



Impact of Human Resource Development Practices on Employee Performance in Ghana's Community Banking Sector

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ABSTRACT

Aim – This study investigates the influence of Human Resource Development (HRD) practices on employee performance in community banks, with a specific focus on the mediating role of employee competence.

Design/methodology/approach – The study adopted an explanatory research design aligned with a positivist epistemology. Data was collected over three months using a self-administered questionnaire distributed to a sample of 254 employees selected through a stratified random sampling technique from the three leading community banks in Ghana's Ashanti region. Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis was then employed to analyze the collected data.

Findings – The analysis revealed significant positive relationships between HRD practices and both employee performance and competence. Furthermore, the study confirms that employee competence mediates the relationship between HRD practices and employee performance.

Limitation – The study employs a cross-sectional design, limiting the ability to establish definitive causal relationships.

Practical implications – Community banks can leverage this research to design and implement targeted HRD programs that enhance employee skills and knowledge, leading to improved performance and ultimately contributing to the financial well-being of rural communities. Findings on the mediating role of employee competence suggest that HRD practices should go beyond just training and development, encompassing initiatives that foster a learning culture and encourage knowledge application within the organization. The study's focus on community banks in Ghana extends the generalizability of HRD practices research to developing economies, informing HR strategies for these institutions.

Originality/value – This study emphasizes the vital role of well-planned HRD interventions in community banks, specifically in enhancing employee skills and knowledge for improved organizational performance. It provides valuable insights into HRD practices within these institutions, highlighting its potential to drive financial inclusion and support economic growth in rural areas. Additionally, the study advances knowledge on HRD-performance dynamics in an underexplored context: community banks in developing economies.

KEY WORDS

human resource development, employee performance, competence, community banks, training and development, ghana

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1 INTRODUCTION

Maximizing profit stands as a fundamental objective for any organization, necessitating a robust foundation. Effective Human Resource Development (HRD) practices play a pivotal role in establishing this groundwork. HRD not only fosters the development of social capital, which facilitates knowledge sharing and collaboration, but also enhances employee performance and productivity (Chen, Lam, & Zhu, 2021). Recognized as a strategic asset, HRD enables organizations to leverage their human capital alongside technology and financial resources to gain a competitive advantage (Anwar & Abdullah, 2021).

According to Nadler (1970), HRD constitutes a systematic process to enhance employee competencies through training and development activities. By equipping employees with the requisite skills and knowledge to meet present and future job demands, HRD endeavors to enhance individual and organizational performance (Alshaikhmubarak, Da Camera, & Baruch, 2020; Kareem & Hussein, 2019). The adoption of HRD initiatives yields a myriad of benefits for organizations. Research indicates that effective HRD practices correlate with reduced absenteeism, heightened employee satisfaction and commitment, and increased productivity (Akdere & Eghan, 2020). Given that employee performance significantly influences organizational success, it becomes imperative for organizations to enhance it through strategic HRD interventions (Armstrong & Taylor, 2020; Collins & Clark, 2003).

1.1 THE GHANAIAAN CONTEXT AND THE GAP IN KNOWLEDGE

Employee competence is a cornerstone for successful performance, mediating the relationship between HRD practices and organizational success. By effectively addressing skill deficiencies and cultivating competence, HRD programs become instrumental in achieving organizational performance goals and fostering innovation (Armstrong & Taylor, 2020; Otoo, 2019).

In Ghana, community banks serve as integral components of the financial sector, extending essential services like loans and savings options to underserved rural communities (Bank of Ghana, 2021). Their performance directly impacts the overall health of the Ghanaian economy, underscoring their critical role in promoting financial inclusion and economic growth.

However, despite the documented positive influence of HRD on employee competence and performance (Otoo & Mishra, 2018; Potnuru & Sahoo, 2016), a significant gap exists concerning the application of HRD practices within community banks, particularly in developing economies. While existing research has contributed to understanding HRD practices and employee performance, it often fails to address the unique challenges faced by community banks in Ghana. These challenges include limited resources for extensive HR initiatives, a geographically dispersed workforce that can be difficult to train consistently, and the need for specialized skills in financial services within a rural context (Segbenya & Ansah, 2020; Mintah, 2014).

1.2 BRIDGING THE GAP: THE SIGNIFICANCE OF THIS STUDY

This research aims to bridge this gap by investigating the impact of HRD practices on employee performance within Ghanaian community banks and exploring the potential mediating role of employee competence. By delving into these factors within the specific context of Ghanaian community banks, the study seeks to provide valuable insights for HR professionals and bank leadership. The findings can inform the development and implementation of targeted HRD practices that address the unique needs of community banks in Ghana. Ultimately, this can lead to improved employee performance, enhanced service delivery, and a more robust financial sector that fosters economic growth, particularly in underserved rural communities.

2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 THEORETICAL UNDERPINNINGS

Social Learning Theory (SLT), proposed by Bandura (1977), provides a valuable foundation for understanding the relationship between HRD practices and employee performance. SLT emphasizes the role of observational learning, modeling, and social interaction in skill development (Bandura, 1991; Bandura & Walters, 1977). Individuals learn new skills and behaviors by observing others, receiving feedback, and practicing under guidance. HRD practices that effectively utilize these principles, such as well-designed training programs with opportunities for practice and peer interaction, can foster the development of the knowledge, skills, and abilities (KSAs) necessary for superior job performance (Tews & Burke-Smalley, 2017; Raj, 2010).

