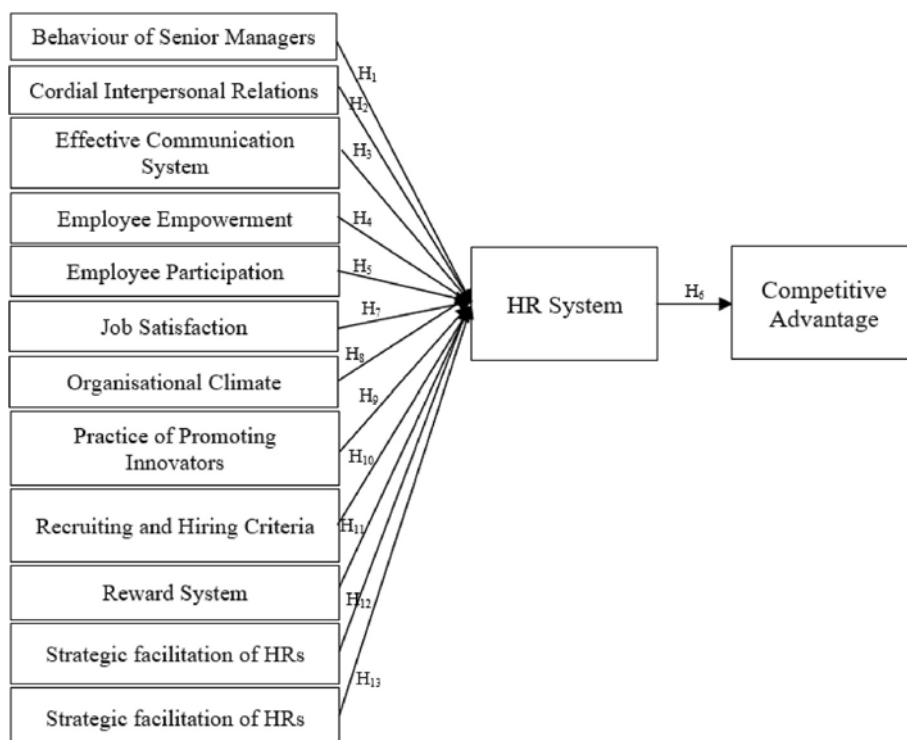


Fig. 1. A research framework.

measures or performance indicators hold greater significance, and HR practices play a role in these assessments (Guest et al., 2003).

- (ii) It looks into the external variables that might affect how well HR strategies work to provide an edge over competitors (Abunaila, 2022). The execution and results of HR policies are impacted by certain cultural or regulatory aspects that are specific to the Indian banking sector (Tiwari & Saxena, 2012).
- (iii) The impact of employee satisfaction and engagement on competitive advantage should be further explored in the study (Gonring, 2008). Better customer service results from highly engaged and contented staff members, and this creates a competitive advantage for banks (Kumar & Pansari, 2016).
- (iv) Research on HR procedures to encourage innovation and the adoption of new technologies could be conducted in light of the banking industry's rapid technological improvements (Bhutto et al., 2023). Talent with the abilities required for technological breakthroughs is attracted to and retained by HR practices (Holland et al., 2007).
- (v) The research delves into the possibility that sustainable HR practices give banks a competitive edge (Hatamleh, 2021). According to Ramburu and Pescador (2019), banks that prioritize ethical and sustainable activities are preferred by their clientele. In the Indian banking industry, different HR policies have varying implications on short- and long-term competitive advantage; some practices produce fast wins, while others offer long-term benefits (Abunaila, 2022; Mehta, 2016). Within banks, the function of HR procedures in risk management is examined. HR procedures play a part in improving competitive advantage through effective risk management techniques.

3. Research methodology

The present research is based on descriptive research design as the study aims to describe the current state of the HR system and the organization's competitive advantage. A descriptive study is often based on a large sample and is strict, pre-planned, and regimented (Churchill & Iacobucci, 2004; Hair et al., 2003; Malhotra, 1999). Data that enables the identification of connections or associations between two variables is also helpful (Aaker et al., 2000). Well-structured questionnaire was designed to cover a different dimension of HR practices and competitive advantages. The target population for the present study includes employees associated with banking organizations from Delhi and NCR region. A total of six hundred employees associated with public and private sector banks in Delhi and the NCR region were chosen for the proposed study. The sample size constituted 600 employees at the officer scale I level and above (or Assistant Managers) made up the sample size. Picked public and private sector banks represent more than 35% of the entire population, respectively, demonstrating that the sample is accurately reflective of the population. In total, nine hundred questionnaires were distributed personally to employees. We have received this number exceeded the sample size and finally, 765 were received. Out of them, 89 employees' responses were discovered to have been duplicated from those of other responders and not filled out honestly. Due to incomplete questionnaire responses and several empty remarks, 73 employees' responses were irrelevant. Therefore, through randomization and elimination techniques we found the response of only 603 employees was fit and to make the round Fig. 600 employees were considered for the analysis. The data has been collected during the period May 2022 and November 2022.

