

A STUDY ON THE PERFORMANCE SYSTEMS AND THEIR RELATIONSHIP WITH EMPLOYEES IN THE BALOCHISTAN PROVINCE BANKING SECTOR

¹Muhammed Albeshr, ^{2*}Nadeem Malik, ³Ahlam Alazeezi

¹Abu Dhabi, UAE, Swiss School of Management, Brescia,

²University of Balochistan, Quetta, Pakistan.

³Faculty of Health Sciences, Higher College of Technology, Dubai

*Correspondence: nadeem_malik_uob@yahoo.com;

ABSTRACT: *Balochistan's banking industry is the third-largest employer in the region. For the expansion of the commercial and business sectors, Balochistan requires financial institutions. To improve employee performance, this industry needs a performance management system, in particular. Given the significance of performance management systems, the main objective of this study is to highlight the role of PMS and its effectiveness in the Balochistan banking industry for its effects on employee performance, growth, and motivation. It also offers advice on how to improve PMS for banks and suggests corrective actions to address any weaknesses. This study employed a quantitative research methodology. To gather data, a questionnaire survey has been done. Later, the data was examined using regression analysis. Findings show that the performance management system (PMS) in Balochistan's banking industry is having a positive impact on employees' performance over time. Thus, the research demonstrates the significance of the relationship between planning, implementing, and assessing personnel performance. The research advised that management keep emphasizing the value of the Performance Management System (PMS) to staff members until the procedure has become ingrained and that the results be used to advance and develop staff members.*

Keywords: Performance Management Systems, Employee Performance, Balochistan banking sector

INTRODUCTION AND BACKGROUND

One of Pakistan's four provinces, Balochistan is the biggest geographically. Although it is abundant in natural resources like gold, copper, and coal, it lacks the necessary personnel and financial resources to handle the challenges that lie ahead. The majority of the province's natural and human resources are not used to their full potential. The bulk of people are lacking in their corresponding technical knowledge and expertise. Because there is a significant percentage of illiteracy in the regions, the majority of people lack creativity and initiative. In addition to other resources, the province needed a strong financial institution to provide for the financial needs of Balochistan through knowledgeable and competent staff. Competent and qualified Bankers are supposed to guide potential company owners and investors on financial and credit options, and community savings, and help to activate entrepreneurs in the province. Baluchistan's banking sector is regarded as the region's economic, commercial, and industrial engine. Due to its importance, the banking industry must take on a larger role in generating domestic savings, which are essential for directing money to overlooked regions and boosting total investment levels.

In terms of overall performance, the previous ten years have been beneficial for the industry, with the data painting a favorable picture of the expansion of banks' balance sheets. The CPEC (China-Pakistan Economic Corridor) is also expected to have some effects on the industry since increased infrastructure development indicates an expansion of the industry.

To gauge and evaluate workers' performance, banks have largely used the performance assessment method. Banks in both the public and private sectors make use of this device. Although less study has been done to find out how satisfied employees are with the current performance evaluation system and how they see the performance management system. Employees are an organization's most valuable asset and its most important success factor. The company

must realize that satisfied and motivated employees are far more likely to contribute significantly to the company. Effective and productive staff is a key component of many organizations' success stories.

Research studies [13, 16] identify the gap that mere study has been conducted in Balochistan. The performance of Balochistan banks also required research studies to identify the deficiencies and recommendations for effective PMS in the Balochistan banking system. This is possible by implementing carefully an effective PMS in the banks. Through PMS employees' skills deficiencies can be identified and propose measures for improving their performance. The topic of performance management has gained attention during the past few years. This is because businesses are realizing that investing in recruiting and retaining top talent will offer them a competitive edge in today's global economy. The fierce rivalry and merciless struggle for initiative in the modern world make performance management necessary. The phrase "performance management" covers a wide range of obligations, including generating shared goals, assessing performance constantly communicating often, providing feedback and coaching for improved performance, establishing development programs, and rewarding performance. Frameworks for performance management and evaluation have become more important in assisting organizations in achieving their efficiency goals. [25] Organizations are under greater pressure to improve their productivity and potential while reducing expenses as a result of globalization and heightened market rivalry. Since human capital is the organization's most valuable source of competitive edge, attaining human capital advantage is the ultimate aim of performance management [5].

