

# Determinants of Employee Performance in Commercial Banks of Nepal

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**Abstract**—This study made an attempt to find out the most influential factors of employee's performance in commercial banks of Nepal. This study is qualitative in nature which includes 200 respondents where responses are collected from primary method. From the outcome of the research, it illustrates that work life balance, incentives and reward, work environment, employer branding, career growth and organization culture have significant relationship between commercial banks and employee performance. The results further revealed that there are no significant relationship between retention and motivation. The significant relationship of responses of the null hypothesis influences indicated an impact on the performances of the employees. The outcome of this study is significant to regulate activities for enhancing employee performance by focusing on the determinants for enhanced productivity in commercial banks.

**Keywords:** Banking industries, employee performance, primary survey and descriptive statistics.

## 1. INTRODUCTION

Employees are regarded as one of the most imperative assets of any organization. The prosperity of any organization depends largely on the employee's qualities, capabilities and skills which can be measured by their performance. Employees working in an organization might have different set of skills, knowledge and abilities. Some have different modes of working and can perform with the highest proficiency regardless of the incentive while others may have an irregular tendency of working. Performance is a significant factor in every organizational success. The outcome can be of greater productivity and boosted employee morale if the performance of the employees is accelerated effectively. Employees are also more loyal to companies who care for their personal growth and career development, no matter how small or large the organization is. Also, it becomes much easier to develop workplace skills and abilities instead of trying to cultivate right attitude in employees. The performance issues can weaken to the point of crisis if early warning signals are ignored. A deteriorating performance of one employee can affect the productivity of other employees working in the same organization. Poor performer can place

the organization at risk and the targeted goals cannot be achieved within the targeted time. Managers today are facing with a crucial question of what factors influence employee performance. There is not enough observed information that might guide their efforts in enhancing overall job performance among employees.

It is expected that the outcome of this study will trace out a roadmap which helps to go to the right path and make the justification of the research. This research concentrates about what are the determinants affecting the employee performance in commercial banks of Nepal and, does the demographic characteristics of individuals affect the performance of the employees?. The purpose is also to test the relationship between determinants and employee performance. The determinant includes motivation, work life balance, work environment, retention, incentives and rewards career growth, human resource development and employer branding. The significance also reveals that whether the bank has been able to allocate the right person in the right department based on their skills and their performance. Hence, this study is significant to commercial banks to know the deep knowledge on determinants and its effectiveness in terms of their employee performance as well as the organization performance.

## 2. THE LITERATURE REVIEW

Banerji (1971) conducted a study which discusses the application of an integrated approach towards performance planning in banks. Binney and Regadan (1973) study emphasized in the work attitude and particular needs of the work force. Griffin, Welsh and Moorhead (1981) aimed at enhancing both construct validity and substantive considerations. Sharma and Das (1981) applicability of the findings have been discussed vis-a-vis organizational setup contrast to the variable 'money'. Bishop (1987) paper examined wage response to relative productivity and, suggested that wages do not fully respond to performance because of the firm specificity of job performance

differentials. Griffeth and Bedeianmade (1989) research combines non task variables with behavioral, cognitive, social, and affective factors was likely to remain in high demand. Friedman and Lobel (1989) showed executives-whether Happy Workaholics or not-how to obtain the advantages of leading an organization. Dvivedi (1990) examined the relationships between attitude towards supervisor and performance. Holzer (1990) revealed the evidence that firms' wage levels are positively associated with the previous experience of new hires. Osborne (1990) conducted a study which indicated that the written evaluation should be passed on to management but should also be given to the employee.

Balkin and Griffeth (1993) examined the multidimensional scale of benefits satisfaction and results indicated that pay level, female gender and exempt status employees are positively related to benefits satisfaction, Mehra (1996) used the strategic group framework to examine the determinants of firm performance in the U.S. banking industry. Cheng and Kalleberg (1997), examined the determinants of employee job performance U.S. and Britain. Hossain (2000), revealed that the public sector bank employees were in a better position in terms of their job satisfaction than the private sector bank. Horgan and Muhlau (2005) study acquired the information about dependent and independent variables from separate sources and validates both types of information by multiple informants. Mohan and Khan (2005) conducted a study in which the banking sector reforms was to promote a diversified, efficient and competitive financial system. Rasad (2006), paper uses analytic hierarchy process (AHP) to evaluate employees performances. Kassahun (2007) study has categorically indicated that the employees tend to give much value to continuous support and encouragement from management desk, fairness and equity in the distribution of work-related outcomes. Reed, Narasimhan and Doty (2009) study theoretically and empirically explored whether or not personal banks adapt their human and social capital in a changing environment. Abbas and Yaqoob (2009), research explored that how leadership development programs can be strategically designed. Oedekoven and Hay (2010), conducted a study on attitudes, and personality traits and concluded that the evidence favored nature over nurture. Grundman (2012), conducted a study to identify the good performance, like length of service, acts as a mitigating factor in determining the type of penalty for an employee. Saaed (2013) revealed that individual characteristics and organizational factors have significant and positive effect on employees performance. Pawirosumarto and Sarjana (2017), results of the study indicated that there is a positive and significant influence simultaneously between leadership style, employee motivation, and discipline on employee performance.