We gathered information from both primary and secondary sources. The primary methods for gathering data in this study were interviews, questionnaires, and secondary source analysis. Unstructured interview of managers was done. Two components comprise the research questionnaire. On a scale of 1 (strongly disagree) to 5 (Strongly agree), Section A has 61 statements while Section B has 9 statements. For testing

the reliability, the Cronbach alpha value was calculated and found within the limit (Jha et al., 2022; Paliwal et al., 2022; Verma et al., 2023). Using MS Excel and SPSS Software, the data from each questionnaire was coded and entered into the computer. So, manually check the entered data to ensure that it was entered correctly. The necessary statistical analysis and model testing were carried out using Smart PLS 4.0 Edition and Statistical Package for Social Sciences 22.0. All subjects with missing data were eliminated before data analysis was performed. Descriptive Analysis, Factor analysis, and PLS-SEM were employed to analyze the data. Fig. 2 presents the proposed research framework employed in this study and the demographics of the respondents are shown in Table 1.

4. Data analysis and results

4.1. Demographic characteristics of respondents

According to gender, title, and job history, the sample respondents' demographic profile is shown in Table 1 below. The data in Table 1 shows the demographic details of the respondents. The study indicates that out of 600 respondents, 423 (70.5%) were male, and 177 (29.5%) were female respondents. 233 (38.3%) respondents are junior category respondents. another 143 (23.8%) are from middle management, 193 (32.2%) are from senior management and 31 (5.2%) are from top management positions. The majority of the respondents have experience below 5 years as indicated by 195 (32.5%) respondents in the sample, 181 (30.2%) respondents indicated their work experience from 5 to 15 years, 65 (10.8%) respondents indicated their experience from 16.25 years, 144 (24%) respondents indicated their work experience from 26 to 35 years and remaining 15 (205%) respondents indicated their work experience of more than 35 years. It is observed that out of a total of 600 respondents, 366 (61%) respondents belong to public sector banks and 234 (39%) were from private sector banks.

4.2. Factor analysis and descriptive analysis

Factor analysis was carried out to identify the factors of the HR system for better competitive gains. Now as per our third objective, we must determine the aspects of HRs that will provide us with a competitive advantage. The components relating to HRs were found through exploratory factor analysis. Prior to doing the test to evaluate whether the sample size was sufficient, Bartlett's test of sphericity and KMO value were discovered to be 0.888 which indicates the sampling

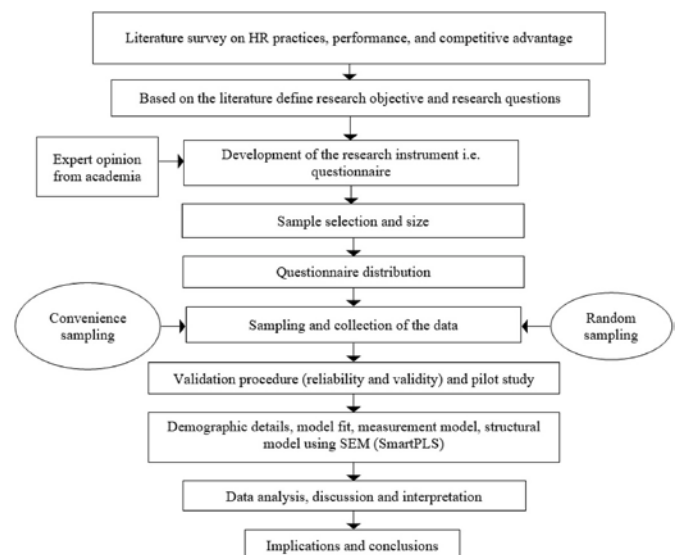


Fig. 2. Proposed research framework employed in this study.

Table 1
Distribution of sample (n = 600).

Categories	Description	Frequency	Percentage
Gender	Male	423	70.5
	Female	177	29.5
Level of Management	Junior	233	38.8
	Middle	143	23.8
	Senior	193	32.2
	Top	31	5.2
Work Experience	below 5	195	32.5
	5–15	181	30.2
	16–25	65	10.8
	26–35	144	24.0
	35 and above	15	2.5
Bank Sector	Public	366	61.0
	Private	234	39.0

adequacy data fitness for factor analysis (Raj et al., 2023). 12 important factors of the HR system were identified through SPSS software and taken for the study. All the factors, their factor loading, and descriptive statistics are presented in Table 2. The information presented in Table 2 indicates the descriptive statistics (mean, SD, and variance) of all the constructs and associated measurement variables of the HR System used for analyzing competitive advantages. It is observed that the Reward System has scored the highest mean of 3.6211 with SD = 0.63661 and Variance (σ) = 0.405. this is followed by Recruiting and Hiring Criteria (m = 3.6087, SD = 0.65041, Variance (σ) = 0.423), Job Satisfaction (m = 3.5885, SD = 0.62286, Variance (σ) = 0.388), Training & Skill Development Practices (m = 3.5854, SD = 0.53532, Variance (σ) = 0.287), The behavior of Senior Managers (m = 3.585, SD = 0.69495, Variance (σ) = 0.483), Employee Participation (m = 3.5842, SD = 0.63249, Variance (σ) = 0.4), Strategic facilitation of HR (m = 3.5407, SD = 0.59352, Variance (σ) = 0.352), The practice of Promoting Innovators (m = 3.5, SD = 0.55892, Variance (σ) = 0.312), Organizational Climate (m = 3.4958, SD = 0.61162, Variance (σ) = 0.374), Effective Communication System (m = 3.425, SD = 0.59835, Variance (σ) = 0.358), Cordial Interpersonal Relations (m = 3.367, SD = 0.62217, Variance (σ) = 0.387), Employee Empowerment (m = 3.2792, SD = 0.77105, Variance (σ) = 0.595).