2.2 HRD PRACTICES AND EMPLOYEE PERFORMANCE: A MULTIFACETED RELATIONSHIP

Numerous studies have documented the positive impact of HRD practices on employee performance. Ashmond, Opoku-Danso, and Asiedu (2022) found that training programs significantly improve employee skills and knowledge, leading to enhanced performance and productivity. Similarly, Saks and Burke-Smalley (2014) demonstrated a positive association between training investments and employee performance. This aligns with human capital theory, where training is viewed as an investment in employees that increases their individual and, consequently, organizational productivity (Becker, Murphy, & Tamura, 1990). Effective HRD practices extend beyond just skill development. They can also foster positive employee attitudes and a sense of commitment to the organization, further contributing to performance improvements (Potnuru & Sahoo, 2016; Raj, 2010). Additionally, by equipping employees with the necessary knowledge and skills to perform their tasks effectively, HRD practices can minimize errors and performance deficiencies (Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012). The rise of digital technologies offers exciting new avenues for HRD. Dejoux-Lirsa and Charrière-Grillon (2016) highlight the potential of innovative learning platforms and simulations to enhance the reach, effectiveness, and personalization of training programs.

2.3 EMPLOYEE COMPETENCE AS A MEDIATOR: BRIDGING THE GAP

Research suggests that HRD practices positively influence employee performance not only directly but also indirectly through the development of employee competence. Potnuru and Sahoo (2016) and Otoo (2019) found that HRD practices lead to improved employee competence, which in turn translates to superior performance. Employees equipped with the necessary KSAs are better positioned to handle job demands, adapt to changing circumstances, and contribute meaningfully to organizational success (Asfaw, Argaw, & Bayissa, 2015; Amin, Ismail, Rasid, & Selemani, 2014). Studies by Kaur and Kaur (2022) and Pramono and Prahiawan (2022) further solidify the notion that employee competence is a significant determinant of performance.

2.4 HYPOTHESES

Based on the reviewed literature, the following hypotheses are proposed:

- H1: Direct Effect: HRD practices have a positive and significant direct effect on employee performance.
- H2: Effect on Competence: HRD practices have a positive and significant effect on employee competence.
- H3: Competence and Performance: Employee competence has a positive and significant effect on employee performance.
- H4: Mediating Effect: HRD practices influence employee performance, at least partially, through the mediating role of employee competence.

3 METHODOLOGY

3.1 RESEARCH FRAMEWORK

This study adheres to a positivist paradigm, grounding itself in the assumption of an objective and measurable reality (Saunders, Lewis, Thornhill, 2009). Knowledge is constructed through the lens of detached observation and empirical verification, often achieved through quantitative methods like experiments and robust statistical analysis. This alignment with positivism is further reflected in the study's adoption of a deductive approach. Here, established theory guides the development of hypotheses, which are then subjected to rigorous testing through data collection and analysis (Saunders et al., 2009). This approach ensures a systematic investigation aimed at confirming, refuting, or refining existing theoretical propositions.

The quantitative approach serves as the cornerstone of the research methodology. This method emphasizes the collection and analysis of numerical data, allowing for the exploration of relationships between variables using a variety of statistical techniques (Saunders et al., 2009). The suitability of this approach lies in its capacity to test hypotheses with precision and structure. Furthermore, quantitative methods excel at organizing and juxtaposing data in a way that facilitates the identification of patterns and trends (Brannen, 2017). These strengths make the quantitative approach particularly germane to this study, which seeks to elucidate the mediating role of employee competence in the relationship between HRD practices and employee performance. By quantifying these variables and employing statistical analysis, the study can establish the extent to which employee competence acts as an intermediary mechanism influencing performance outcomes.

This research adopts an explanatory research design. This strategic choice allows for a deeper understanding of the causal mechanisms underlying the phenomenon under investigation (Clark & Creswell, 2008). Specifically, the explanatory design aligns with the study's objective to elucidate the causal relationships between HRD practices, employee competence, and employee performance. By employing quantitative methods, the study seeks to not only identify associations but also to explain "why" and "how" employee competence mediates the relationship between the independent and dependent variables (Lunenfeld, 2003). This explanatory power is critical for establishing a robust cause-and-effect dynamic within the research model, enabling a more nuanced interpretation of the findings.

3.2 PARTICIPANTS AND SAMPLING STRATEGY

The study was conducted among employees of three leading community banks located in Ghana's Ashanti region. These banks were chosen to ensure representation across different geographic areas within the region. The total population under study comprised 750 individuals. To select participants in a systematic and unbiased manner, a stratified random sampling technique was employed (Saunders et al., 2009). This method involved dividing the population into distinct strata based on factors such as bank affiliation and position within the organization. Then, participants were randomly selected from each stratum to ensure proportional representation. This approach improves the generalizability of the findings while still allowing for efficient data collection within the study's timeframe and resource constraints (Hair Jr, Page, & Brunsveld, 2019).

The final sample size was determined using Krejcie and Morgan's (1970) table, resulting in 254 participants. This aligns well with the recommendations proposed by Garver and Mentzer (1999) who suggest a sample size range of 200 to 300 for studies seeking a reasonable degree of generalizability to the target population. While a larger sample size might enhance the generalizability of the findings, the chosen sample size offers a suitable balance between achieving robust results and practical considerations.

