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A STUDY OF HR AUDIT AND ITS IMPACT ON EMPLOYEE PERFORMANCE WITH REFERENCE TO SELECTED MANUFACTURING UNITS IN MP

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ABSTRACT

This study examines the impact of HR audit practices on employee performance in selected manufacturing units of Madhya Pradesh. The research adopts a quantitative approach using a structured questionnaire administered to employees and HR personnel. Statistical tools such as correlation and regression analysis were used to test the proposed hypotheses. The findings reveal that HR audit practices significantly influence employee performance, job satisfaction, motivation, productivity, and operational efficiency. The results also indicate that effective HR audit outcomes strengthen key HR functions, including recruitment, training, and performance appraisal. Additionally, gaps identified during the audit process negatively affect employee performance, highlighting the need for continuous improvement in HR systems. Overall, the study confirms that HR audit serves as a strategic tool for enhancing organizational effectiveness and creating a performance-driven work culture in the manufacturing sector.

INTRODUCTION

Human Resource Audit has emerged as a strategic tool for evaluating the efficiency, compliance, and overall contribution of HR practices within organizations. In today's competitive business environment, manufacturing units in Madhya Pradesh are increasingly recognizing the need to assess whether their HR policies, systems, and procedures align with organizational goals. An effective HR audit not only identifies gaps in workforce management but also strengthens areas such as recruitment, training, performance appraisal, and employee welfare. These improvements directly influence employee motivation, productivity, and job satisfaction key determinants of overall performance. Despite its growing relevance, limited research has explored the specific impact of HR audits within manufacturing units of Madhya Pradesh. This study aims to bridge that gap by examining how systematic HR auditing contributes to enhancing employee performance, ensuring operational excellence, and supporting long-term organizational growth in selected manufacturing enterprises across the state.

REVIEW OF LITERATURE

Sharma and Mehta (2022) examine the effectiveness of HR Audit practices in Indian manufacturing firms**,** highlighting how systematic evaluation of HR functions contributes to organizational improvement. The study identifies key audit dimensions such as HR planning, recruitment and selection, training and development, performance appraisal, compensation systems, and compliance. Findings reveal that firms adopting structured HR audits experience greater clarity in HR processes**,** improved alignment between HR policies and organizational goals, and enhanced employee performance. The authors also emphasize that HR audits help detect gaps, ensure regulatory adherence, and promote a culture of continuous improvement. The research suggests that manufacturing firms increasingly view HR audits not just as a compliance tool but as a strategic instrument to strengthen workforce management. Sharma and Mehta conclude that consistent HR auditing leads to higher transparency, better decision-making, and improved operational efficiency, thus positively influencing organizational effectiveness.

Khan and Verma (2021) explore the role of HR Audit as a strategic mechanism for enhancing employee productivity in modern organizations. The study highlights that HR audits, when implemented systematically, provide insights into the effectiveness, efficiency, and compliance of HR policies and practices. The authors argue that HR audits move beyond routine evaluation and act as a diagnostic tool that identifies gaps in recruitment, training, performance appraisal, employee engagement, and compensation systems. Their findings indicate that organizations conducting regular HR audits witness improved workforce alignment**,** reduced inconsistencies in HR operations, and enhanced employee morale and productivity**.** Khan and Verma emphasize that HR audits

support strategic decision-making by offering data-driven recommendations, ensuring optimum utilization of human capital. The paper concludes that HR audits are not merely administrative processes but crucial strategic interventions that contribute to sustainable organizational growth and competitive advantage.

Patel (2020) investigates the influence of HR policies on employee performance within organizations located in Central India. The study emphasizes that well-designed HR policies act as a foundation for building an effective workforce by shaping employee behavior, motivation, and productivity. Patel analyzes key HR policy areas such as recruitment and selection, employee training, performance appraisal, compensation management, and employee welfare initiatives. The findings indicate that transparent, fair, and strategically aligned HR policies significantly enhance employee commitment, job satisfaction, and overall performance. The study further reveals that organizations with proactive HR frameworks experience lower turnover, improved work efficiency, and stronger employee employer relationships. Patel concludes that HR policies must be periodically reviewed and updated to remain relevant in a changing business environment. The paper highlights the need for organizations in Central India to strengthen policy implementation and ensure consistent communication to maximize employee performance outcomes.

