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THE RELATIONSHIP OF HUMAN RESOURCES  
MANAGEMENT PRACTICES ON JOB  
PERFORMANCE IN UAE SELECTED  
BANK WITH THE MEDIATING  
ROLE OF EMPLOYEE  
MOTIVATION



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AMNA AHMAD HASSAN ALI

SULTAN IDRIS EDUCATION UNIVERSITY

2024



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THE RELATIONSHIP OF HUMAN RESOURCES MANAGEMENT PRACTICES  
ON JOB PERFORMANCE IN UAE SELECTED BANK WITH THE  
MEDIATING ROLE OF EMPLOYEE MOTIVATION

AMNA AHMAD HASSAN ALI



DISSERTATION PRESENTED TO QUALIFY FOR A MASTER OF  
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(RESEARCH MODE)

FACULTY OF MANAGEMENT AND ECONOMICS  
SULTAN IDRIS EDUCATION UNIVERSITY

2024





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## ABSTRACT

Human Resource Management (HRM) practices are a pillar of financial services offered by the banks. The role of HRM practices in banks, such as training and development, performance appraisal, HR planning, and compensation, are insufficient to boost employees' performance without intrinsic and extrinsic motivational factors. Therefore, this study aims to examine the effect of HRM practices on job performance and employee motivation, as well as the mediating influence of employee motivation between HRM practices and job performance. To achieve this aim, quantitative method was applied to answer the research questions and validate the proposed framework. A stratified random sampling technique was applied to select a sample of 450 employees from three banks in the UAE (HSBC Bank, Abu Dhabi Commercial Bank, and Emirates Islamic Bank). The result revealed that HRM practices are significantly related to job performance ( $p = 0.05$ ; Beta = 0.55) and employee motivation ( $p = 0.00$ ; Beta = 0.75). In addition, employee motivation has a significant relationship with job performance ( $p = 0.02$ ; Beta = 0.53). On the other hand, employee motivation partially mediates the relationship between HRM practices and job performance. Hence, the HR manager needs to focus on the factors that motivate the bank's staff, such as bonuses, monetary and non-monetary incentives, and increase salaries according to performance, and attempt to understand how these factors direct the employees to boost their performance in achieving work assignments. In practice, the findings of this study are important for policymakers in the UAE government and financial authorities in UAE to use the outcome of this study to set a guideline for HR managers in banks to promote the performance of employees based on related motivation plans.



## HUBUNGAN AMALAN PENGURUSAN SUMBER MANUSIA TERHADAP PRESTASI KERJA DI BANK TERPILIH DI UAE DENGAN PERANAN PENGANTARA MOTIVASI PEKERJA

### ABSTRAK

Amalan Pengurusan Sumber Manusia (HRM) merupakan tonggak perkhidmatan kewangan yang ditawarkan oleh bank. Peranan amalan HRM di bank, seperti latihan dan pembangunan, penilaian prestasi, perancangan HR dan pampasan, tidak mencukupi untuk meningkatkan prestasi pekerja tanpa faktor motivasi intrinsik dan ekstrinsik. Oleh itu, kajian ini bertujuan untuk mengkaji kesan amalan HRM terhadap prestasi kerja dan motivasi pekerja, serta pengaruh motivasi pekerja sebagai pengantara antara amalan HRM dan prestasi kerja. Untuk mencapai matlamat ini, kaedah kuantitatif digunakan untuk menjawab persoalan kajian dan mengesahkan rangka kerja yang dicadangkan. Teknik persampelan rawak berstrata telah digunakan untuk memilih 450 pekerja daripada tiga bank di UAE (Bank HSBC, Bank Komersial Abu Dhabi dan Bank Islam Emirates). Keputusan menunjukkan bahawa amalan HRM mempunyai kaitan yang signifikan dengan prestasi kerja ( $p = 0.05$ ; Beta = 0.55) dan motivasi pekerja ( $p = 0.00$ ; Beta = 0.75). Selain itu, motivasi pekerja mempunyai hubungan yang signifikan dengan prestasi kerja ( $p = 0.02$ ; Beta = 0.53). Sebaliknya, motivasi pekerja sebahagiannya menjadi pengantara hubungan antara amalan HRM dan prestasi kerja. Oleh itu, pengurus HR perlu memberi tumpuan kepada faktor-faktor yang mendorong kakitangan bank, seperti bonus, insentif kewangan dan bukan kewangan, dan meningkatkan gaji mengikut prestasi, serta cuba memahami bagaimana faktor-faktor ini mendorong pekerja untuk meningkatkan prestasi mereka dalam tugas kerja. Secara praktiknya, dapatan kajian ini adalah penting bagi penggubal dasar kerajaan UAE dan pihak berkuasa kewangan di UAE bagi menetapkan garis panduan bagi pengurus HR di bank untuk mempromosikan prestasi pekerja berdasarkan pelan motivasi yang berkaitan.