Table 2 shows a detailed description of the factors identified above is given here as under the information showed. The descriptive statistics for all the measurement variables are presented in Table 3, which were used to analyze competitive advantages. Factor loading of all the components was found above 0.5. Measurement (Singh et al., 2023) variable like " Helpful in developing a respectful culture for better customer service" has scored the highest mean of 3.6283, SD = 0.73332, and variance = 0.538. The combined mean was found to be 3.47 with SD = 0.49 and variance = 0.249.

4.3. Measurement variable

A model element called the measurement model examines the connection between latent variables and their measurements. By enabling all latent variables to correlate, the structural model is frequently saturated to test the measurement model. The estimated model, sometimes referred to as the outer model, in PLS-SEM path modeling is concerned with the estimation of latent variables (Hair et al., 2014). Latent structures in this paradigm are composed of various reflecting experiences. Fig. 3 demonstrates how organizational justice variables influence employee retention and organizational citizenship behavior. Model fitness was evaluated using the tests for convergent validity, Cronbach's alpha, composite reliability, and AVE. Cronbach's reliability evaluations for all categories were much higher than the acceptable threshold of 0.6 and were on the verge of reaching the best edge of 0.7 (Hair et al., 2017). Table 4 shows the reliability statistics. Fig. 3 shows that the loading factors for all components in each construct were larger than 0.5, indicating that nothing was taken out of the model.

Table 2
A detailed description of factors identified.

	Factor loading	Mean	Std. Deviation	Variance
Recruiting and Hiring Criteria		3.6087	0.65041	0.423
Employees are hired on the basis of their competencies and experience; religion, region, and gender are less valued	0.977	3.5950	0.75405	0.569
Hiring practices are oriented toward retaining talent and having new ideas.	0.733	3.5883	0.75927	0.576
The HR manager in the organization provides the right kind of talent to the organization.	0.721	3.5883	0.74372	0.553
Positive reinforcement (rewards) is a strategy used by managers to keep performance levels high inside the company.	0.729	3.6867	0.81009	0.656
Reward System		3.6211	0.63661	0.405
The organization has designed a reward system for recognizing talent.	0.778	3.5533	0.76253	0.581
Competitive wages and rewards are paid to the employees in the organization.	0.842	3.7250	0.79189	0.627
There are clear promotional policies that help one to advance if one proves one's abilities in the organization.	0.842	3.5850	0.76622	0.587
Training & Skill Development Practices		3.5854	0.53532	0.287
The company has a thoughtfully created and widely accepted training policy.	0.771	3.6167	0.80049	0.641
According to policy, training programs are frequently provided for employees.	0.702	3.5650	0.73712	0.543
Training programs envision the future requirements of the organization.	0.738	3.6567	0.68036	0.463
Line managers create the ideal environment for implementing fresh approaches and techniques during training.	0.700	3.4600	0.71595	0.513
The organization can effectively build its human relations competencies by honing its employee skills.	0.740	3.5950	0.74738	0.559
There is an adequate emphasis on developing managerial capabilities and competencies through training in the organization.	0.785	3.7200	0.77196	0.596
There is substantial improvement in the performance of the organization once the employees undergo a training program.	0.691	3.5650	0.76163	0.580
Employee development is a key focus area in this organization.	0.657	3.5050	0.76656	0.588
Organizational Climate		3.4958	0.61162	0.374
The organization is seriously concerned about employees' welfare.	0.684	3.5067	0.80064	0.641
The employees of the company are supportive of one another.	0.515	3.4633	0.81431	0.663
Every person at the company is inclined to pick up new knowledge and skills because the environment there is so favorable.	0.545	3.4700	0.87007	0.757
Employee wellbeing is ensured by the firm, making workers unwilling to quit.	0.876	3.5033	0.86288	0.745

(continued on next page)

Table 2 (continued)

	Factor loading	Mean	Std. Deviation	Variance
The organization believes in maintaining homogeneous HR practices for a heterogeneous set of employees.	0.890	3.5267	0.86247	0.744
Employee welfare is so well taken care of by the company that workers are willing to put a lot of mental effort into their jobs.	0.768	3.5050	0.83134	0.691
The behavior of Senior Managers		3.5850	0.69495	0.483
Managers are effective leaders who inspire workers to provide their best effort.	0.936	3.6217	0.75020	0.563
The managers/officers view the development of subordinates as a crucial component of their duties.	0.923	3.6200	0.77671	0.603
An employee is appreciated by his/ her supervisors for good work performance.	0.935	3.6300	0.74433	0.554
It is encouraged for workers to communicate their feelings to their bosses.	0.738	3.4683	0.90019	0.810
Cordial Interpersonal Relationship(CIR)		3.5842	0.63249	0.400
Workers are very open and honest with their managers about any issues they are having.	0.771	3.5583	0.83931	0.704
Supervisors handle mistakes made by any employee with compassion and empathy with the erring employees.	0.938	3.6000	0.79439	0.631
Boss treats the employees fairly concerning dignity and integrity.	0.932	3.5850	0.78982	0.624
Employees are informed about their inadequacies in a non-threatening manner.	0.514	3.5933	0.76087	0.579
Effective Communication System		3.4250	0.59835	0.358
Organizations employ a range of strategies to foster effective two-way communication.	0.73	3.4250	0.83798	0.702
Top management shares the business plans and results with employees regularly.	0.603	3.4217	0.83368	0.695
The management gives employees feedback on both the positive and negative parts of their job on a regular basis.	0.813	3.3933	0.78293	0.613
All detail regarding the business concerns of the corporation is well communicated to employees.	0.671	3.4533	0.84004	0.706
Employees are provided with clear instructions and sufficient resources regarding new assignments.	0.824	3.3700	0.78579	0.617
A strategy for employee retention encourages good employee communication, which in turn encourages employee commitment.	0.743	3.4867	0.83924	0.704
Employee Participation		3.3670	0.62217	0.387
All of the staff members regularly take part in interactive discussions and question-and-answer sessions, as do the senior managers.	0.741	3.2917	0.84723	0.718
The organization accepts suggestions to improve work performance.	0.787	3.4833	0.75764	0.574
Workers are given enough time to plan organizational	0.724	3.2967	0.84450	0.713