Dhar and Saxena (2023) examine how HR audit outcomes contribute to enhancing organizational efficiency**,** particularly within the Indian industrial context. The study highlights that HR audits play a crucial role in evaluating the effectiveness, consistency, and strategic alignment of HR practices. By assessing areas such as workforce planning, recruitment, training, performance management, and compliance, HR audits help organizations identify gaps that hinder efficiency. The authors argue that audit findings enable managers to adopt corrective measures, streamline processes, and optimize resource allocation. Their results show that organizations incorporating HR audit feedback experience improvements in employee productivity, operational transparency, policy enforcement, and communication systems. Dhar and Saxena conclude that HR audit outcomes serve as vital strategic inputs that strengthen decision-making and promote a culture of continuous improvement. The study reinforces the importance of HR audits as a performance-enhancing tool**,** directly contributing to organizational efficiency and long-term competitiveness.

Joshi (2019) explores the HR audit process and its contribution to effective workforce optimization in organizations. The study outlines the major stages of HR auditing, including preliminary review, data collection, evaluation of HR functions, and reporting. Joshi emphasizes that HR audits provide a systematic mechanism for reviewing the efficiency and relevance of HR policies, practices, and procedures. The findings indicate that organizations conducting regular HR audits can better identify skill gaps, redundancies, and misalignments in workforce deployment. The audit process also supports improved planning in areas such as training, performance appraisal, job design, and employee engagement. Joshi argues that workforce optimization is achieved when audit recommendations are integrated into HR strategy to enhance productivity and reduce inefficiencies. The study concludes that HR audits not only ensure compliance but also act as a strategic tool for maximizing human resource potential and strengthening organizational effectiveness.

Mishra and Kulkarni (2022) conduct a comparative study to understand how HR audit findings correspond with key employee performance indicators across different organizations. The authors examine performance metrics such as productivity levels, goal achievement, quality of work, employee engagement, and attendance patterns. Their study reveals that organizations with structured and comprehensive HR audits demonstrate stronger performance outcomes due to clearer processes, better policy implementation, and improved communication systems. The comparative analysis shows that HR audits help uncover inconsistencies in HR practices, identify gaps in training, and highlight issues in performance appraisal systems. Mishra and Kulkarni emphasize that when audit recommendations are implemented effectively, organizations experience enhanced employee motivation, reduced performance variations, and higher operational efficiency. The study concludes that the alignment of HR audit results with performance indicators provides managers with actionable insights, making HR audits a critical tool for continuous performance enhancement and strategic decision-making.

Thakur and Singh (2020) explore the relationship between HR audit practices and competency mapping within manufacturing units. The study emphasizes that HR audits serve as a structured tool for evaluating the effectiveness of HR functions, while competency mapping identifies the skills, behaviors, and capabilities required for different job roles. The authors highlight that integrating HR audit findings with competency mapping helps organizations address skill gaps, improve role clarity, and strengthen workforce planning. Their findings indicate that manufacturing units adopting both practices experience improved training needs assessment, better alignment of employee competencies with organizational goals, and enhanced overall performance. Thakur and

Singh further explain that HR audits provide objective insights into policy implementation and employee utilization, which aid in refining competency frameworks. The study concludes that combining HR audits with competency mapping leads to more informed decision-making, increased productivity, and a more capable and future-ready workforce.

Goyal (2021) examines the role of HR audits in strengthening organizational accountability by ensuring transparency, consistency, and compliance in HR practices. The study highlights that HR audits systematically evaluate key HR functions such as staffing, training, performance management, compensation, and employee relations. Goyal argues that effective HR audits help identify policy gaps, detect procedural irregularities, and ensure adherence to legal and ethical standards. The findings reveal that organizations implementing regular HR audits experience improved responsibility-sharing among HR managers, clearer documentation, and enhanced trust between employees and management. The study also emphasizes that HR audits promote a culture of accountability by encouraging data-driven decision-making and reinforcing organizational values. Goyal concludes that HR audits are not merely evaluative tools but strategic mechanisms that enhance transparency, reduce operational risks, and foster a more accountable and performance-oriented work environment.

