



# Performance-driven Practices and Employee Performance in Nepalese Commercial Banks

**Dhan Raj Chalise**

Assistant Professor, Faculty of Management, Tribhuvan University,  
Email: chalisedr@shankerdevcampus.edu.np, (Corresponding author).

**Jhabindra Pokharel**

Assistant Professor, Faculty of Management, Tribhuvan University,  
Email: pokharelj@shankerdevcampus.edu.np

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## ABSTRACT

*Human resource is the fundamental resources of the organization, which determine the performance of the organization as well as gives the life to the other resources and the organization. This study focuses on assessing the role of employee performance-driven practices on employees' performance in Nepalese commercial banks. This study utilizes the quantitative research approach with a causal-comparative and analytical research design. The sample of the study is 385 respondents from Kathmandu valley. Reliability analysis, descriptive statistics, correlation, and regression analysis are utilized to draw the conclusion. Evidence indicates that leadership, working environment, motivation, and job satisfaction positively and significantly affect employee performance in the Nepalese banking sectors. Finally, this study suggests banks provide excellent leadership opportunities, a good working environment to the employees, rich motivation, and focus on job satisfaction through intrinsic and extrinsic reward systems that positively contribute to the bank employees' performance and might lead to downsizing employee turnover also.*

## 1. INTRODUCTION

Human resource management is regarded as one of the performance-driven initiatives of an organization, which consist of complete tasks, policies, programs, and practices related to human resources of the organization, including employee staffing, training and development of employee, performance and compensation management, motivating employee and encouraging employee participation in the decision-making process (DeCenzo et al., 2016; Jones et al., 2000). Performance-driven practices play the key role in the acquisition, development, motivation, and maintenance of sound human resources that are competent to handle all other resources, including threats and challenges, and able to

minimize the weaknesses and risks, which helps to achieve a sustainable competitive advantage (DeCenzo et al., 2016; Noe et al., 2007, Armstrong, 2006; Khatri, 1999). Employee performance is considered one major determinant that strongly influences a firm's performance, which directly contributes to the organization's success through the behavior of individuals despite other factors that assist in the success (Saleh et al., 2020). However, employee behavior is guided through a series and bundle of distinct components but interrelated to HRM practices (Alsafadi & Altahat, 2021). Performance-driven practice can be utilized to raise the performance of the employees by inspiring and motivating them and developing inter-competition among them, which helps to appraise the performance of the individuals working within the organization (Ahmad & Schroeder, 2003). Hence, it requires activating the sound role of HRM through properly utilizing performance-driven practices in any organization, including the banking sector.

Ichniowski et al. (1995) found that the adaption of new HRM practices, such as team works, flexible work engagements, job security, opportunities for multiple job training, and sufficient reliance on compensation pay, contributes to a substantially higher level of productivity compared to the traditional approach of HRM such as narrow job definitions, strict work rules, and hourly pay with close supervision by the supervisors. Laursen and Foss (2012) found that sound performance-driven practices lead to innovative outcomes for the employees and the organization. Delaney and Huselid (1996) found that performance-driven practices like training, human resource selectivity, and firm perceptual performance have positive associations. Sarker (2017) found that institutional commitment and motivation, employee relations, physical work environment, promotion, and job satisfaction significantly influence employee performance in the banking industry in Bangladesh. Likewise, Ahmed (2016) found that HRM practices positively influence organizational citizenship behavior, positively leading to employee performance. Performance-driven practices significantly influence Nepalese organizational performance's behavioral outcomes (Pradhan, 2020).

Similarly, Subedi and Sthapit (2020) found that HRM practices and organizational citizenship behavior are strongly associated with Nepalese commercial banks. Nepalese commercial banks, especially private banks, face a serious problem of employee turnover. There are nominal studies that explain performance-driven practices and employee performance in the Nepalese context. Likewise, as per the best knowledge of the researchers, there is the slightest evidence found that deals with the leadership, working environment, motivation, and job satisfaction of employees and their influence on the performance of the top ten commercial banks of Nepal based on the size of total assets. Hence, the basic objective of this study is to examine the influences of performance-driven practices on employees' performance in Nepalese commercial banks.

## 2. LITERATURE REVIEW

Theoretical as well as empirical evidence that deals with the influence of performance-driven practices incorporating leadership, working environment, motivation, and job satisfaction on employee performance have been extensively documented and discussed in this section.