Table 2 (continued)

	Factor loading	Mean	Std. Deviation	Variance
improvements after they return from training.				
Employees participate in determining the training needs regularly and frequently.	0.851	3.3617	0.78436	0.615
Participative mechanisms (quality circles, problem-solving teams, etc.) are used in the organization.	0.723	3.4017	0.82146	0.675
Employee Empowerment		3.2792	0.77105	0.595
The core practices of the organization are always assigned to the employees.	0.615	3.3400	0.90688	0.822
Authority to make decisions is given to the employees.	0.893	3.0917	1.04965	1.102
The work offers enough possibilities to put an employee's skills to use.	0.744	3.5767	0.87487	0.765
Management encourages empowerment by delegating authority and accountability at all levels of the organization.	0.901	3.1083	1.03201	1.065
The practice of Promoting Innovators		3.5000	0.55892	0.312
Employee experimentation with novel approaches and original concepts is encouraged.	0.920	3.4083	0.77627	0.603
The organization appreciates employees who instinctively do their job.	0.622	3.5383	0.71837	0.516
The workplace is the breeding ground for new ideas in the organization.	0.901	3.3567	0.80241	0.644
This organization has an effective mechanism for identifying and engaging high-performing employees.	0.478	3.6967	0.70863	0.502
Job Satisfaction		3.5885	0.62286	0.388
Employees have sufficient avenues in the organization to grow and develop skills.	0.704	3.6000	0.92091	0.848
Employees are committed to the organization.	0.777	3.6667	0.89081	0.794
.Employees recommend this organization to others as a great place to work.	0.798	3.6433	0.97006	0.941
Employees feel a sense of belongingness with the organization.	0.905	3.7217	0.87300	0.762
One's job is secure, as long as one performs well in the organization.	0.693	3.5317	0.95070	0.904
The compensation package in the organization is fair compared to others in the industry.	0.707	3.1467	0.95044	0.903
Employees are satisfied with employment benefits and it facilitates better performance.	0.634	3.5817	0.85316	0.728
Fringe benefits and retirement security are paid to employees in the organization.	0.641	3.7817	0.81554	0.665
Strategic facilitation of HR		3.5407	0.59352	0.352
The top management thinks that because HRs are such a valuable asset, they should be handled more humanely.	0.656	3.5267	0.78761	0.620
Management is of the view that the HR department contributes to the bottom line and also to the top line.	0.933	3.5483	0.81370	0.662
In this organization, HR strategy is drawn from and aligned with the overall business strategy.	0.932	3.5500	0.81359	0.662

(continued on next page)

Table 2 (continued)

	Factor loading	Mean	Std. Deviation	Variance
The mechanism exists to evaluate the contribution of HR to organizational performance.	0.537	3.5400	0.75011	0.563
The organization invests regularly in the development of employee skills and competencies.	0.658	3.5383	0.78924	0.623
Valid N (listwise)				

Table 3
Competitive advantages: A descriptive statistics.

	Factor Loading	Mean	Std. Deviation	Variance
Competitive Advantages (CA)		3.4741	0.49859	0.249
Enhancement in innovation and creativity to gain a competitive advantage.	0.515	3.4650	.73007	.533
More competitive employees as compared to competitors.	0.636	3.4483	.70344	.495
Helpful in developing a respectful culture for better customer service.	0.657	3.6283	.73332	.538
Positivity among employees for better performance	0.761	3.5617	.75530	.570
Improvement in the organizational communication process and development of self-directed teams to accomplish the mission, vision, and goals of the organization	0.740	3.5550	.65653	.431
Improvement in employee quality, productivity, and service.	0.768	3.4167	.67366	.454
Greater work involvement and commitment	0.808	3.4083	.70883	.502
Enhanced job satisfaction and work motivation of employees lead to increases in the productivity of the organization	0.594	3.3500	.74728	.558
Helps in the adoption of business ethics management believes that the people provide the competitive advantage in the conduct of business in the organization.	0.836	3.4333	.69260	.480
Valid N (listwise)				

Table 4 demonstrates that the CR for all constructs is more than 0.70, with AVE values ranging from 0.503 (Competitive Advantage) to 0.786 (Senior Manager Behavior). To evaluate discriminant validity, Fornell and Larcker (1981) compared the relationship coefficients (off-diagonal) for each construct in the pertinent rows and columns with the square root of each AVE in the inclining. Table 5 has no conflicts, and discriminant validity may be validated in general.