Aim of the Study

The purpose of the study is to look at how the current performance management system affects employee performance in the context of Balochistan. One of the key pillars of Balochistan's economic and financial growth is

the banking industry. About 40 to 45 percent of the population works in this industry. Balochistan's banking industry is the third largest employer in the region. For the expansion of the commercial and business sectors, Balochistan requires financial institutions. Most projects are managed by the government, although some also require financial assistance. Employee performance and a performance management system are especially needed in this industry. During database searches, we come across numerous studies, such as those by [24], in the contexts of the British workplace, European, American, and South Asian cultures. However, there are very few studies that have been found in Pakistan, particularly in the Balochistan area, even though the banking sector is the foundation of all institutions and numerous banks are operating in this area. The objective of this study is to shed light on the importance of performance management systems (PMS) and their efficacy in Balochistan's banking sector as it relates to the performance, development, and motivation of employees. It also offers advice on how to enhance the PMS for banks and suggests corrective actions to address any weaknesses. The purpose of this study is to investigate the function and efficiency of the performance monitoring system in Balochistan's banking industry.

The efficacy of a company is significantly impacted by the performance measurement system because if an employee receives the appropriate reward and satisfaction, she will demonstrate tremendous satisfaction and ethics at work. Any organization's performance assessment and implementation of systems have an important effect on the speed at which individuals advance in their professional lives.

2. LITERATURE REVIEW

2.1 Performance management system

According to Armstrong [4], the primary goal of a performance management system (PMS) is to provide a mechanism inside an organization that allows for the monitoring of behaviors that increase performance and foster the growth of the skills and talents of all human resources. In the human resources department, the performance management System (PMS) is a highly valuable tool that has the potential to enhance performance. It may be crucial for cascading corporate objectives lower in the pyramid. If used effectively, this instrument may yield a variety of consequences that will guide the association toward success. Following the privatization process, Pakistan's banking industry is now making significant progress [21]. Employee performance evaluation is shown to have more of an effect on employee job performance in deregulated banks than in public ones, according to [30], which investigated the core practices of human resources management in Pakistani banking and their impact.

According to [28], the PMS is a step-by-step procedure that aids both individuals and organizations in accomplishing predetermined strategic goals. He claims there are seven elements to the technique. The first step is to determine the desired performance. The necessary roles, duties, and responsibilities for each position should be defined via

planning. The second part involves defining performance objectives, goals, and targets under the standards that have been established for all jobs as well as the metrics used to assess performance. The second part involves defining performance objectives, goals, and targets per the standards that have been established for all jobs as well as the metrics used to assess performance. The third element is performance evaluation, which entails assessing performance on two fronts: performance results and behaviors in comparison to predetermined metrics. Finding a set of solutions to the complicated issues facing the firm is the fourth component. The design and development performance solution makes up the fifth element. For appropriate answers to performance issues, [28] employed the designs of the Electronic Performance Support System and Balanced Scorecard. The sixth element is to carry out formative evaluation during the term to track performance and give feedback to correct performance flaws. The final element is execution and ongoing performance improvement, which entails putting the agreed-upon concept into practice and utilizing the data at hand. In summary, he describes PMS as a seven-step process.