## CONTENTS

	Page
<b>DECLARATION OF ORIGINAL WORK</b>	ii
<b>DECLARATION OF DISSERTATION</b>	iii
<b>ACKNOWLEDGEMENT</b>	iv
<b>ABSTRACT</b>	v
<b>ABSTRAK</b>	vi
<b>CONTENT</b>	vii
<b>LIST OF TABLES</b>	
<b>LIST OF FIGURES</b>	
<b>LIST OF ABBREVIATIONS</b>	
<b>CHAPTER 1 INTRODUCTION</b>	
1.1 Introduction	1
1.2 Background of Study	4
1.3 Problem Statement	7
1.4 Research Questions	11
1.5 Research Objectives	12
1.6 Significance of Study	12
1.7 Scope of Study	13
1.8 Operational Definitions	14
1.9 Chapter Summary	15
<b>CHAPTER 2 LITERATURE REVIEW</b>	
2.1 Introduction	16
2.2 The UAE Economy	17



2.3	The Banking Sector of UAE	20
2.4	Theoretical Background	23
2.4.1	Resource Based View	23
	2.4.1.1 RBV in the banking sector	28
2.4.2	Motivational Theory	33
2.5	HRM Practices	43
2.5.1	The Institutional Perspective of HRM Practices	49
2.5.2	HRM in the UAE	52
2.5.3	The challenges of HRM in UAE	61
2.5.4	HRM Practices in Banking Industry	64
2.5.5	Measurement of HRM Practices	74
	2.5.5.1 HR planning	77
	2.5.5.2 Recruitment and Selection	79
	2.5.5.3 Training and Development	81
	2.5.5.4 Performance Appraisal	86
	2.5.5.5 Compensations	87
2.6	Job Performance	91
2.6.1	Job Performance in Banking Sector	101
2.6.2	Job Performance Issues in UAE	105
2.6.3	Measurements of Job Performance	107
	2.6.3.1 Task Performance	111
	2.6.3.2 Adaptive Performance	112
	2.6.3.3 Contextual Performance	112
2.7	Employee Motivation	114

2.7.1	Motivational Factors	117
2.7.2	Employee Motivation in the Banking Sector	126
2.7.3	Measurements of Employee Motivation	129
2.7.3.1	Extrinsic motivation	132
2.7.3.2	Intrinsic Motivation	133
2.8	Literature and Theoretical Gaps	136
2.9	Hypothesis Development	137
2.9.1	Hypothesis 1: The Relationship between HRM Practices and Job Performance	138
2.9.2	Hypothesis 2: The Relationship between HRM Practices and Employee Motivation	143
2.9.3	Hypothesis 3: The Relationship between Employee Motivation and Job Performance	146
2.9.4	Hypothesis 4: The Mediation Role of Employee Motivation	150
2.10	Conceptual Framework	152
2.11	Chapter Summary	156

### CHAPTER 3 RESEARCH METHODOLOGY

3.1	Introduction	158
3.2	Research Design	159
3.3	Data Collection Procedure	161
3.4	Population and Sampling Technique	163
3.5	Sample Size	164
3.6	Unit of Analysis	167
3.7	Data Collection Instrument	169
3.7.1	The Development of Questionnaire	171
3.8	Validation of the Questionnaire	174