4.4. Structural model

Using "PLS-SEM," the structural model's fitness was evaluated. In the PLS-SEM approach, standardized coefficients, R², and VIF were used to test a structural model's fitness (Hair et al., 2019). VIFs should be less than 5.0, R² should fall between certain cutoff lines, and standardized coefficients should be truly significant in order to prevent factor multicollinearity (Hair et al., 2019; Johnston et al., 2018). When two or more indicator constructs have a high correlation with one another, a construct can be accurately predicted by another indicator variable, this is known as collinearity. The Variance Inflation Factor, or VIF, is a

measure of collinearity and is generally considered to be free of collinearity problems. Every VIF was greater than 1.0, and the highest VIF (2.140) fell within the allowed range. Multicollinearity was shown not to be a problem. R² calculations revealed that the remaining structural model components were responsible for 83.8% of the competitive advantage and 99.9% of the HR System (presented in Table 6). All of the standardized path coefficients were significant at the = 0.01 level. Taking everything into account, these requirements verified the structural model's suitability.

A model relationship (path coefficients) between constructs that reflect the anticipated relationship between the components is provided by the PLS-SEM approach. Table 7 shows path coefficients, t-values, and p-values for each component of the HR system such as the behavior of Senior Managers, Competitive Advantage, Cordial Interpersonal Relations, Effective Communication System, Employee Empowerment, Employee Participation, Job Satisfaction, Organizational Climate, Practice of Promoting Innovators, Reward System, Strategic facilitation of HRs and Training and Skill Development Practices was found significant (t > 1.96, p < 0.05) indicating that all the proposed construct significantly contributes towards building effective HR system. Test statistics confirmed that Recruiting and Hiring Criteria do not have a significant effect on the HR system (β = 0.915, t = 148.316, p = 0.000, p < 0.05) and hence accepting the proposed hypothesis and concluded that the HR system has a significant effect on gaining competitive advantages by the banks.

5. Discussion and findings

Statistics showed that Indian banks have a somewhat developed HR system, although they do not currently place a lot of emphasis on these practices. So, they need to start concentrating more on it in order to compete in the market and provide better outcomes. The information shows that Indian banks enjoy a little competitive advantage. They should begin concentrating on their resources and put effective HR procedures and policies in place if they want to increase their competitive advantage through their HR. These characteristics from the factor analysis, all accounted for 63.59 percent of the variance and were identified as HR factors that result in competitive advantage. As a result of their lack of attention to their HR practices and policies, Indian banks were found to have a moderately strong HR system and a moderately strong competitive advantage. Also, there are intersectional variations in the HR systems used by banks and the competitive advantage status they have attained.

To confirm this, a conversation with the managers was held, and the results showed that they thought the HR systems in the banks still needed a lot of fine-tuning. To gain a competitive advantage, banks must concentrate on those practices that will foster an environment where everyone is eager to learn, practices that will develop their HRs, make them competitive, and practices that will make them innovative so that the employees can participate and perform at a high level instinctively. The most crucial thing is to keep those top performers by rewarding and appreciating them according to their performance. Employees who are happy, knowledgeable, and committed produce extraordinary results with improved service quality, which increases customer satisfaction. There is room for improvement, but it appears that Indian banks have a relatively strong HR system and a moderately significant competitive edge. The interaction with managers and the data both show that implementing strong HR practices and policies can boost competitive advantage, but there is still work to be done in this area.

Indian banks should prioritize developing a culture of learning and growth, supporting innovation, and keeping top performers in order to enhance their HR processes. This can be accomplished in a number of ways, including by offering chances for training and development, fostering a positive work environment, recognizing and rewarding employee excellence, and providing competitive pay and benefits. Indian banks can increase their competitive advantage, recruit and retain