Effective leadership is productive for the organization because it can motivate and inspire the employees and utilize them to obtain the organizational objectives. DeCenzo et al. (2016) argued that the role of leadership has a significant contribution to an organization's success or failure through effective leadership leads to the success of the organization as the result of proper leadership. Likewise, effective leadership can influence team members who coordinate and helps in the good operation of the organization (Jones et al., 2000). Leadership and organizational performance are directly related (Achua & Lussier, 2010). Pawirosumarto et al. (2017); Paais and Pattiruhu (2020) found that effective leadership positively affects employee performance.

The working environment is a conviction that is associated with the degree to which employees believe their immediate surroundings satisfy their social, extrinsic, and intrinsic requirements, including their motivation for staying with the organization (Jones et al., 2000; DeCenzo et al., 2016; Armstrong, 2006). Likewise, there are numerous benefits to cultivating and preserving an excellent work environment, including productivity increments, satisfied employees, fewer employees' turnover, increased competitive advantages, profitability rise, more security and improved health condition of employees and the organization (DeCenzo et al., 2016). Putri et al. (2019) found that the work environment has a significant positive influence on employee performance. Likewise, Athirah Saidi et al. (2019) found that work environment and employee performance have a significant positive relationship.

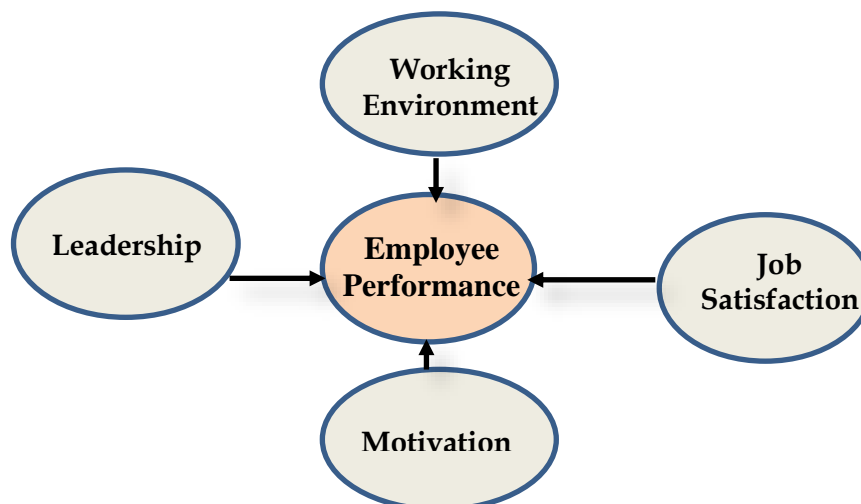
When employees are motivated by intrinsic and extrinsic rewards, they are productive in the organization by fulfilling every part of their duty, jobs, and obligations, which enhances the organization as a whole (DeCenzo et al., 2016). Noe et al. (2007) argued that a good organization establishes a sound reward system and ensures superior productivity is maintained, smooth operations, and employees perform supreme team cooperation leading to increased motivation levels of the employees, ultimately raising in performance of the organization. Pawirosumarto et al. (2017); Paais and Pattiruhu (2020) found that motivation positively affects employee performance.

Hulin and Judge (2003) argued that job satisfaction is the multifaceted psychological reaction to one's job. It is an attitude, either judgements or feelings, as well as both emotive and cognitive states. Job satisfaction is the level of employee expectations from their job and the benefits received from the job (Dizagh et al., 2012; Shaya & AbuKhait, 2016). Paais and Pattiruhu (2020) found that employees' job satisfaction positively affects the employees' performance. Similarly, Inuwa (2016) found that job satisfaction has a significant positive influence on employee performance.

### 3. RESEARCH METHODS

This study uses a quantitative research approach with a causal-comparative and analytical research design. The total population of the study is the total number of employees currently working in Nepalese commercial banks. Two stages sampling procedure was utilized to collect the sample. In the first stage, the top largest based on total assets of the banks' balance sheet, the top 10 commercial banks are selected. In the second stage, a total of 385 respondents from the top 10 commercial banks used the meeting of employees at the time of visiting their offices. However, only 309 complete responses are collected for the study representing a response rate of 80.26 percent. 5-points Likert-type structured closed-end questionnaires are distributed to the banking employees to collect their responses/opinions. Reliability analysis using Cronbach alpha, descriptive statistics, Pearson correlation coefficient, and multiple regression analysis are utilized to analyze data and draw a conclusion. Finally, the research model is dispensed in Figure 1.