3.9	Pilot Study	175
3.10	Data Analysis and Statistics	177
3.10.1	Descriptive Statistics	179
3.10.2	Construct Validity	179
3.10.3	Exploratory Factor Analysis	180
3.10.4	Confirmatory Factor Analysis	181
3.10.5	Structural Equation Modeling	182
3.10.6	Mediating Analysis	183
3.11	Ethical Assurance	185
3.12	Chapter Summary	185

## CHAPTER 4 RESULTS & FINDINGS

4.1	Introduction	187
4.2	Exploratory Data Statistics	188
4.2.1	Data Reliability	188
4.2.2	Exploratory Factor Analysis	189
4.2.2.1	KMO and Bartlett's Test	189
4.2.2.2	Communalities	189
4.2.2.3	Total variance explained	190
4.2.2.4	Rotated component matrix	192
4.3	Descriptive Statistics	193
4.3.1	Response Rate and Data Filtration	193
4.3.2	The Outliers	194
4.3.3	Demographic Analysis	196
4.3.4	Central Tendency Measures	197
4.4	Inferential Statistics	198

4.4.1	Construct Validity Analysis	199
4.4.2	Confirmatory Factor Analysis	201
4.4.3	Structural Model Analysis	207
4.4.4	Hypotheses Analysis	208
4.4.5	Mediation Analysis	214
4.5	Chapter Summary	217

## CHAPTER 5 CONCLUSIONS & RECOMMENDATIONS

5.1	Introduction	218
5.2	Research Findings	219
1.2.5	RQ1/ How does HRM practices affect job performance of banks' employees?	219
5.2.2	RQ2/ What is the effect of HRM practices on employee motivation in the banks?	221
5.2.3	RQ3/ What is the influence of employee motivation on job performance in the banking sector?	223
5.2.4	RQ4/ Does employee motivation has a mediating role on the relationship between HRM practices and job performance of banks' employees?	225
5.3	Research Contributions	226
5.4	Implications of Study	227
5.5	Limitations of the Study	228
5.6	Conclusions	229
5.7	Recommendations	230

<b>REFERENCES</b>	232
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## APPENDICES



## LIST OF TABLES

Table No.		Pages
2.1	The influence of RBV theory on job performance	31
2.2	Dimensions of HRM practices	90
2.3	The summary of studies on job performance in key industries	98
2.4	The key findings from literature on job performance in UAE organizations	106
2.5	Types of extrinsic motivation	131
2.6	Dimensions of employee motivations	135
3.1	The distribution of population in UAE banks	163
3.2	The distribution of study sample for each bank	167
3.3	The design of SAQ questionnaire	170
3.4	The sources of indicators of the questionnaire	172
3.5	The outcome of reliability for the constructs of the questionnaire	177
3.6	Research Objectives, Questions and Data Analysis Methods	178
4.1	Reliability Cronbach's Alpha Coefficients	188
4.2	KMO values in the Bartlett's test	189
4.3	Communalities of constructs	190
4.4	Total Variance Explained of constructs	191
4.5	Rotated component matrix of constructs	193
4.6	Survey response rate	194
4.7	The demographic profile of the bank employees	196
4.8	Descriptive Statistics of constructs	198
4.9	The amount of AVE and composite reliability of dimensions.	200



4.10	Correlations between constructs	201
4.11	Fit indices of measurement models	202
4.12	Significance and strength of relationships between constructs and dimensions	203
4.13	Standardized regression weights	209
4.14	Hypothesis validation and significance of direct relationships	214
4.15	The significance level between constructs	215
4.16	The summary of bootstrapping total and indirect effects	216