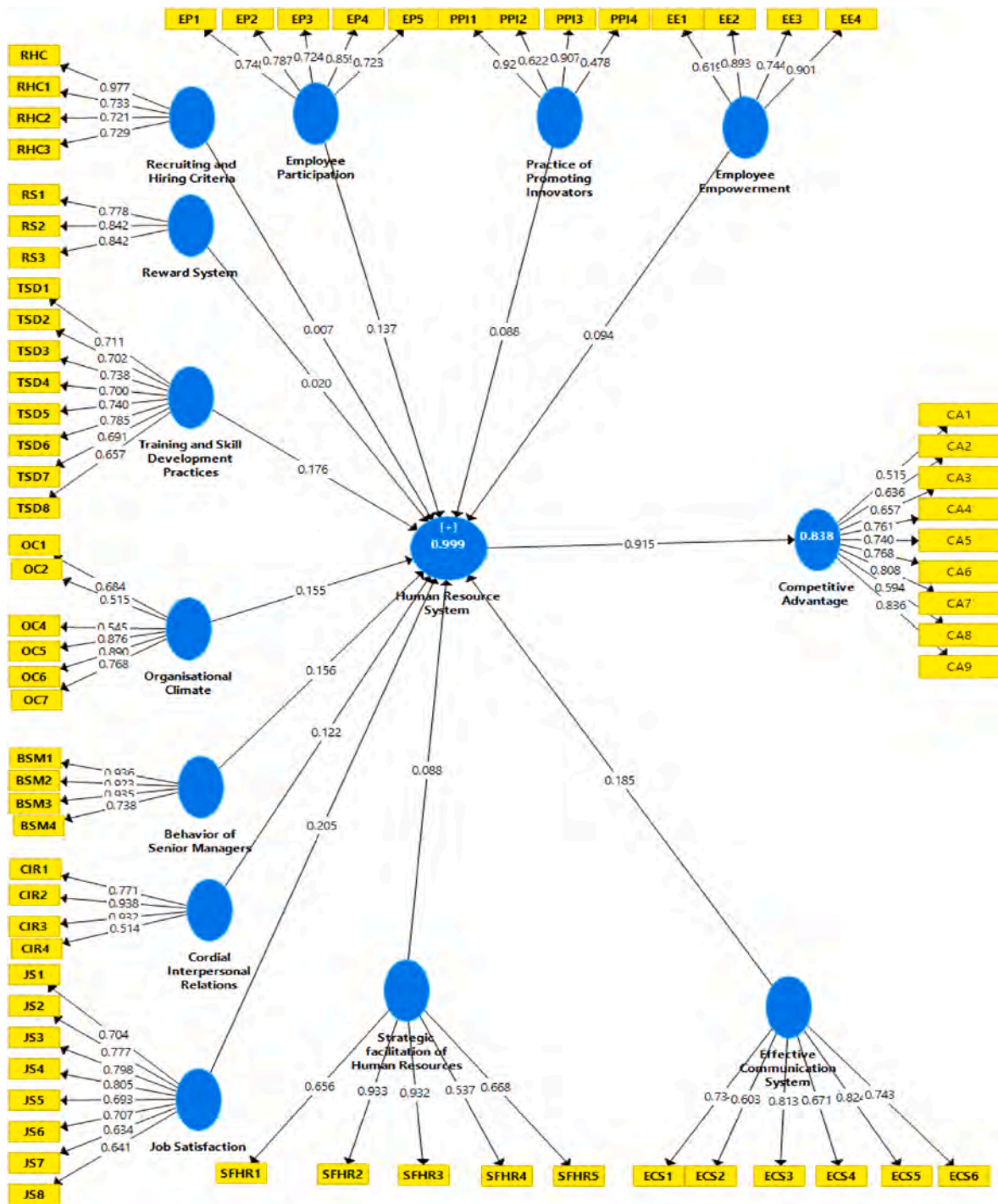


Fig. 3. Measurement model.

top staff, and ultimately deliver better results for their customers by investing in their HR systems and procedures.

From several angles, it is possible to assess the theoretical ramifications of Indian banks' use of human resources to obtain a competitive edge. According to the premise of the resource-based view, a company's resources, especially its human resources, can provide it with a competitive advantage (Faugoo, 2009). When it comes to Indian banks, human resource methods like performance management, employee engagement, and staff training and development can produce a valuable and unique resource that is challenging for rivals to replicate (Carmeli & Schaubroeck, 2005). In order to acquire a competitive advantage, the RBV theory, therefore, supports the significance of human resource

practices. According to the social exchange hypothesis, the exchange of resources, such as fair compensation, job stability, and possibilities for growth and development, affects an employee's level of commitment and loyalty to the company. Higher levels of employee performance, loyalty, and lower turnover rates are anticipated to be received by Indian banks that make investments in human resource policies that encourage employee happiness, motivation, and commitment. According to institutional theory, corporations must adhere to societal norms, values, and expectations in order to succeed. In the case of Indian banks, adopting human resource strategies that comply with social norms, such as promoting equality of opportunity, diversity, and ethical conduct, can improve the organization's standing, validity, and dependability while

Table 4
Reliability statistics.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)	VIF
The behavior of Senior Managers	0.906	0.904	0.936	0.786	2.086
Competitive Advantage	0.872	0.880	0.899	0.503	NA
Cordial Interpersonal Relations	0.804	0.849	0.877	0.651	1.609
Effective Communication System	0.826	0.829	0.875	0.540	2.140
Employee Empowerment	0.799	0.802	0.873	0.636	1.663
Employee Participation	0.827	0.829	0.879	0.593	2.139
Job Satisfaction	0.867	0.871	0.897	0.522	1.930
Organizational Climate	0.821	0.870	0.866	0.530	1.565
The practice of Promoting Innovators	0.719	0.783	0.833	0.571	1.607
Recruiting and Hiring Criteria	0.932	3.716	0.873	0.636	1.033
Reward System	0.761	0.774	0.861	0.675	1.073
Strategic facilitation of HR	0.801	0.825	0.869	0.581	1.268
Training & Skill Development Practices	0.864	0.867	0.894	0.513	1.676

also giving it a competitive edge. According to the contingency hypothesis, there is no one optimum way to manage an organization; rather, it relies on particular circumstances. Indian banks can acquire a competitive edge by offering creative and adaptable solutions if they adjust their human resource strategies to the altering business environment and client needs. In conclusion, the RBV, Social Exchange Theory, Institutional Theory, and Contingency Theory are significantly affected by Indian banks' use of human resource techniques to obtain a competitive edge. According to these theories, investing in human resource strategies that meet social standards, foster employee satisfaction and commitment, and adapt to the changing business environment can result in a rare and valuable resource that is challenging for rivals to duplicate.