**Figure 1**  
*Research Model*



**Table 1***List and Sources of Variables of the Study*

Items	Variables	Sources	Expected Sign
EMP	Employee Performance	Pawirosumarto et al. (2017); Paais and Pattiruhu (2020), Dizagh et al. (2012); Inuwa (2016); Athirah Saidi et al. (2019)	
LES	Leadership	Sarai and Judge (2004); Pawirosumarto et al. (2017); Paais and Pattiruhu (2020)	+
WOE	Work Environment	Putri et al. (2019); Athirah Saidi et al. (2019)	+
MOT	Motivation	Pawirosumarto et al. (2017); Paais and Pattiruhu (2020); Kreinter (2006)	+
JOS	Job Satisfaction	Dizagh et al. (2012); Paais and Pattiruhu (2020); Inuwa (2016)	+

*Source: Researcher's Collection*

The basic model of the study is given as follows:

$$EMP = f(\text{Performance-driven practices})$$

Or

$$EMP = f(\text{Leadership, Work Environment, Motivation, Job Satisfaction})$$

Symbolically,

$$EMP = \beta_0 + \beta_1 LES + \beta_2 WOE + \beta_3 MOT + \beta_4 JOS + e_i \dots \dots \dots (i)$$

This study only considers leadership, working environment, motivation, and job satisfaction are the key human resource practices, only the top 10 commercial banks are considered for the study, other aspects of performance-driven practices except for leadership, working environment, motivation, and job satisfaction are ignored, and finally, only top-ranked banks are utilized for the study banks.

#### 4. RESULTS AND DISCUSSION

##### Reliability Analysis

Cronbach alpha is calculated to examine the internal consistency of the items for reliability analysis. The details of the Cronbach alpha are dispensed in Table 2.

**Table 2***Reliability Analysis of the Constructs*

Variables	No. of Items	Cronbach Alpha
Employee Performance	5	0.891
Leadership	6	0.846
Work Environment	5	0.837
Motivation	6	0.825
Job Satisfaction	7	0.810

*Source: Field Survey, 2022*

Table 2 depicts the Cronbach alpha of all the study variables. Each variable with more than 0.70 alpha indicates no serious problem with internal consistency (Sekaran & Bougie, 2016).

##### Descriptive Analysis

Descriptive statistics like mean, minimum, maximum, and standard deviation are computed to describe the phenomenon. The detailed descriptive statistics are presented in Table 3.

**Table 3**  
Summary of Descriptive Statistics of Selected Variables

Items	N	Minimum	Mean	Maximum	Std. Deviation
EMP	309	5	19.761	25	4.325
LES	309	6	23.983	30	5.667
WOE	309	5	18.879	25	6.101
MOT	309	6	24.027	30	5.019
JOS	309	7	27.874	35	9.781

Source: Field Survey, 2022

Table 3 depicts that the minimum value of employee performance is 5, the maximum is 25, and the mean value is 19.761, which is striving towards agreement. Similarly, the mean value of leadership, work environment, motivation, and job satisfaction have 23.983, 18.879, 24.027, and 27.874, respectively. All these average values of each variable are striving towards agreeing.

### Correlation Analysis

The relationship between all study variables is documented in the correlation coefficient matrix. The relation of all explanatory variables to employee performance is positive with significance at 0.01 level. The detail of the correlation coefficient is dispensed in Table 4.

**Table 4**  
Pearson Correlation Coefficients of Study Variables

Variables	LES	WOE	MOT	JOS
WOE	0.606** (0.000)	1		
MOT	0.593** (0.000)	0.608** (0.000)	1	
JOS	0.459** (0.000)	0.440** (0.000)	0.516** (0.000)	1
EMP	0.729** (0.000)	0.672** (0.000)	0.674** (0.000)	0.580** (0.000)

Note. The values in the parenthesis indicate the p-value. \*\* Correlation is significant at the 0.01 level (2-tailed). \* Correlation is significant at the 0.05 level (2-tailed).