3.3 DATA COLLECTION AND ANALYSIS

Instrument Development: A well-structured questionnaire served as the cornerstone of data collection in this study. The instrument was meticulously crafted to operationalize the key constructs of interest: HRD practices, employee competence, and employee performance. Drawing upon established scholarly works (Otoo & Mishra, 2018; Potnuru & Sahoo, 2016; Mintah, 2014), the questionnaire ensured sound content validity and alignment with relevant theoretical frameworks. Employing a standardized 5-point Likert scale, the instrument facilitated the collection of reliable and quantitative data suitable for robust statistical analysis.

Data Collection Procedure: The data collection procedure involved employing a survey methodology and implementing a stratified random sampling technique to ensure representative sampling. Firstly, the population of employees from the three selected community banks was divided into distinct strata based on factors such as bank affiliation and position within the organization. Next, participants were randomly selected from each stratum to ensure proportional representation. Hard copies of the questionnaire were made available to the selected participants. The data collection process extended over three months, from August to October 2023. This timeframe allowed for sufficient data collection while accommodating the participants' availability and ensuring data quality.

Data Analysis Strategy: A two-pronged approach guided data analysis, fostering a comprehensive understanding of the research questions. In the initial phase, descriptive statistics were employed to generate a detailed profile of the study participants. This analysis provided valuable insights into the sample's demographic characteristics, such as age, gender, educational background, and years of experience.

The second phase of data analysis leveraged the power of Partial Least Squares Structural Equation Modeling (PLS-SEM) software (version 4.0). PLS-SEM emerged as a particularly well-suited technique for this study due to its several strengths. Unlike Covariance-Based Structural Equation Modeling (CB-SEM), PLS-SEM is adept at handling complex models with numerous constructs and indicator variables, a characteristic highly relevant to the current research design (Sarstedt et al., 2021). Furthermore, PLS-SEM demonstrates exceptional capability in generating robust parameter estimates even with moderate sample sizes, a situation often encountered in social science research (Hair, Hult, Ringle, Sarstedt, Danks, & Ray, 2021). Beyond its estimation prowess, PLS-SEM surpasses CB-SEM in its ability to perform not only explanatory modeling but also predictive modeling of construct relationships (Hair et al., 2021). This versatility aligns perfectly with the study's objectives, enabling the exploration of both the "why" and "how" behind the hypothesized relationships between HRD practices, employee competence, and employee performance. The adoption of PLS-SEM facilitated a rigorous and multifaceted examination of the research model.

4 RESULTS

4.1 DATA CLEANING AND SCREENING PROCEDURES

Following data collection, a meticulous process of data cleaning and screening was undertaken to ensure the integrity and accuracy of the analysis. This phase served to identify and rectify potential errors within the dataset, ultimately enhancing the reliability of the findings.

The initial step involved a thorough examination of the data for missing values. Missing data can arise due to various factors, such as participant oversight or incomplete responses. Standard data-cleaning techniques were employed to address these missing values. Depending on the nature and extent of the missingness, strategies such as mean imputation or listwise deletion might be implemented. After the missing value imputation, data screening procedures were enacted to eliminate outliers and inconsistencies. Outliers are data points that deviate significantly from the central tendency of the dataset. These outliers, if left unaddressed, can potentially distort the analysis and compromise the validity of the results. Techniques for outlier detection and removal, such as interquartile range analysis, were utilized to ensure a robust dataset suitable for further analysis.

Upon completion of these cleaning and screening procedures, a total of 196 usable responses remained, representing a valid response rate of 78.4%. This response rate aligns with the criteria established by Nulty (2008), who suggests a response rate of 70% or above is sufficient for conducting meaningful data analysis.

4.2 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

The demographic characteristics of the respondents are reported in this section. These consist of their gender, age, education, marital status, departments they belong and the number of years they have worked in their organization. The results are presented in Table 1 below.

Table 1. Demographic Characteristics

Profile	Frequency	Percentage (%)
<i>Gender</i>		
Male	105	53.6
Female	91	46.4
Total	196	100
<i>Age</i>		

18-30	69	35.2
31-40	108	55.1
41-50	19	9.7
Total	196	100
<i>Education</i>		
HND	28	14.3
First Degree	146	74.5
Masters	19	9.7
Doctorate	3	1.5
Total	196	100
<i>Marital Status</i>		
Single	130	66.3
Married	61	31.1
Divorced	5	2.6
Total	196	100
<i>Number of Years</i>		
Less than 3yrs	21	10.7
3-6 yrs	135	68.9
7-10 yrs	34	17.3
Above 10	6	3.1
Total	196	100
<i>Organization</i>		
Community Bank A	64	32.7
Community Bank B	72	36.7
Community Bank C	60	30.6
Total	196	100
<i>Department</i>		
Administrators	21	10.7
Branch Managers	22	11.2
Branch Secretary	13	6.6
Clients	28	14.3
Credit Officers	10	5.1
Customer Care	7	3.6
Human Resource Managers	7	3.6
IT Officers	29	14.8
Internal Auditors	10	5.1
Operations Managers	16	8.2
Bank Tellers	33	16.8
Total	196	100

The demographic profile of the study's 196 respondents reveals a relatively balanced distribution across genders, with males comprising 53.6% and females accounting for 46.4%. The majority of respondents fall within the 31-40 age range (55.1%), followed by the 18-30 age group (35.2%). Individuals with a first degree represent the largest educational category (74.5%), while those possessing higher qualifications (Master's and Doctorate) constitute a smaller portion (11.2%). Marital status leans towards single individuals (66.3%), with married respondents making up 31.1%.