The study emphasizes the discovery of particular HR strategies that help Indian banks obtain a competitive edge. Additionally, it examines how HR procedures directly affect the banks' ability to compete in the market and their financial results. The efficacy of distinct HR strategies across banks should be compared in order to identify which ones are most important for obtaining a competitive advantage. Additionally, it provides insights into which HR efforts and techniques significantly boost Indian banks' competitive edge and explains the relationship between employee engagement, retention tactics, and the competitiveness of the banks. HR procedures give banks insight and encourage flexibility, creativity, and agility so they can react to market shifts and obtain a competitive advantage. Moreover, recommendations for enhancing the banks' competitive advantage through the introduction of new HR practices or the optimization of current ones. It is advised for policy modifications or revisions that better match the objective of obtaining a competitive advantage with HR practices. The research offers recommendations on areas in which banks should spend money on HR development to increase their industry competitiveness. The study's conclusions may have an effect on India's larger banking sector, possibly affecting HR policies at other banks and providing insight into how HR policies will develop going forward and how they contribute to preserving or enhancing the banking industry's competitive edge. The main conclusions of the study were summed up, along with their importance when considering Indian banks' competitive edge. A thorough explanation and summary of these conclusions, backed by statistical analysis and quantitative data from surveys carried out inside Indian banks, are probably included in the product.

5.1. Theoretical implications:

The study backs up the resource-based view of the firm, which contends that a company's human resource management strategies can provide it with a competitive edge. According to the study, human resource strategies including training, development, performance reviews, and awards can produce valuable, uncommon, unique, and non-replaceable resources that can result in a long-lasting competitive advantage. The study also backs up the human capital hypothesis, which

contends that putting money into people can improve an organization's performance. According to the study, human resource activities like training and development can improve employees' knowledge, talents, and skills, which can ultimately result in greater job performance and improved organizational performance. The study also backs up the institutional hypothesis, which contends that businesses follow societal expectations and conventions. According to the survey, Indian banks are complying with social demands to implement human resource policies that are regarded as fair and just.

5.2. Practical implications:

According to the survey, Indian banks may gain a competitive edge by implementing efficient hiring and selection procedures that attract and recognize skilled workers. To keep the trust and loyalty of its staff, banks must also make sure that their hiring procedure is fair and open. According to the report, Indian banks should spend money on staff training and development to improve their workers' knowledge, skills, and aptitudes. The banks should offer personalized formal and informal training programs that are based on the individual requirements of their staff. The report advises Indian banks to implement a performance evaluation system that is fair, open, and impartial. Employees who perform well should also receive awards and recognition from the banks, as this will increase their drive and dedication. According to the survey, Indian banks should embrace socially conscious measures to improve their standing and image. The banks should be dedicated to moral and environmentally responsible business operations that advance societal welfare. The report advises Indian banks to compare their human resource strategies to those of their rivals in order to pinpoint successful strategies and potential areas for development. The external environment should be monitored by the banks as well in order to spot new trends and modify their human resource management procedures accordingly.

5.3. Societal implications:

To comprehend the broader influence of HR strategies on society, employees, and the banking industry, it is imperative to examine the societal ramifications of Indian banks using HR techniques to obtain a competitive edge. The HR procedures used by Indian banks have an impact on the health and well-being of their workers, so it's important to implement policies and programs that specifically target enhancing the work-life balance and job satisfaction of bank workers (Kumari, 2012). Human resource strategies have a significant impact on the skills and capacities of bank workers. They also support diversity and inclusion in Indian banks and help people advance professionally and become employable in the banking industry (Muduli et al., 2016). It demonstrates how diversity influences customer service, work environments, and public opinions of the banking sector (Akpakip, 2017). Bank HR policies support the provision of banking services to underprivileged or

Table 5
Discriminant validity: Fornell-Larcker criterion.

	The behavior of Senior Managers	Competitive Advantage	Cordial Interpersonal Relations	Effective Communication System	Employee Empowerment	Employee Participation	Job Satisfaction	Organizational Climate	The practice of Promoting Innovators	Recruiting and Hiring Criteria	Reward System	Strategic facilitation of HR	Training and Skill Development Practices
The behavior of Senior Managers	0.887												
Competitive Advantage	0.758	0.709											
Cordial Interpersonal Relations	0.516	0.685	0.807										
Effective Communication System	0.607	0.875	0.472	0.735									
Employee Empowerment	0.425	0.490	0.284	0.486	0.798								
Employee Participation	0.444	0.712	0.409	0.577	0.511	0.770							
Job Satisfaction	0.545	0.613	0.490	0.511	0.483	0.502	0.723						
Organizational Climate	0.446	0.680	0.411	0.480	0.283	0.447	0.450	0.728					
The practice of Promoting Innovators	0.431	0.492	0.300	0.403	0.423	0.548	0.403	0.302	0.756				
Recruiting and Hiring Criteria	0.024	0.040	0.010	-0.014	-0.001	0.019	0.048	0.117	0.056	0.797			
Reward System	0.091	0.122	0.144	0.083	0.126	0.012	0.138	0.165	0.060	0.038	0.821		
Strategic facilitation of HR	0.362	0.399	0.241	0.334	0.229	0.358	0.273	0.268	0.346	0.082	0.033	0.762	
Training and Skill Development Practices	0.492	0.536	0.420	0.446	0.444	0.453	0.518	0.394	0.393	-0.005	0.159	0.310	0.716

Table 6
R square.

	R Square	R Square Adjusted
Competitive Advantage	0.838	0.838
HR System	0.999	0.999

Table 7
Path coefficient: Mean, STDEV, T-Values, P-values.