Source: Field Survey, 2022

### Multiple Regression Analysis

The influence of leadership, work environment, motivation, and job satisfaction on employee performance is 66.70 percent. The details of the result of the regression analysis are dispensed in Table 5. The last row of Table 5 depicts that the fitted model is significant at 0.01 due to the p-value being less than 0.01 (p-value<0.01). The coefficients shown in the upper part for each variable are significant at the 1 percent level.

**Table 5**  
Regression Coefficient of Explanatory Variables on Employee Performance

Variables	Coefficients	S. E.	t-stat.	Sig.	Collinearity Statistics	
					Tolerance	VIF
Constant	2.118	0.317	6.681	0.000	-	-
LES	1.413	0.192	7.359	0.000	0.519	1.927
WOE	1.772	0.216	8.204	0.000	0.597	1.675
MOT	1.941	0.149	13.027	0.000	0.536	1.866
JOS	1.095	0.215	5.093	0.000	0.609	1.642
R = 0.817		Adj R <sup>2</sup> = 0.579		F Stat = 159.173		Sif(F) = 0.000

Source: Field Survey, 2022

Table 5 dispensed that the influence of human resource management on employee performance is significant, with each variable having a significant positive influence on performance due to the p-value being less than 0.01 level. The VIF of each variable is less than ten, indicating no serious multicollinearity problem.

A fortunate leader is a mentor who educates their team members and followers to improve their performance by exploring and developing their expertise in sustaining quality standards. Leadership has a positive and significant influence on employees' performance in Nepalese commercial banks, and this finding is consistent with the study of (Aldoseri & Almaamari, 2020; Wahyono et al., 2020; Pawirosumarto et al. (2017), Paais & Pattiruhu, 2020). A working environment related to the setting in which employees perform and influence workers with a sound working environment helps people to handle stress, become more creative and competent, manage conflict, and develop collaboration and effective teamwork. Finally, based on model (i), the fitted regression model is given as

$$EMP = 2.118 + 1.413 LES + 1.772 WOE + 1.941 MOT + 1.095 JOS + ei$$

The working environment has a positive and significant influence on employees' performance in Nepalese commercial banks, and this finding is similar to the study of (Kazan & Gumus, 2013; Lutfi et al., 2022; Aldoseri & Almaamari, 2020; Putri et al., 2019); Athirah Saidi et al., 2019). Motivation is the capacity or willingness to perform something which depends upon the required activity and/or the ability to meet particular demands. Motivation has a positive and significant influence on employee performance in Nepalese commercial banks, and this finding is consistent with the results of (Wahyono et al., 2020; Muda, 2014; Pawirosumarto et al.; 2017); Paais & Pattiruhu, 2020). Job satisfaction is the person's feelings, beliefs, opinions, and attitudes towards their work and the overall perspective on their job. Finally, this study found that job satisfaction positively and significantly influences employees' performance in Nepalese commercial banks, consistent with the findings of (Aldoseri & Almaamari, 2020; Paais & Pattiruhu, 2020; Inuwa, 2016).

## 5. CONCLUSION AND IMPLICATIONS

This study found that performance-driven practices, especially leadership, working environment, motivation, and job satisfaction, significantly contribute to employees' performance in Nepalese commercial banks. Therefore, Nepalese commercial banks should provide sound priority on performance-driven practices that contribute to the employees' performance and leads to organizational performance also. The key role of leadership is paying attention and direction to their juniors who could guide employees towards vision firmly and capable of being good supervisors that help to develop their capacity leads to improve employees' performance at maximum level. The organization's working environment needs to be improved to make it a more beneficial working atmosphere that can provide a sound positive influence on the development of employee performance. Banks should pay more attention to employees due to the harmonious relationship between officers and subordinates/followers through senior officers should provide both intrinsic and extrinsic rewards for employees' motivation, doing collective work and setting two-way communication might facilitate employee satisfaction that leads to improved employee performance. Finally, Nepalese banks should properly utilize sound performance-driven practices in terms of effective leadership, good working environment, proper motivation, and effective job satisfaction mechanism, which ultimately increases the employees' performance and contributes to increasing the organization's productivity, organizational performance, and organizational outcomes.

### Conflict of Interest

The authors declare that there is no conflict of interest to disclose.

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