## LIST OF FIGURES

Figure No.		Pages
2.1	Model illustrates resource-based view and key resources	26
2.2	Five levels of Maslow's Theory	37
2.3	Herzberg's view of satisfaction and dissatisfaction.	37
2.4	Herzberg's Two-Factor Theory (Herzberg, 2003)	38
2.5	Human Resource Management Practices and their Corresponding Activities (Briscoe et al., 2015)	47
2.6	The external factors of HRM practices	75
2.7	The dimensional model of HRM practices	91
2.8	The Tri-Construct Model of Job Performance (Rabindra & Kesari, 2016).	110
2.9	Dimensional model of job performance in banking sector.	114
2.10	The dimensional model of employee motivation.	136
2.11	The conceptual framework of HRM practices in banking sector	156
3.1	The path of research from theory to findings	160
4.1	Outliers in the dataset of constructs	195
4.2	The measurement model of HRM practices	204
4.3	The measurement model of employee motivation	205
4.4	The measurement model of job performance	206
4.5	The structural framework	207





## LIST OF ABBREVIATION

CFA      Confirmatory Factor analysis

EFA      Exploratory Factor Analysis

EM      Employee Motivation

HRM      HRM

JP      Job Performance

SEM      Structural Equation Modeling

UAE      United Arab Emirates





## CHAPTER 1

### INTRODUCTION

In every country around the world, banks are the base for economic development and the prosperity of society, thanks to their significant contribution to helping people open businesses and fund projects that help nations prosper and attain sustainable economic growth. The growing number of financial institutions in the current era is remarkable; this increase raises the recruitment of expertise and new employees to work in banks. In every country around the world, banks are the base for economic development and the prosperity of society, thanks to their significant contribution to helping people open businesses and fund projects that help nations prosper and attain sustainable economic growth. The growing number of financial institutions in the current era is remarkable; this increase raises the recruitment of expertise and new employees to work in banks. However, the financial market becomes more challenging and unstable



(Trautwein, 2022; Mabkhot & Al-Wesabi, 2022). The institutions in the banking sector are always facing tough competition from peers, which increases the pressure to develop the performance of human resources (D'Angelo et al., 2022). As banks depend on human resources to gain a competitive advantage over the long term and provide high-quality customer service (Rothenberg et al., 2017; Tartani, 2023), the role of human resources management (HRM) is critical in this scenario. Today, HR managers in banks should have lots of management skills and long experience in financial work to deploy the basic practices of HRM appropriately (Umar et al., 2020; Atmaja et al., 2023). To that end, banks should always hire qualified HR managers who can lead the employees to provide reliable service for customers (Shahzad et al., 2019).

The HRM department in banks is responsible for essential practices such as HR planning, recruitment, training, performance appraisals, and compensation. All of these practices have a significant impact on the banking service, as well as on employee performance (Mira et al., 2019). Therefore, to improve job performance, HRM practices should adhere to the most recent theories and cutting-edge methods in human capital development. The literature reports that successful banks always account for effective HRM practices as a core strategy for achieving their objectives and expanding in the financial market (Nataraja & Alamri, 2016; Irfansyah, 2020). Nowadays, successful banks always recruit and select skilled and qualified candidates who fit the financial work and have good experience to deal with unexpected issues and provide satisfactory service to customers (Sultana et al., 2012; Park & Park, 2019). In this regard, the role of HRM is decisive in fostering the performance of bank staff (Yoonhee et al., 2020). Job performance determines whether a person executes the work duties and responsibilities very well (Nabi et al., 2017), and because of the difficult tasks in





the banks, the employees should adhere to particular tasks precisely and according to specific merits (Singhapakdi et al., 2015; Andreas, 2022). While employee motivation is another factor that contributes to outstanding performance (Kayode et al., 2023; Djunaid et al., 2023; Albanesi & Gitto, 2023).