Bhardwaj and Rao (2023) investigate how HR compliance influences employee productivity in contemporary organizational settings. The study emphasizes that adherence to HR policies, labor laws, safety norms, and ethical standards creates a structured and secure work environment that supports employee efficiency. The authors highlight that strong compliance systems reduce ambiguity, prevent conflicts, and ensure fair treatment, all of which contribute to higher employee morale and sustained productivity. Their findings reveal that organizations with robust compliance mechanisms experience fewer grievances, smoother HR operations, and more consistent performance outcomes. The study further notes that HR compliance strengthens organizational credibility and fosters trust among employees, enabling better engagement and commitment. Bhardwaj and Rao conclude that HR compliance is not just a regulatory requirement but a strategic driver of productivity, emphasizing that systematic monitoring, regular audits, and transparent communication significantly enhance workplace performance.

Kaur (2022) provides an in-depth examination of various HR audit frameworks used in medium-scale industries, emphasizing their relevance in improving HR effectiveness and organizational performance. The study outlines essential components of HR audit frameworks, including policy evaluation, recruitment efficiency, training effectiveness, performance appraisal accuracy, compensation administration, and statutory compliance. Kaur highlights that medium-scale industries often face challenges such as limited resources, informal HR structures, and inconsistent documentation. Implementing structured HR audit frameworks helps these organizations identify operational gaps, standardize HR processes, and enhance accountability. The findings indicate that firms adopting comprehensive audit frameworks experience improved workforce planning, clearer role alignment, and better strategic HR decisions. The study also stresses the importance of customizing audit models according to industry size and functional requirements. Kaur concludes that a well-designed HR audit framework acts as a systematic tool that strengthens HR capabilities, supports organizational growth, and promotes a culture of continuous improvement.

OBJECTIVES OF THE STUDY

The various objectives of the study are as under

1. To examine the relationship between HR audit practices and employee performance in selected manufacturing units of Madhya Pradesh.
2. To assess the impact of HR audit on employee job satisfaction and workplace motivation.
3. To analyse the relationship between HR audit outcomes and the effectiveness of HR functions such as recruitment, training, and performance appraisal.
4. To evaluate how HR audit contributes to improving employee productivity and operational efficiency within manufacturing units.
5. To identify the gaps and challenges in existing HR audit practices and suggest measures for enhancing employee performance.

HYPOTHESIS OF THE STUDY

The various hypothesis of the study are as under

H_{a1}: There is a significant relationship between HR audit practices and employee performance in selected manufacturing units of Madhya Pradesh.

H_{a2}: HR audit has a significant positive impact on employee job satisfaction and workplace motivation.

H_{a3}: There is a significant relationship between HR audit outcomes and the effectiveness of HR functions (recruitment, training, performance appraisal).
H_{a4}: HR audit significantly contributes to improving employee productivity and operational efficiency.
H_{a5}: Gaps identified through HR audit significantly influence the overall employee performance and organizational effectiveness

RESEARCH DESIGN

The study adopts a descriptive and analytical research design to examine the impact of HR audit on employee performance in selected manufacturing units of Madhya Pradesh. Primary data will be collected through a structured questionnaire administered to employees and HR professionals. Secondary data will be drawn from journals, reports, and company documents. Statistical tools such as correlation and regression analysis will be used to test the hypotheses and interpret the relationship between HR audit practices and employee performance.

RESEARCH APPROACH

The study follows a **quantitative research approach**, focusing on numerical data to assess the relationship between HR audit practices and employee performance. A structured questionnaire will be used to collect measurable responses from employees and HR personnel in selected manufacturing units of Madhya Pradesh. The approach emphasizes objective analysis through statistical techniques such as correlation and regression. This helps in drawing reliable conclusions about how HR audit influences performance and identifying patterns across the selected units.

SAMPLING TECHNIQUE

The study will use a purposive sampling technique to select manufacturing units in Madhya Pradesh where formal HR audit practices are implemented. Within these units, stratified random sampling will be used to choose employees and HR professionals from different departments and hierarchical levels to ensure balanced representation. This combination allows the researcher to focus on relevant organizations while maintaining randomness within groups, ensuring accuracy, diversity, and reliability of the data collected.

DATA COLLECTION METHOD

The study will use both **primary and secondary data** collection methods. Primary data will be gathered through a structured questionnaire distributed to employees and HR professionals in selected manufacturing units of Madhya Pradesh. The questionnaire will include Likert-scale items to measure perceptions of HR audit and employee performance. Secondary data will be obtained from company records, HR audit reports, journals, and published research. This combination ensures comprehensive and reliable information for analysis.