In terms of work experience, a significant majority (68.9%) have been employed at their organization for 3-6 years. Regarding department affiliation, Bank Tellers (16.8%) and IT Officers (14.8%) form the

largest departmental groups. These findings provide a contextual understanding of the sample population.

4.3 DESCRIPTIVE STATISTICS

Descriptive statistics were employed to summarize the characteristics of the key variables measured in this study. This analysis generated a comprehensive overview of the data, including the mean (average) and standard deviation (spread) for each variable. Furthermore, descriptive statistics provided insights into the central tendency and variability of participant responses to the instrument items, effectively gauging the extent to which participants agreed or disagreed with the presented statements. This is shown in table 2 below.

Table 2. Descriptive Statistics

Constructs	Item	Mean	Std. Deviation	Excess Kurtosis	Skewness
Employee Competence (EMC)					
I meet my objectives and goals set for my position	EMC1	4.333	0.546	1.525	-0.369
I effectively utilize my technical skills and knowledge to accomplish the task.	EMC2	4.457	0.517	-1.526	-0.036
I have been able to learn interesting new skills on my job.	EMC3	4.438	0.533	-1.188	-0.131
Most days I feel a sense of accomplishment from working	EMC4	4.448	0.552	-0.940	-0.307
I collaborate well with my colleagues to achieve common goals	EMC5	4.543	0.535	-0.926	-0.552
I manage my time and prioritize tasks to meet deadlines	EMC6	4.486	0.500	-2.036	0.058
<i>Overall Employee Competence (EMC)</i>		4.451	0.530		
Employee Performance (EPF)					
I meet performance expectations	EPF3	4.438	0.551	1.494	-0.618
I adequately complete responsibilities	EPF4	4.505	0.519	-1.484	-0.227
I got involved to benefit this organization	EPF5	4.381	0.523	-1.127	0.089
I help others in this organization with their work responsibilities	EPF6	4.343	0.674	4.358	-1.303
I speak up and encourage others in this organization to get involved in issues that affect the organization	EPF7	4.295	0.568	-0.541	-0.089
<i>Overall Employee Performance (EPF)</i>		4.392	0.567		
Human Resource Development (HRD)					
My organization provides training and development programs to improve the skills, knowledge, attitude change, and new capabilities of the employee.	HRD1	4.371	0.590	1.059	-0.616
The activities of training programs provided meet the needs of the employees.	HRD2	4.324	0.525	-0.773	0.151
The activities of training programs provided help to increase job satisfaction and work efficiency.	HRD3	4.343	0.513	-1.002	0.237
My organization uses modern training and development methods and tools.	HRD4	4.286	0.713	0.528	-0.805
My organization evaluates the trainees' overall satisfaction with the training program.	HRD5	4.276	0.640	1.545	-0.768
HRD programs are offered frequently enough to meet my needs	HRD6	4.181	0.881	0.257	-0.958
I am motivated to participate in HRD programs	HRD7	4.381	0.653	0.530	-0.797
<i>Overall Human Resource Development (HRD)</i>		4.309	0.654		

Table 2 offers a glimpse into the central tendencies and variability of the study's key constructs through descriptive statistics. Employee competence (EMC) and employee performance (EPF) demonstrate generally positive means, hovering around 4.4 on a 5-point Likert scale. This suggests that respondents, on average, perceive themselves as competent in their roles and capable of meeting performance expectations. However, a closer look reveals some variation within these constructs. For instance, the standard deviation for EMC (0.530) indicates a slight spread in responses, suggesting that not all participants hold identical views on their competence.

The descriptive statistics for Human Resource Development (HRD) practices paint a more nuanced picture. While means for statements like "My organization provides training and development

programs..." (HRD1; Mean = 4.371) and "The activities of training programs provided meet the needs of the employees" (HRD2; Mean = 4.324) reflect a perceived presence of HRD initiatives, other aspects receive less favorable scores. For example, the statement "HRD programs are offered frequently enough to meet my needs" (HRD6; Mean = 4.181) has the lowest mean across all variables. This disparity in means suggests that employees may acknowledge the existence of HRD programs but have reservations about their frequency or effectiveness in addressing their development needs.

4.4 STRUCTURAL EQUATION MODELING (SEM) AND DATA ANALYSIS

Structural Equation Modeling (SEM) has emerged as a prominent multivariate technique in contemporary research due to its versatility (Hair, Risher, Sarstedt, & Ringle, 2019). SEM facilitates the testing of theoretical models and complex relationships among multiple variables (Hair et al., 2019). This two-step process involves first assessing latent variables through a measurement model (Chin, 1998). Second, it examines the hypothesized relationships between these latent variables via a structural model (Hair, Sarstedt, Ringle, & Mena, 2012). Furthermore, SEM offers the capability to model measurement errors within observed variables (Chin, 1998).

Researchers have the flexibility to choose between Covariance-Based SEM (CB-SEM) and Partial Least Squares SEM (PLS-SEM) when employing SEM (Hair et al., 2019). While both methods share fundamental principles, CB-SEM is geared towards theory confirmation or rejection, whereas PLS-SEM is better suited for theory development in exploratory research (Hair et al., 2019). Given its appropriateness for analyzing causal-predictive models and explaining variance in endogenous variables, PLS-SEM was selected for this study, aligning with other studies (Otoo & Mishra, 2018; Kehoe & Wright, 2013). SmartPLS version 4 software was utilized to estimate the parameters of both the measurement and structural models.