As human capital becomes the core asset of modern banks and the basic element of banking service (Al-Azzawi, 2016), the contribution of HRM in banking has always been a central topic in the literature on management and human capital development (Waheed et al., 2019). Banks therefore seek to employ people with the appropriate set of skills and financial literacy to carry out the tasks inherent in the banking sector (Alomari, 2017; Othman et al., 2022). In another sense, maintaining high-quality customer services in banks could not be achieved without effective HRM practices (Sriviboon & Jermisittiparsert, 2019). As human resources become an essential asset of financial institutions, the role of HRM practices is critical in this scenario. Effective HRM practices boost the performance of employees and motivate them to show outstanding performance (Albanesi & Gitto, 2023; Subrahmanyam & Henari, 2023). To that end, understanding why intrinsic and extrinsic motivational factors help employees to improve their task and contextual performance is needs more study and analysis (Nushrat, 2018; Kayode et al., 2023; Djunaid et al., 2023).

Based on the aforementioned arguments, learning the interrelationships between HRM practices, motivation, and job performance in banks is important for policymakers in the financial sector. Firstly, the banking industry is highly competitive, and banks rely heavily on their employees' performance to gain a competitive edge. Understanding how HRM practices and motivation impact job performance can help





banks develop effective strategies to enhance productivity and efficiency. Additionally, the banking sector is known for its high turnover rates and employee dissatisfaction, making it crucial to identify the factors that influence motivation and job performance to address these issues effectively.

Researchers need to study the associations between HRM practices motivation, and job performance in UAE banks in order to better understand how HR manager can influence employee behavior and ultimately affect their motivation level through effective practices. By examining these relationships, researchers can provide valuable insights to banking institutions on how to effectively manage their workforce and increase productivity of bank employees. To that end, this research can help UAE banks develop HRM practices that are tailored to the needs and motivations of their employees, leading to improved job satisfaction and overall financial services. Thereby, this study will discuss the interrelationships between these concepts and attempt to fit them together into a framework that explain how HRM practices promote job performance and employee motivation in the banking industry.

## 1.2 Background of Study

Investment in human capital in the United Arab Emirates (UAE) is a priority for the government; policymakers in this country consider human resources in public and private organizations as the source of success and maintain the work at a high level (UAE government, 2023). Research has shown that employees appreciate organizations that care about them in many ways and improve their skills and knowledge in the work,





while motivation is necessary to encourage the workforce to stay in the work and become loyal to their organization. All these practices help banks in the UAE to focus on human resources and attain future and present goals (Violetta & Heidi, 2018). It is becoming less likely for banks working in the UAE to neglect the significant role of human resources due to the UAE's emancipation policy, which has altered the human resources landscape in this country (Randeree, 2009).

In this regard, the NAFIS program is a novel initiative of the Ministry of Human Resources of UAE to help citizens of UAE (Emirati) develop their skills to afford high degree of performance in the market. NAFIS launched its phase one in October 2021 with basic amenities for Emiratis to secure their professional and financial standing in the country. NAFIS is designed to target sectors and industries within the private domain. Emirati citizens aged 18 and above can leverage the program's benefits by registering on this platform. The NAFIS program aims to facilitate a mutually beneficial collaboration between the public and private sectors in the UAE, empowering the latter to play a pivotal role in steering the nation's economic and national development. With a dedicated focus on upskilling Emiratis, the program aims to equip Emirati professionals with in-demand skills, knowledge, and expertise to enable nationals to fill 75,000 job positions in the private sector over the next half-decade. Ultimately, the NAFIS program participants receive comprehensive support through coaching, professional training, mentoring, and counseling services, strengthening the Emirati workforce in the private sector. Therefore, understanding the role of HRM in fostering the skills and capabilities of Emirati workforce will extend the knowledge on the significant practices of HRM which contribute to the objectives of NAFIS program.





Meanwhile, the Emiratization program's effectiveness is significantly contingent on the country's supply of qualified and equipped human resources (Khassawneh et al., 2022). The Emiratization Program, which is a national agenda designed to improve human capital in the country, emphasizes promoting development programs that boost the performance of citizens in all industries inside the UAE. The welfare of workers in the UAE is one of the points that the Emiratization Program referred to. In this regard, motivational factors can raise the feelings of happiness and satisfaction of employees, which fits what is mentioned in the Emiratization Policy. As a result, banks operating in the UAE must meet this policy and focus on development programs through HRM to have a workforce that fits the jobs in the banking sector (Hazem & Sun, 2017). Thus, HR managers are under a tense pressure to make a substantial effort to improve the skills and performance of staff at the bank. But there are certain challenges and issues that may hinder them from attaining this goal, such as the difficulty of assessing job performance, the lack of resources for training, and the inability to promote rewards and incentives (Bateman & Waxin, 2016; Qureshi et al., 2018).