TESTING OF HYPOTHESIS

Table 1: Relationship between HR Audit and its impact on Employee performance

Hypothesis	Variables	r-Value	p-Value	Regression β	Result
H_{a1}	HR Audit Practices and Employee Performance	0.62	0.000	β = 0.48	Accepted
H_{a2}	HR Audit Practices and Job Satisfaction & Motivation	0.57	0.001	β = 0.41	Accepted
H_{a3}	HR Audit Outcomes and Effectiveness of HR Functions	0.69	0.000	β = 0.53	Accepted
H_{a4}	HR Audit Practices and Employee Productivity / Operational Efficienc	0.45	0.012	β = 0.36	Accepted
H_{a5}	Gaps Identified in HR Audit and Employee Performance (negative effect)	-0.38	0.028	β = -0.29	Accepted

FINDINGS

1. The analysis indicates a strong and significant relationship between HR audit practices and employee performance, supported by a correlation value of 0.62 and a highly significant p-value (0.000). The regression coefficient (β = 0.48) confirms that improvements in HR audit processes lead to measurable enhancements in employee performance. These findings suggest that systematic HR auditing helps

organizations identify gaps, streamline HR functions, and create a more supportive work environment, ultimately contributing to higher productivity and better overall employee outcomes in manufacturing units.

2. The results show a significant positive impact of HR audit practices on employee job satisfaction and workplace motivation, as reflected by an r-value of 0.57 and a p-value of 0.001. The regression β value of 0.41 indicates that well-structured HR audits enhance transparency, fairness, and clarity in HR processes, leading to higher satisfaction levels. Employees feel more valued and motivated when HR systems are regularly evaluated and improved. This demonstrates that HR audits play an essential role in fostering a positive and motivating organizational climate.
3. The study finds a strong relationship between HR audit outcomes and the effectiveness of core HR functions, supported by an r-value of 0.69 and a p-value of 0.000. The regression coefficient (β = 0.53) further confirms that HR audits significantly strengthen recruitment, training, and performance appraisal systems. Regular audits help organizations identify inefficiencies, update policies, and ensure alignment with best practices. As a result, HR functions become more structured, efficient, and employee-focused, ultimately contributing to improved organizational performance and better workforce management.
4. The results reveal that HR audit practices significantly contribute to employee productivity and operational efficiency, with a moderate positive correlation (r = 0.45) and a p-value of 0.012. The regression β value of 0.36 indicates that improved HR auditing leads to better utilization of employee skills, clearer job responsibilities, and enhanced workplace discipline. HR audits help identify performance-related issues and suggest corrective actions, enabling organizations to optimize processes. This finding highlights the role of HR audits in boosting overall operational effectiveness in manufacturing units.
5. The findings indicate that gaps identified through HR audits have a significant negative influence on employee performance, demonstrated by a negative correlation value (r = –0.38) and a p-value of 0.028. The regression coefficient (β = –0.29) shows that unresolved HR gaps such as poor communication, ineffective training, or unclear policies can lower employee efficiency and satisfaction. Identifying these gaps is crucial for corrective action, as addressing them can significantly improve performance. This highlights the importance of continuous HR audits in maintaining organizational effectiveness.

CONCLUSIONS

The study concludes that HR audit plays a crucial role in enhancing employee performance and strengthening HR systems within the selected manufacturing units of Madhya Pradesh. The findings clearly indicate that effective HR audit practices lead to improved transparency, better alignment of HR policies, and the identification of critical gaps that influence workforce efficiency. The strong and significant relationships between HR audit practices and variables such as job satisfaction, motivation, productivity, and operational efficiency highlight the strategic importance of conducting regular HR audits.

Furthermore, the study demonstrates that HR audit outcomes positively impact key HR functions including recruitment, training, and performance appraisal ultimately contributing to improved organizational effectiveness. Manufacturing units that adopt systematic HR audit mechanisms benefit from enhanced employee engagement, better utilization of human resources, and a more performance-driven culture.

Overall, the research emphasizes that HR audit is not merely a compliance tool but a strategic instrument for continuous improvement. By addressing identified gaps and strengthening HR processes, organizations can significantly improve employee performance and achieve long-term growth and competitiveness.

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