Model Evaluation

Evaluating model fit is crucial to ensure the validity of the research investigation (Hair et al., 2021). Model estimation serves as a bridge, connecting the hypothesized constructs and structural model with the empirical data. This evaluation focuses on the validity and reliability of the indicators employed within the study (Sarstedt, Ringle, & Hair, 2021). Good reliability is indicated by composite reliability (CR) above 0.70 and Cronbach's Alpha (α) exceeding 0.70 (Sarstedt et al., 2021). The Average Variance Extracted (AVE), with a threshold of 0.50, is used to evaluate convergent validity (Hair et al., 2019). After assessing the validity and reliability of the measurement model, the structural model is analyzed to determine whether the constructs proposed in the conceptual framework are correlated or not (Hair et al., 2019).

Measurement Model Assessment

As researchers have noted, measurement models are assessed to ascertain the validity and reliability of construct measures (Hair et al., 2019). The factor loadings presented in Table 3 and Figure 1 generally exceed the 0.708 threshold, indicating significant loadings for most indicators. While a few items (EMC1, EPF3, EPF4, HRD1, and HRD2) fell below this threshold, they were retained due to satisfactory construct reliability and validity (Ishak & Hussin, 2022). Conversely, items EPF1, EPF2, and EMC7 were excluded due to exceptionally low factor loadings and their negative impact on achieving the desired validity and reliability thresholds.

Reliability and Validity

Cronbach's alpha (CA), rho_A, and composite reliability (CR) were employed to assess construct reliability, exceeding the recommended threshold of 0.7 (CA: 0.806 to 0.863; rho_A: 0.812 to 0.875; CR: 0.866 to 0.895). Additionally, the average variance extracted (AVE) values surpassed the 0.50 threshold (0.551 to 0.565). These results provide evidence of adequate construct reliability and convergent validity (Cheung et al., 2023; Hair et al., 2019).

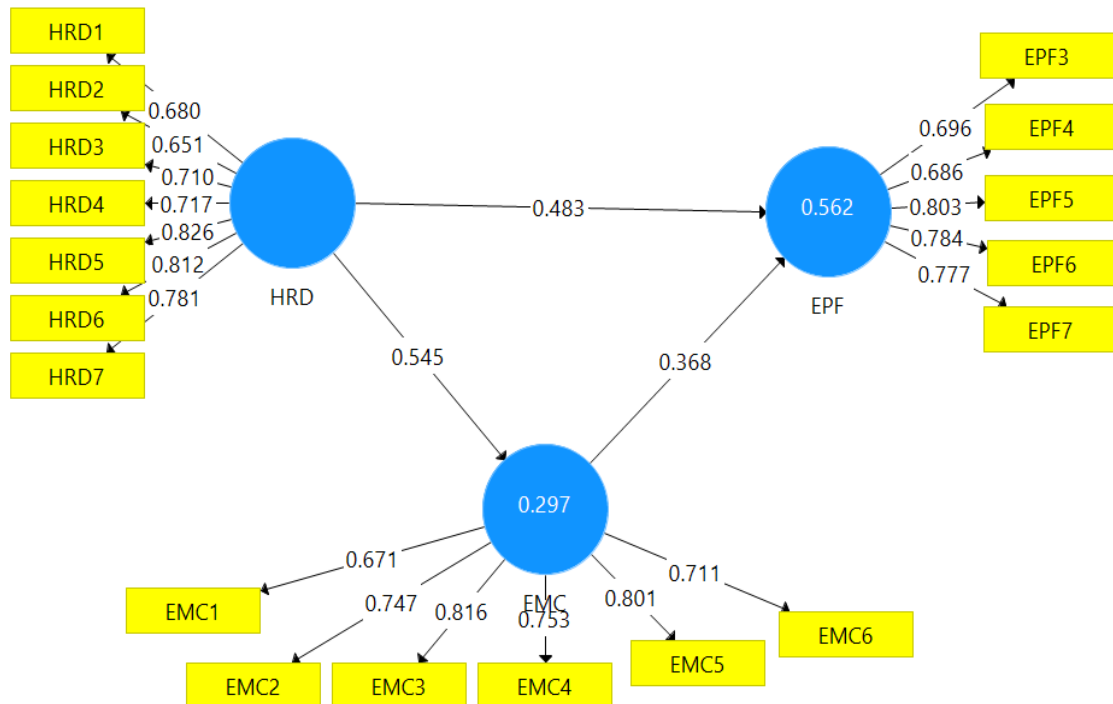
Common method bias (CMB) was also evaluated to address potential issues of collinearity (Rasoolimanesh, 2022). Per the recommendations of Rasoolimanesh, a factor-level collinearity test was conducted. As shown in Table 3, all variance inflation factors (VIFs) fell below the 3.3 threshold, indicating that collinearity does not pose a significant concern within this study.

