

## **Impact of Human Capital on Organizational Performance: Special Reference to Banking Industry in Sri Lanka**

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This research has conducted to analyze the impact of Human Capital Management to organization performance. Selected industry for the study is banking industry in Sri Lanka. Banking industry is a service organization. A service organization can be properly competitive due to application of marketing tools such as People, Physical Evidence and Process. As per the reviews of the literature, 'People' factor is more important than other two. 'People' factor become really powerful due to its inherent qualities such as Knowledge, Skills, Abilities and Attitudes which other resource don't have. Further every organization has different types of capitals such as money capital, physical capital, infrastructure capital and human capital. Out of these capitals, human capital is more important due to many reasons such as its appreciable nature, decision making ability, transformability, memory power, forecasting power, thinking power etc. Therefore the human qualities such as having Knowledge, Skills, Abilities and Attitudes can be changed according to organizational requirement by the education, experience, age, training and development etc. in order to form a better human capital.

This study has three main objectives; first, to explore the impact of demographic variables such as (age, education and experience), second to see explore training & development and third, to assess employee motivation factors (salary and rewards) as the human capital components on organizational performance (financial performance). Most of the journal articles and literature have been undertaken to develop an argument in the field of human capital and firms' performance. Most of the authors have analyzed the human capital and its performance in different ways. However majority of them have positive arguments about the human capital and its impact of organizational performance. Accordingly as per many studies, employee's skill, abilities, experience and knowledge is known as capital of human or else human capital. In order to manage the human capital properly, as per the literature, there should be adequate training & development, education, motivation in order to enhance their skills, knowledge, abilities and attitudes. Last 10 years of financial performance was passed with components of human capital in four banks in Sri Lanka. Each variables was averaged and based for the evaluation. As the independent variables, age, education, experience, marital status, sex, training and development and rewards are taken. As the moderating variable labor productivity is taken while financial

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performance is taken as dependent variable. Structural equation method was used and analyzed the data using SPSS Amos (21). Adjusted  $R^2$  was 88.16 percent. RMSEA is 0.076. However, study found that the variables such as employees aged between 21 to 25 of years who have completed secondary education and having gained training and development are significantly and positively influential. Further the employees with 5-15 years of experiences are also positively and moderately significant under 95 percent confident intervals. Further the variables such as experience with 26-30 years, being male employees, being unmarried employee, having training and development exposures and having age between 18-20 years show an inverse relationship to financial performance through labor productivity. Only being males become highly significant under 99 percent confident interval. Finally study concludes that components in human capital has a significant impact on organizational performance.

***Keywords:*** *Human Capital, Organization Performance, Training & Development, Employee Productivity*