Hypothesis	Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values	Result
H1	The behavior of Senior Managers - > HR System	0.156	0.155	0.006	25.404	0.000	Supported
H2	Cordial Interpersonal Relations - > HR System	0.122	0.122	0.006	20.853	0.000	Supported
H3	Effective Communication System - > HR System	0.185	0.185	0.007	26.219	0.000	Supported
H4	Employee Empowerment - > HR System	0.094	0.094	0.006	16.809	0.000	Supported
H5	Employee Participation - > HR System	0.137	0.137	0.007	20.334	0.000	Supported
H6	HR System - > Competitive Advantage	0.915	0.916	0.006	148.316	0.000	Supported
H7	Job Satisfaction - > HR System	0.205	0.204	0.008	24.133	0.000	Supported
H8	Organizational Climate - > HR System	0.155	0.155	0.010	15.125	0.000	Supported
H9	The practice of Promoting Innovators - > HR System	0.088	0.088	0.005	16.768	0.000	Supported
H10	Recruiting and Hiring Criteria - > HR System	0.007	0.007	0.010	0.634	0.526	Not Supported
H11	Reward System - > HR System	0.020	0.019	0.006	3.198	0.001	Supported
H12	Strategic facilitation of HRs - > HR System	0.088	0.088	0.009	10.195	0.000	Supported
H13	Training and Skill Development Practices - > HR System	0.176	0.175	0.009	18.862	0.000	Supported

rural communities and are connected to initiatives for financial inclusion in society at large (Kanungo & Gupta, 2021). Workers in the banking industry are urged to uphold moral principles that impact public confidence in the industry (Jizi et al., 2014). HR procedures have a constant impact on the level of customer service provided by banks as well as the social benefits of higher customer satisfaction and increased trust in financial institutions (Kheng et al., 2010). Indian banks are in favor of HR-driven corporate social responsibility (CSR) initiatives that improve society (Singh & Gupta, 2016). The local economies in which banks operate are impacted by the competitive advantage obtained by HR practices, which also helps to create jobs and employment possibilities in the banking and financial industries (Ahmed et al., 2022, 2023a, 2023b). The public’s opinion and level of trust in the banking sector are shaped by the HR policies of Indian banks.

6. Conclusions, limitations, and future research direction

In general, gaining a competitive advantage through human resource practices is an essential aspect of organizational success, and this is true for Indian banks as well. HR practices can play a vital role in shaping an organization’s culture, improving employee engagement, and increasing productivity. By adopting best HR practices, banks can attract and retain talented employees, build a skilled workforce, and enhance customer satisfaction. Some of the HR practices that banks can adopt include effective performance management systems, employee training, and development programs, fair compensation and benefits structures, employee engagement initiatives, and a strong focus on diversity and inclusion. In conclusion, by establishing efficient HR procedures that foster a healthy work atmosphere and encourage people to give their best efforts, Indian banks can acquire a competitive edge. As a result, banks may be better able to satisfy customers, develop a positive reputation, and expand their business.

The study’s focus is only on the top six Indian banks in Delhi and the National Capital Region. 600 personnel at the Officer Scale I level and above (or Assistant Managers) made up the sample size. So, the results

are generalized in relation to the parameters discovered, which are then generalized in reference to a wider geographic scope, the inclusion of more banks, or the workforce. Given that the limitations, time constraints, and financial constraints all affect the outcomes provided in this study. To improve the context and consequences of the research, it is imperative to discuss the generalizability and importance of comprehending HR practices in emerging nations such as India. It is acknowl-

edged that this study’s regional concentration is on Delhi and the NCR. While the analysis and results are relevant for this particular region, cultural, economic, and contextual factors may limit their generalizability to other regions of India or other countries with similar economic characteristics. Subsequent investigations may examine the generalizability of the results to other areas by comparative analyses or by broadening the focus to include a more varied geographic region. Drawing more general conclusions and suggestions may benefit from this. The study highlights how important it is to comprehend HR practices in developing nations because of the special opportunities and problems that these settings bring. To take into account the shifting dynamics in various areas, HR procedures must change. In emerging countries, social norms and cultural aspects are also important for HR management. Further research might be done to examine the ways in which these variables affect HR procedures. The findings can promote efficient HR practices to enhance economic growth and have ramifications for business groups, government programs, and educational institutions in emerging nations.

CRedit authorship contribution statement

Saloni Pahuja: Conceptualization, Writing – original draft. **Seema Mahlawat:** Investigation, Resources, Supervision, Validation. **Vimal Kumar:** Investigation, Methodology, Supervision, Writing – review & editing. **Raj Kumar Sah:** Conceptualization, Investigation, Validation. **Minakshi Paliwal:** Formal analysis, Supervision. **Sumanjeet Singh:** Supervision, Writing – review & editing. **Manoj Kumar:** Supervision.

Declaration of competing interest

The current manuscript titled “*Gaining Competitive Advantage Status through Human Resource Practices: A study of Indian Banks*” is original work and never published before in any form anywhere. There is no conflict of interest associated with this manuscript with anyone to its publication. All the authors have given their significant contributions

to this manuscript. I corresponding author to the manuscript declare that the manuscript has been read and approved by all the associated authors of the manuscript and they all consented to its submission.

Appendix A. Supplementary data

Supplementary data to this article can be found online at <https://doi.org/10.1016/j.ssaho.2024.100804>.

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