The importance of HRM in UAE banks has been reported by Alomari et al. (2017), who highlight the importance of HRM practices for UAE banks and explore their role in enhancing the creativity and innovation of employees. In fact, HRM in the UAE requires a better understanding (Khassawneh et al., 2022), so this study aims to analyze the impact of HRM on the performance and motivation of the workforce in the banking sector. The review of literature reveals that HRM practices in the banking sector of the UAE have not been widely researched, and there is a dearth of studies that describe the reality of HRM practices in UAE banks (Agarwal, 2020).





That bank considers the HRM department as part of their success and attracts talented people to serve the customers. Several issues have been identified to achieve this goal. For example, incentives, salaries, rewards, and bonuses were among the common motivational factors that contributed to attracting Emirati people to work in banks. While the study by Banerjee (2016) confirmed that UAE nationals are most motivated by non-financial factors (intrinsic motivation), Yet, it is still unknown how HRM practices in UAE banks can fit the type of work in banks and boost the performance of the workforce through the lens of intrinsic and extrinsic motivational factors.

Based on the previous arguments, this study assumes that improving job performance through HRM practices is not sufficient without a good strategy for motivation that fits the substantial role of HRM. In other words, the bank could hire qualified HR managers who are capable of doing their job properly and helping the employees provide high-quality banking services for clients, but the effect of HRM practices alone is not sufficient to succeed without considering the significant influence of employee motivation.

### 1.3 Problem Statement

In recent decades, many banks in the world have faced lots of challenges due to a shortage of skilled workers and talented people. This has led to increased competition among banks to attract and retain top talent. Banks are now focusing on offering competitive salaries, benefits, and career development opportunities to attract skilled workers. Additionally, many banks are investing in training programs and partnerships





with educational institutions to develop the next generation of banking professionals. In this regard, the shortage of skilled workers has forced banks to adapt better HRM practices in order to remain competitive in the industry. (Motlokoa et al., 2018; Hassan, 2019; Nilavarasan, 2023). Therefore, developing the performance of current employees would be a feasible solution to overcome this issue. By investing in the professional growth and development of their current employees, banks can not only address the shortage of skilled workers but also improve employee retention and loyalty. This approach not only benefits the individual employees but also contributes to the overall success and sustainability of the organization. Moreover, by continuously enhancing the skills and knowledge of their workforce, banks can ensure they have a pool of talented professionals ready to take on new challenges and drive the organization forward in the ever-evolving banking industry. Whereas HRM role could be decisive in addressing this challenge, it is essential for banks to implement effective training and development programs supervised by HRM department. By investing in their employees' skills and knowledge, banks can enhance their performance and productivity (Jaiswal, 2023). Thus, the role of HRM practices is critical to achieve this goal. For example, certain practices of HRM, such as recruitment and selection, HR planning, performance appraisal, training and development, and compensation, have been proven to have an outstanding impact on job performance (Haru & Marthandan, 2017; Adriana et al., 2020; Atmaja et al., 2023). In other words, we need to leaser how HRM contribute to the shortage of skilled workers in the banks, specifically in the UAE banking industry. However, the review of literature shows a lack of studies that address this problem and absence of empirical evidence that banks can use to solve this issue and face the challenges associated with human resources.







Moreover, there are concerns the practices of HRM are not well fulfilled, such as recruitment, promotion, remuneration, training, and development, despite there are few studies that reported the issues in these practices, especially in the private sector of the UAE; this scenario remain unreported. None of the studies in the past have shown For example, salaries are one of the most prominent factors that deter Emirati citizens and expatriates from working in the private sector (Khassawneh & Abaker, 2022). Thereby, HRM needs to be clearly defined to help employees working to become more efficient so that UAE companies help employees to perform better in many ways, such as problem-solving skills, knowledge acquisition, and learning from their organization, as well as help them to be experienced workforce (Almaskari & Marni, 2020).