2.2 Performance of Employees

Because employee performance is closely tied to organizational performance, it is said to be the most significant and directly related to the success or failure of an organization. Numerous studies have been conducted, especially from this standpoint. We have examined some of these studies below: Employee input and efforts toward accomplishing organizational goals are considered performance from an organizational point of view in service-oriented organizations. In the words of [15], personnel are the main source of establishing a competitive edge. Better employee performance impacts organizational effectiveness and raises the efficiency of an organization, according to [17]. According to Saleem [22], an employee's performance covers all of the actions and duties carried out as part of their regular work responsibilities to improve the effectiveness and efficiency of their organization. According to the literature reviewed above, an employee's performance is determined by how well he or she completes his or her duties, manages his or her time to complete those duties, demonstrates leadership in the workplace, and produces both high-quality and high-quantity work. According to Lawler [12], "it is very difficult to effectively manage human capital without a system that measures performance and capability; an effective PMS should be a key building block of every organization's human capital management system." Despite extensive studies, a persistent issue that affects many people today is their discontent and irritation with performance evaluation. Organizations are making plans to upgrade their performance management systems as time goes on [2]. A performance assessment system's usefulness depends on all of its users, including appraisees, appraisers, and organizations. [10]. All strategies, practices, cultures, and interpersonal interactions that make it easier to attain organizational goals are included in performance management. According to Layton [15], a performance

management system is a structured, goal-oriented method that controls and directs workers at work and relies on positive reinforcement to boost employees' performance and get the most out of them.

According to [26], there is a strong connection among successful performance management systems, employees, and organizational performance management systems as well. Top-performing companies tend to have high-rated performance management systems. According to [8], some business organizations share their set goals with their workers, while the majority of organizations use performance appraisals and compare the employees' performance with the set standard for performance. Performance management is the actual path when we work

in the organization for quality control; the objective of performance is the completion of organizational goals rather than set standards.

Research was done by [18] and [29] on Egyptian chain hotels with the impression of justice in performance reviews. This study intends to investigate the relationship between reported supervisor competence, perceived supervisor support and felt organizational fairness among hotel staff members. The hypothesis that perceived supervisory support mediates the relationship between supervisory competence and organizational fairness was tested in the data analysis using hierarchical regression. According to the findings, employees accept their

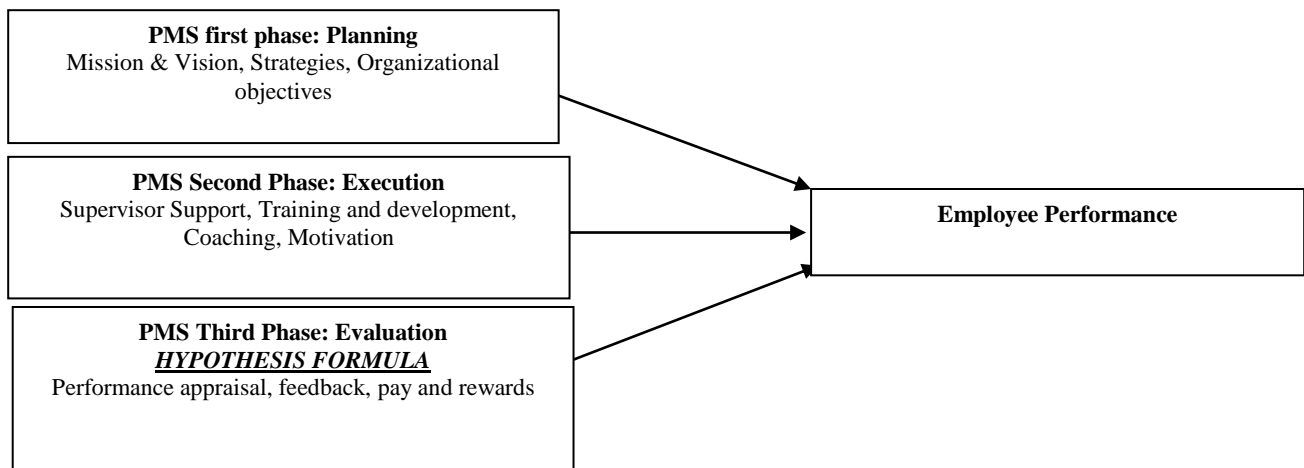


Figure: Conceptual Framework of Study

supervisors' high levels of competence when they perceive them to be helpful and committed to organizational fairness. According to the study's findings, organizations may implement policies to foster open communication and mutual support between managers and employees. the performance evaluation system used by Habib Bank Limited Pakistan, according to Pakistani banks, suggests that rewarding workers who do well might drive them to continue doing so. Based on how well they perform. As they become older, the degree of allegiance rises, bringing in money for the bank with the top appraiser.