### 3. METHODOLOGY

The research study has tried to locate the determinants of employee performance in selected commercial banks of

Nepal. The study focuses on understanding the determinants based on different factors such as gender, age, educational qualification and work tenure. The research methodology used for this study is qualitative. A non-probability convenient sampling is adopted where certain samples is included with convenience of researcher. The respondent of this study includes employees from different commercial banks of Kathmandu valley.

#### 3.1 Variable Selections

The study has been based on major key article paper Brown (1982), which is similar to the researcher's study. According to this paper, the main purpose is to apply recent econometric research on "sample selection" problems to this employee-selection problem. The dependent variable considered for this research is employee performance whereas independent variables are work life balance, work environment, retention, incentives and rewards, career growth, employer branding, organization culture. Moderating variables influence other independent variables. The moderating variable for this research includes statistics such as gender, age, educational qualification, work tenure. The functional form of the model for this paper is as follows:

$$Q = f(X_i), \text{ where } i = 1, 2, 3, 4, \dots, 8$$

$$\text{i.e., } Q = f(X_1, X_2, X_3, \dots, X_8)$$

Where,

Q = Employee Performance

X1 = Work life Balance

X2 = Work Environment

X3 = Retention

X4 = Incentives and Reward

X5 = Career Growth

X6 = Employer Branding

X7 = Organization Culture

X8 = Retention

#### 3.2 The Data Source

The study was carried out in mid August 2017; the population for the study comprises all the individual employees of Valley working in banks. According to the data from Nepal Rastra Bank published on mid January 2017, there are altogether 28 commercial banks, 7 joint ventures, 3 government banks and 18 domestic private banks. Approximately, 33 percent of the sample from the population of banks i.e., one government banks, three joint venture banks, and six domestic private banks has been chosen as samples for the study using stratified sampling technique. In aggregate, 33 percent of the population has been used as the sample using convenience and judgmental sampling technique while distributing the

questionnaire. The sample taken under consideration for the study was taken from public, private, government and joint venture bank. The department where the survey was carried out was Finance department, Human Resource department, Operation Department and Clearing department. The name of the bank are Rastriya Banijya Bank, Nepal SBI Bank Limited, Himalayan Bank Limited, Nabil Bank Limited, Century Bank Limited, Sanima Bank Limited, NIC Asia Bank Limited, Janta Bank Limited, Laxmi Bank Limited and Machhapuchre Bank Limited.

### 3.3 Data Analysis Procedure

In this study, primary survey was carried out and data was collected through a structured questionnaire which consisted of multiple choices, likert scale questions and cronbach's alpha has been used to test the reliability of data. The study was under the guidance of an expert, who oversaw the entire thesis development with pouring the set of standard in each step. For the analysis of the data descriptive statistics was used to summarize the sample being studied and inferential analysis has been made to make judgments of the probability and parametric tests. The response collected was later coded and entered in SPSS worksheet. With the help of this software, the data collected from the sources has been classified, tabulated, and analyzed using statistical tools like mean, median, variance and others according to the needs of the research.

## 4. RESULTS AND DISCUSSIONS

Descriptive tools were used such as frequency table, charts and graphs are used to examine the determinants and employees performance. For the inferential analysis tests such as ANNOVA, One sample t-test, Correlation and Independent sample t-test were carried out for the analysis.

According to the survey, out of 200 numbers of respondents 35% are female and 65% are male. The age group of respondents is categorized into four group. Respondents between 18 to 27 years represent 25.50 percent of the respondents, whereas, the respondents between 28 to 37 years represent 37.50 percent of the respondents, likewise, the respondents between 38 to 47 years represent 34 percent of the respondents, similarly, the respondents between 48 years and above represent 3 percent of the respondents as minority group of the respondents. As for work tenure category of 3 to 6 have the highest percent of 36 percent, 33 percent of experience falling under the work tenure category of 0 to 3 years, 6-9 years 20 percent and the lowest more than 9 years is 11 percent. As for educational qualification of the overall respondent with graduate group occupy the highest response of 52.00 percent followed by post-graduate group 32.50 percent, undergraduate group 13 percent, and up to +2 group with 2.50 percent accordingly. Out of 200 respondents, 65.50 percent respondents stated yes that they have are satisfied in the bank they are currently working. Meanwhile, 34.50

percent of the respondents stated that they are not satisfied in the bank they are currently working.