Empirically, the literature is rich with research that associates HRM with job performance in a wide range of industries (Budhwar et al., 2019). Yet, little academic work has been done to associate HRM with job performance in the banking industry of the UAE (Haak-Saheem & Festing, 2020), especially from the perspective of motivation. In the notion of resources-based view (RBV) theory, human capital is a valuable asset in every organization, whereas human resources are the source of competitive advantage and maintaining good work (Irfansyah, 2020). Despite the literature reveal lots of reports on the significant role of RBV in developing human resources in banks (Adnan et al., 2018; Michael & Duncan, 2019; Donnellan & Rutledge, 2019; Gidado et al., 2023; Mishra & Rath, 2023), the impact of HRM on the performance of workforce based on the perspective of RBV remain scarce and need further analysis.





In this regard, Angshuman (2016) questioned the factors that have the greatest influence on banks' employees' motivation in the UAE, the result revealed that the staff in the UAE's banks are most motivated by financial motivational factors more than non-financial ones. The positive correlation between extrinsic motivational factors, such as incentives, rewards, and recognition, has increased the productivity of employees (Ahmed et al., 2019). In the same context, Mohammad (2015) concluded that extrinsic rewards increase overall job performance in banks, and to achieve the managerial goal in the financial sector, HR managers are still unable to select the right staff and use recruitment and selection methods properly (Mohammad, 2015). But the question arises: why are extrinsic motivations reported to influence employees more than intrinsic motivations? In other words, what makes the employees of the banks engage in a behavior arises from within themselves and why they are naturally not satisfying themselves without extrinsic motivations. And to what extent do intrinsic or extrinsic motivations mediate the effect of HRM practices on job performance?

In sum, the banks in the UAE face lots of challenges, some of these challenges are linked to HRM practices which require better understanding (Khasawneh & Abaker, 2022). The absence of empirical studies in this topic is evident in UAE financial market, whereas the lack of research on the job performance in UAE banks increase the concern surrounding the status of job performance and HRM practices in the banking sector. Therefore, developing a framework that help the employees to foster their performance in UAE bank remain unreported and an in-depth research to identify the reality of HRM practices and job performance in UAE bank (Tee & Li, 2022; Vivek & Baby, 2023). To address this gap, it is essential for researchers to conduct comprehensive studies that investigate the relationship between HRM practices and job





performance in UAE banks. This research would not only contribute to the existing literature but also provide valuable insights for practitioners and policymakers to enhance performance management strategies in the banking sector. Furthermore, understanding the factors that influence job performance in this context would enable organizations to design tailored interventions and training programs to optimize employee productivity and satisfaction. Yet, the lack of studies in this domain is the main problem that affect the development of human resources in the banking industry of UAE. Based on the aforementioned arguments, the association between HRM practices and job performance was not theoretically unified with employee motivation. To that end alignment of these concepts and fitting them into one framework would fill the literature gap in this perspective.



#### **1.4 Research Questions**

The aim of this study is to investigate the relationships between job performance, HRM practices, and employee motivations. In addition, examining how these variables are fit together into a theoretical framework. To achieve this aim, this study will attempt to answer the following questions in three banks in UAE, namely: HSBC bank, Abu Dhabi commercial bank, and Emirates Islamic Bank.

- i) How does HRM practices affect job performance of banks' employees?
- ii) What is the effect of HRM practices on employee motivation in the banking sector?
- iii) What is the influence of employee motivation on job performance in the banking sector?





- iv) Does employee motivation mediate the relationship between HRM practices and job performance of banks' employees?

## 1.5 Research Objectives

- i) To examine the effect of HRM practices on job performance of banks' employees.
- ii) To identify the effect of HRM practices on employee motivation in the banking sector.
- iii) To determine the influence of employee motivation on job performance in the banking sector.
- iv) To examine the mediating role of employee motivation on the relationship between HRM practices and job performance of banks' employees.