Table 3. Reliability and Convergent Validity Results

Items	Loadings	t-values	p-values	VIF	CA	rho_A	CR	AVE
Human Resource Development					0.863	0.875	0.895	0.551
HRD1	0.680	9.726	0.000	1.814				
HRD2	0.651	8.924	0.000	1.765				
HRD3	0.710	11.833	0.000	1.711				
HRD4	0.717	11.151		2.054				
HRD5	0.826	22.521	0.000	2.767				
HRD6	0.812	25.519		2.534				
HRD7	0.781	18.189	0.000	2.003				
Employee Competence					0.845	0.848	0.886	0.565
EMC1	0.671	10.596	0.000	1.622				
EMC2	0.747	13.085	0.000	2.054				
EMC3	0.816	22.568	0.000	2.462				
EMC4	0.753	14.901	0.000	2.776				
EMC5	0.801	14.881	0.000	2.509				
EMC6	0.711	12.756	0.000	1.705				
Employee Performance					0.806	0.812	0.866	0.564
EPF3	0.696	11.186	0.000	1.448				
EPF4	0.686	10.270	0.000	1.529				
EPF5	0.803	23.751	0.000	1.738				
EPF6	0.784	20.608	0.000	2.098				
EPF7	0.777	19.935	0.000	1.913				

NOTE: EMC=Employee Competence, EPF=Employee Performance, HRD=Human Resource Development

Fig 1. Measurement Model



Discriminant Validity Assessment

Discriminant validity ensures that a construct is distinct from other constructs in the model (Rasoolimanesh, 2022). Three approaches were employed to evaluate discriminant validity: Fornell-Larcker criterion, Heterotrait-Monotrait (HTMT), and cross-loadings.

Fornell-Larcker Criterion

Table 4 presents the results of the Fornell-Larcker criterion. The square root of the AVE for each construct appears on the diagonal, while the remaining cells display the correlations between constructs. Discriminant validity is established if the diagonal values exceed the corresponding off-diagonal values (Cheung, Cooper-Thomas, Lau, & Wang, 2023; Rasoolimanesh, 2022). As shown in Table 4, all diagonal elements are greater than the corresponding inter-construct correlations, confirming discriminant validity.

Table 4. Discriminant Validity (Fornell-Larcker)

CONSTRUCT	EMC	EPF	HRD
EMC	0.751		
EPF	0.631	0.751	
HRD	0.545	0.683	0.742

NOTE: EMC=Employee Competence, EPF=Employee Performance, HRD=Human Resource Development

HTMT Ratio

Table 5 displays the HTMT values used to assess discriminant validity. To establish discriminant validity via HTMT, the recommended threshold is below 0.85 or 0.90 (Cheung et al., 2023). All HTMT values in Table 5 fall below the 0.85 threshold, indicating the successful establishment of discriminant validity using HTMT.

Table 5. Discriminant Validity (Heterotrait-Monotrait Ratio. HTMT)

CONSTRUCT	EMC	EPF	HRD
EMC			
EPF	0.754		
HRD	0.613	0.797	

NOTE: EMC=Employee Competence, EPF=Employee Performance, HRD=Human Resource Development

Cross-Loadings

Discriminant validity was further examined using cross-loadings (Table 6). An indicator is considered to have a higher loading on its intended construct compared to all other constructs if discriminant validity is established through cross-loadings (Cheung et al., 2023). Scrutiny of Table 6 reveals that the outer loading values (bolded) for each construct are consistently higher than their corresponding cross-loadings on other constructs. This pattern confirms the presence of discriminant validity based on cross-loading analysis.

Table 6. Discriminant Validity (Cross-Loading)

CONSTRUCT	EMC	EPF	HRD
EMC1	0.671	0.536	0.377
EMC2	0.747	0.471	0.458
EMC3	0.816	0.483	0.539
EMC4	0.753	0.460	0.430
EMC5	0.801	0.383	0.302
EMC6	0.711	0.483	0.287
EPF3	0.479	0.696	0.575
EPF4	0.420	0.686	0.367
EPF5	0.543	0.803	0.545
EPF6	0.471	0.784	0.516
EPF7	0.442	0.777	0.528
HRD1	0.320	0.419	0.680
HRD2	0.373	0.443	0.651
HRD3	0.331	0.463	0.710

HRD4	0.392	0.442	0.717
HRD5	0.414	0.488	0.826
HRD6	0.453	0.623	0.812
HRD7	0.505	0.613	0.781

NOTE: EMC=Employee Competence, EPF=Employee Performance, HRD=Human Resource Development

The evidence from all three approaches (Fornell-Larcker, HTMT, and cross-loadings) converges to confirm discriminant validity for the constructs employed in this study.

4.5 STRUCTURAL MODEL ASSESSMENT AND HYPOTHESIS TESTING

The structural model was assessed to look at the proposed causal linkages between the constructs in the research model after the measurement model's suitability was confirmed (Hair et al., 2019). Path coefficients, standard errors, t-statistics, and p-values were employed to assess the significance and direction of each path (Sarstedt, 2021). A two-tailed test with 5,000 subsamples and a significance level of $\alpha = 0.05$ was used to provide robust estimates and control for potential Type I and Type II errors (Hair et al., 2019). Collinearity, which can inflate standard errors and mislead hypothesis testing, was assessed using the variance inflation factor (VIF).