### 4.1 Descriptive Statistics

Descriptive statistics are a representation of a sample it or the entire population. They are descriptive coefficients which summarizes a given set of data. Table 1, illustrates that incentives and reward has the highest ranking, then career growth, organization culture. Work life balance and work environment both do not show much difference in the means. The lowest ranking of the independent variables is retention and motivation.

### 4.2 Inferential Analysis

The data collected from respondents are subject to inferences between demographic factors and determinants of employee performance. This has been done through the use of inferential statistics namely Independent t-test and One-way ANOVA has been used in this section.

#### 4.2.1 Independent Sample t- test

The Independent Samples t Test compares the means of two independent groups to determine whether there is statistical evidence that the associated population means are significantly different. Independent sample t test between gender and independent variables was carried out. The results from all p-values indicated that gender does not have an effect on determinants of employee performance. The determinants are work life balance, work environment, retention, incentives and rewards, career growth, motivation, employer branding and organization culture.

**Table 1: Ranking of the values that affect the Employee Performance**

Ranking Factor	Descriptive Statistics			
	Min	Max	Mean	Std. Deviation
Incentives and Reward	1	8	2.17	1.553
Career Growth	1	8	2.83	1.88
Organization Culture	1	8	3.38	1.489
Work Environment	1	8	4.17	1.649
Work Life Balance	1	8	4.39	1.79
Retention	1	8	5.97	1.57
Motivation	1	8	6.19	1.117
Employer Branding	1	8	6.72	2.267

**Table 2: Correlation analysis between independent and dependent variables of selected commercial banks**

Hypothesis	Attribute	Null Hypothesis
HO1	Work life balance and employee performance.	Rejected
HO2	Work environment and employee performance.	Rejected
HO3	Retention and employee performance.	Accepted

HO4	Incentives and reward and employee performance.	Rejected
HO5	Career growth and employee performance.	Rejected
HO6	Employer branding and employee performance.	Rejected
HO7	Organization culture and employee performance.	Rejected
HO8	Motivation and employee performance.	Accepted

#### 4.2.2 One way Anova

The one-way analysis of variance (ANOVA) is used to determine whether there is any statistically significant relationship between the variables. As for one way annova between age and variables the p-values except for work environment all are greater than the significant level (i.e. p-value  $>0.05$ ), which indicates that there is no significant relationship between variables and age. As for work environment, the p-values of work environment in the organization are less than the significant level (i.e., p-value  $< 0.05$ ), which indicates that there is significant relationship between the work environment and age. These results from p-values suggest that age have an effect on work environment of employee performance. These results from p-values suggest that age have an effect on work environment of employee performance.

The influence and impact of work tenure in variables resulted from all p-values that work tenure does not have an effect on determinants of employee performance indicating no significant association. One way annova between educational qualification and variables, The p-values of career growth in the organization are less than the significant level which indicates that there is significant relationship between the career growth and educational qualification. For other variables the p-value is greater than the level of significance indicating that there is no significant association between educational qualification and variables.

#### 4.2.3 Hypothesis Testing

Correlation is a statistical technique to know how strongly pairs of variables are related with each other. Through the help of the table 2, summarizing about the outcome of overall selected commercial are obtained after performing the hypothesis testing is done. This table has help to know which null hypothesis are accepted and rejected. Out of eight independent variables two of them are accepted and six of them are rejected. The variables which have significant relationship are work life balance, incentives and reward, career growth, organization culture, work environment, employer branding indicating that there is positive correlation between the variables. These independent factors have significant relationship with employee performance. The variables which are accepted are retention and motivation

indicating that there is no significant relationship among the variables.

### 5. CONCLUDING REMARKS

This study concludes that overall respondents seem to be satisfied in the bank they are working. It seems that educational qualification, career growth, age and working environment have been a significant relation among these variables. The variables such that work life balance, incentives and reward, career growth, organizational culture, work environment, employer branding revealing that there is a positive correlation between the variables.

The study shows that managers in the bank should have performance appraisals and interacts with their staff frequently, focusing around managing poor performance or pay reviews along with feedbacks. The performance management of the firm should be made regular and positive practice. A proper identification of the employee's needs and satisfaction to enhance the performance is also significant.

It is also recommended that every needful resource should be provided to the manager such as innovative ideas from employees who can be used to achieve the targeted performance and goals. A good working environment should be also provided to the employees working in the banking industries so that the employees can be fully committed towards the assigned work.

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