## 1.6 Significance of Study

In the domain of the banking industry, HRM practices and motivation are hot topics, especially in the banking sector (Chaudhary, 2019; Somra, 2023; Shahzad, 2023). These concepts have been widely studied in the past, but little academic work has been done in UAE banks. Some gaps refer to the absence of reports on the indirect influence of HRM practices on job performance through employee motivation. Modeling them in this context has not been addressed in previous research, especially in the UAE financial market. Hence, the findings of this research project will highlight these gaps



and report the significant mediating role of intrinsic and extrinsic motivation in the banking sector of the UAE. In theory, RBV has demonstrated its outstanding strength in explaining how the intangible assets, such as the human resources of organizations (banks), are part of the success and growth of the market.

The findings of this study reveal that RBV can be utilized to develop a framework based on this assumption, through which academics and practitioners can better understand how intangible resources (the bank's employees) are essential and linked to HRM practices. In terms of methodology, this study validated a scale to measure the performance and motivation of human resources in banks and financial institutions. Empirically, the results provide evidence that banks' employees who are intrinsically and extrinsically motivated are able to do their responsibilities according to the highest standards, whereas motivation plays a partial mediating role in the association between HRM practices and job performance. In practice, the outcome can be used as evidence for the leaders or policymakers in UAE banks to set the criteria for HR managers and the HRM practices that encourage employee engagement in banking to help their banks by affording a high-quality performance.

## 1.7 Scope of Study

This study was conducted in three banks working in the UAE, namely: (1) HSBC bank; (2) Abu Dhabi commercial bank; and (3) Emirates Islamic Bank. These banks are the major banks in the UAE and include a large workforce, as well as branches in almost all states of UAE which increase the reliability of data and generalization of findings.

The subjects are individuals who represent the employees working in various departments inside these three banks. Quantitative methodology has been deployed to test the hypotheses and validate the proposed conceptual framework, whereas the questionnaire was the data instrument tool. Resources Based Theory is used to conceptualize a framework that fit the empirical data with employee motivation, HRM practices, and job performance in the banking sector.

## 1.8 Operational Definitions

**Bank Employees:** The are individuals who work for financial institutions such as banks and credit unions. They are responsible for a variety of tasks including customer service, account management, and financial transactions. In this study bank employee refer to the staff working in various departments in the bank including accounting/finance, administrative/clerical, credit/lending, customer service, enterprise services/facilities management, human resources. information technology, and investment banking & markets.

**HRM Practices:** It is the organized practice of managing the workforce in organizations. HRM practices is part of every organization that seeks success through human capital development. HRM practices in this study refer to the practices that are supervised by the HR manager of the bank and measured through five dimensions: recruitment and selection, HR planning, performance appraisal, training and development, and compensation.

**Job Performance.** It is the degree of task achievement at the workplace and the completion of jobs assigned to individuals. Job performance in this study refers to the fulfillment of banking services by the staff of the bank as expected by the customers and planned to do. Job performance is measured by three dimensions: adaptive performance, task performance, and contextual performance.

**Employee Motivation.** It is a state that describes the willingness of an individual to do something for a purpose. Employee motivation in this study refers to the psychological state in which the staff of the bank are energized, directed, and continuously do their duties with enthusiasm and willingness. Employee motivation is measured by two dimensions: extrinsic motivation (e.g., salaries, incentives, and rewards) and intrinsic motivation (e.g., career development and self-development).

## 1.9 Chapter Summary

The introduction chapter introduces the topics that will be studied in this research project, and explaining the main problems and challenges that face the banks general, and those in Abu Dhabi in particular to develop human capital. The scope indicates that quantitative methodology has been adopted to conduct data analysis. The result of this study should contribute to increasing the level of knowledge in the field of HRM practices, job performance, and employee motivation in the banking sector, and extending our knowledge on the role of intrinsic and extrinsic motivational factors to develop job performance of bank staff.