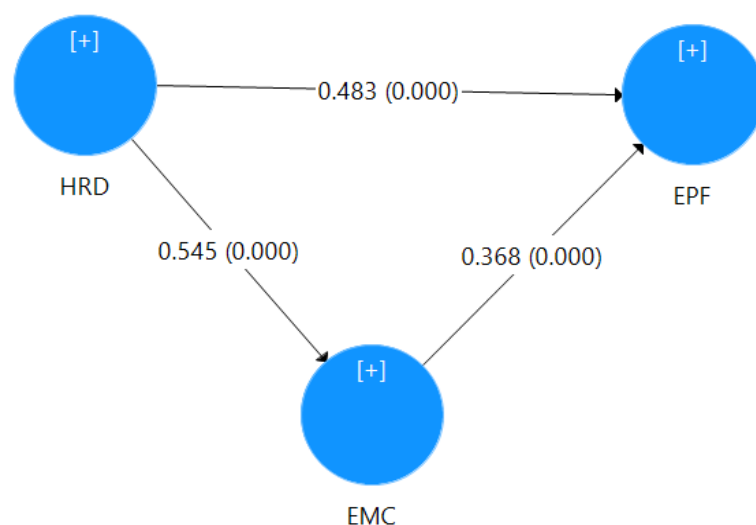
Hypothesis Testing Results

Table 7 summarizes the findings related to the study's hypotheses, which investigated the impact of HRD practices on employee performance, the mediating role of employee competence, and the direct effect of employee competence on performance. All path coefficients were statistically significant ($p < 0.000$) and in the hypothesized positive direction (Table 7 and Figure 2).

Table 7. Path coefficients

Hypothesis	Path description	B	STD	t-statistics	p-values	Significance
H1	HRD -> EPF	0.487	0.076	6.345	0.000	Supported
H2	HRD -> EMC	0.555	0.064	8.524	0.000	Supported
H3	EMC -> EPF	0.367	0.082	4.499	0.000	Supported
H4	HRD -> EMC -> EPF	0.203	0.050	4.022	0.000	Supported

Fig 2. Structural Model



These results provide support for all four hypotheses (H1-H4). Specifically,

H1: Human Resource Development (HRD) practices have a positive and significant effect on Employee Performance (EPF) ($\beta = 0.487$, $p < 0.000$). This suggests that organizations investing in HRD programs and initiatives can expect a positive return on their investment through improved employee performance.

H2: HRD practices also have a positive and significant effect on Employee Competence (EMC) ($\beta = 0.555$, $p < 0.000$). This finding aligns with the notion that HRD activities such as training and development programs can enhance employee skills and knowledge, leading to greater competence.

H3: Employee Competence has a positive and significant direct effect on Employee Performance ($\beta = 0.367$, $p < 0.000$). This result supports the human capital theory perspective, suggesting that a competent workforce is essential for achieving high levels of performance.

H4: The mediating effect of Employee Competence on the relationship between HRD practices and Employee Performance is also supported ($\beta = 0.203$, $p < 0.000$). This indicates that a portion of the positive influence of HRD practices on employee performance is transmitted through the development of employee competence.

Model Fit and Predictive Power

The model's ability to explain and predict the variance in the endogenous constructs (employee performance and employee competence) was assessed using two key metrics: predictive relevance (Q^2) and predictive power (R^2) (Hair et al., 2019). Stone-Geisser's Q^2 was employed to evaluate predictive relevance, with values greater than 0, 0.25, and 0.50 indicating small, medium, and large predictive relevance, respectively. The model demonstrated acceptable predictive relevance for both employee performance ($Q^2 = 0.445$) and employee competence ($Q^2 = 0.272$) (Table 8).

Table 8. Predictive Relevance, Predictive Power, Model Fit

CONSTRUCT	Q^2	R^2	AJ. R^2	SUMMER
Employee Performance	0.445	0.562	0.553	0.079
Employee Competence	0.272	0.297	0.290	

Predictive power, assessed using R^2 values, reflects the proportion of variance in the endogenous constructs explained by the model. The R^2 values for employee performance (0.562) and employee competence (0.297) suggest that the model explains a substantial portion of the variance in these constructs (Hair et al., 2019). Finally, the standardized root mean square residual (SRMR) of 0.079 indicates a good model fit, suggesting that the model adequately reproduces the observed covariance matrix (Hu & Bentler, 1998).

Effect Size

Effect sizes (f^2) were calculated to assess the magnitude of the relationships between constructs. f^2 values of 0.02, 0.15, and 0.35 are considered small, medium, and large effects, respectively (Hair et al., 2019). The results in Table 9 reveal large effect sizes for HRD practices (0.422), employee performance (0.374), and employee competence (0.217), indicating strong relationships between these constructs. This suggests that the hypothesized relationships are not only statistically significant but also practically relevant.

Table 9. Effect size results

Path directions	f^2	Effect size
Human Resource Development	0.422	Large effect
Employee Performance	0.374	Large effect
Employee Competence	0.217	Large effect

5 DISCUSSION

This study investigated the impact of human resource development (HRD) practices on employee performance, with employee competence acting as a potential mediating variable. The findings provide

robust support for all four hypotheses, demonstrating the positive and significant relationships between HRD, employee competence, and employee performance.

The results ($\beta = 0.487$; $t = 6.345$; $p < 0.000$) confirm that HRD practices have a positive and significant effect on employee performance. This aligns with prior research suggesting that well-designed HRD programs enhance employee skills, knowledge, and motivation, leading to improved performance (Elisa, Nabella, & Sari, 2022; Segbenya & Ansah, 2020; Otoo & Mishra, 2018; Mintah, 2014). These findings contribute to the understanding of the return on investment associated with HRD initiatives. By investing in training and development programs, organizations can equip their employees with the necessary capabilities to perform their jobs effectively and efficiently, ultimately contributing to achieving organizational goals. Furthermore, effective HRD programs can foster a culture of continuous learning and development within the organization. This can lead to increased employee engagement, satisfaction, and retention, further contributing to positive organizational outcomes (Chen et al., 2021; Anwar & Abdullah, 2021).

The study also revealed a strong positive association between HRD practices and employee competence ($\beta = 0.555$; $t = 8.524$; $p < 0.000$). This finding is consistent with the work of Atra, Yeti, and Rahayu (2022) and Hajjali, Kessi, Budiandriani, Prihatin, and Sufri (2022) who argue that effective training programs can significantly enhance employee skills and knowledge, leading to greater competence. In today's rapidly evolving work environment, employee competence is critical for organizational success. The ability to adapt to new technologies, processes, and customer demands requires a workforce with a diverse skill set and a growth mindset. HRD practices that prioritize continuous learning and development opportunities ensure that employees possess the up-to-date knowledge and skills required to adapt to changing demands and contribute effectively to the organization (Mintah, 2014). Furthermore, a focus on employee development can enhance employee innovation and creativity, leading to the generation of new ideas and solutions that can drive competitive advantage (Otoo & Mishra, 2018).

The analysis further confirms a positive and significant relationship between employee competence and employee performance ($\beta = 0.367$; $t = 4.499$; $p < 0.000$). This finding aligns with human capital theory, which posits that a competent workforce is essential for achieving high levels of performance (Becker, 2009). Employees with a strong skill set and deep knowledge base are better equipped to handle complex tasks, make sound decisions, and solve problems effectively. This ultimately leads to greater efficiency, productivity, and quality of work (Armstrong & Taylor, 2014). Employee competence increases task completion efficiency and effectiveness, which in turn improves performance (Setiawan, Qomariah, & Jember, 2022; Herwina, 2022). Additionally, competent employees are more likely to take initiative, demonstrate ownership of their work, and go the extra mile, ultimately contributing to higher levels of organizational performance (Mintah, 2014).

The study provides evidence for the mediating role of employee competence in the relationship between HRD and employee performance ($\beta = 0.203$; $t = 4.022$; $p < 0.000$). This suggests that a portion of the positive influence of HRD practices on employee performance is transmitted through the development of employee competence. This finding is consistent with other studies (Pramono & Prahawan, 2022; Akdere & Egan, 2020; Otoo, 2019), which also identified employee competence as a mediator between HRD practices and employee performance. The need to create HRD programs that aim to improve broader employee capacities like critical thinking, problem-solving, and adaptability in addition to job-specific skill development is underscored by these findings. Organizations may establish a skilled workforce that can successfully convert HRD activities into increased performance by cultivating a culture of continual learning and development. Furthermore, HRD initiatives ought to be customized to meet the unique requirements of the company and its staff. This could entail identifying skill gaps through needs assessments and creating specialized training programs to fill them (Gupta, 2011).

While providing valuable insights, the study has limitations. Its cross-sectional design hinders definitively establishing causal relationships. Future research could employ longitudinal designs to track changes in employee performance post-HRD interventions.

6 CONCLUSION

This study investigated the impact of human resource development (HRD) practices on employee performance in community banks, with employee competence acting as a potential mediating variable. The findings provide robust support for all four hypotheses, offering valuable insights into the critical relationships between HRD, employee competence, and employee performance within the context of community banking.

The results demonstrate a clear positive and significant effect of HRD practices on employee performance. This suggests that investing in well-designed training and development programs can equip community bank employees with the necessary skills and knowledge to effectively serve their unique clientele. In rural areas, employees may encounter a wider range of financial needs and challenges compared to their urban counterparts. Effective HRD programs can ensure that they possess the specialized knowledge and skills required to address these diverse needs and contribute to the financial well-being of rural communities. Ultimately, this translates to improved performance for the community bank through factors like increased customer satisfaction, loan portfolio growth, and operational efficiency.

Furthermore, the study reveals a positive association between HRD practices and employee competence in community banks. By providing training and development opportunities, community banks can actively enhance their employees' skillsets and knowledge base, leading to a more competent workforce. This is particularly important in the ever-evolving financial landscape, where new technologies and regulations are constantly emerging. Effective HRD programs ensure that community bank employees remain up-to-date and proficient in their areas of expertise, allowing them to provide high-quality financial services to their customers. Additionally, a focus on developing broader competencies such as communication, problem-solving, and financial literacy can further enhance the effectiveness of rural bank employees in serving their communities.

The analysis further confirms a positive and significant relationship between employee competence and employee performance in community banks. Employees with a strong skill set and deep knowledge base are better equipped to handle complex financial transactions, assess loan risks, and provide financial guidance to rural customers. This translates to increased efficiency, productivity, and quality of service for the community bank. Interestingly, the study also provides evidence for the mediating role of employee competence in the relationship between HRD and employee performance in community banks. This indicates that a portion of the positive influence of HRD on performance is transmitted through the development of employee competence. By prioritizing building a competent workforce through effective HRD programs, community banks can expect to see enhanced employee performance, leading to a stronger presence and positive impact within their communities.

6.1 PRACTICAL IMPLICATIONS

The study's findings hold the following significant implications for human resource management practices and overall organizational development within community banks:

1. Community banks can leverage this research to design and implement targeted HRD programs that enhance employee skills and knowledge, leading to improved performance and ultimately contributing to the financial well-being of rural communities.
2. Findings on the mediating role of employee competence suggest that HRD practices should go beyond just training and development, encompassing initiatives that foster a learning culture and encourage knowledge application within the organization.
3. The study's focus on community banks in Ghana extends the generalizability of HRD practices research to developing economies, informing HR strategies for these institutions.

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