3. HYPOTHESES FORMULATION AND CONCEPTUAL FRAMEWORK

The attainment of organizational objectives at all levels; their alignment with employee skills and talents, and the organization system as a whole are the primary goals of establishing the PMS. Thus, this study formulates the following conceptual framework to analyze the link between distinct stages of PMS and Organizational Performance in the banking sector of Baluchistan based on the extensive literature review in the aforementioned sections.

Based on the above conceptual framework of the study, this study formulates the following main hypotheses:

Hypotheses: The performance management system has a significant relationship with employees' performance.

Performance measurement, according to [11], is the process of determining the efficacy and efficiency of previous actions. To determine whether or not employees are fulfilling the goals set by the organization, organizations use performance measurement to assess the results provided

by their workforce. There is no use in managing performance if a corporation merely manages performance and there is no measurement. The most important phase of the PM system is performance measurement.

H1: PMS has a significant relationship with the employees' performance.

H2: The performance of employees is positively correlated with effective PMS implementation.

H2a: PMS staff performance improves as a result of coaching and mentoring activities for staff development.

H2b: staff performance is improved via staff training and development programs.

H3: Employee performance is positively correlated with performance reviews and comments intended to assist performance improvement.

Employees should also receive rewards. Employees will receive rewards depending on their performance, whether it meets or exceeds the intended performance. The organization should adhere to the pay-for-performance

compensation strategy to succeed. Thus, the following hypothesis has been formulated:

H4: The association between pay and incentives and PMS and employee performance is essential

4. RESEARCH DESIGN

Quantitative research methodology was utilized in this study to gather data. According to [6], "Quantitative research involves the gathering of numerical data and demonstrates the relationship between theory and research as a deductive and objectivist conception of social reality." Data was gathered through a questionnaire survey, accordingly.

5. POPULATION AND SAMPLING CRITERIA

The population of this research was the employees of the banking sector of Balochistan. The criteria of selection of sample amongst the population were based on the following criteria:

- I. State Bank Rating list to check PMS,
- II. Nature of bank (e.g., private banks or Public) and
- III. Size of Banks

According to the above set criteria following banks were selected. They were the National Bank of Pakistan, Allied Bank Limited, United Bank Limited, Habib Bank Limited, Muslim Commercial Bank, Standard Chartered, Meezan Bank, Bank Islami, and Askari Bank. Simple random sampling was used as a technique for sampling in which respondents were randomly selected from a population. The sample size criteria for the study were 300 as suggested by [19]. Sample size according to [7], may be assessed approximately on the following scale: "50 - very poor; 100-

poor; 200 - fair; 300- good; 400- very good; 500 or more excellent".

6. DATA GATHERING

In this study, primary and secondary data-gathering methods were also utilized. Relevant journals, books, websites, articles, and newspapers were employed as secondary data sources, as well as pertinent published and unpublished material on the subject. In secondary data collection analysis, information gathered and processed by one researcher is tracked down and reexamined by other researchers for multiple purposes. In the case of survey data, this is correct. As a result, uniform surveys with options ranging from strongly disagree to strongly agree on a five-point Likert scale were distributed to chosen banks to collect primary data. To gather the data, 300 workers from the 10 banks chosen for this study in Balochistan (including NBP, ABL, UBL, HBL, MCB, Standard Chartered, Meezan Bank, Bank Islami, and Askari Bank) were given questionnaires.

7. DATA ANALYSIS AND DISCUSSION

The association between the variables in this research study is shown in Table 1. In research, correlation is typically used to determine the degree and direction of the link between variables. The correlation among different variables suggests that all the independent variables (PMS, Planning, Execution, Evaluation) are significantly related to employee performance, at 0.01 level (2-tailed). The correlation values of PMS Planning, Execution, and Evaluation are 0.403, 0.411, 0.411, and 0.365 respectively.

Table 1: Correlation Analysis

	PMS	Planning	Execution	Evaluation	Performance
PMS	1				
Planning	0.412**	1			
Execution	0.412**	0.518**	1		
Evaluation	0.412**	0.483**	.510**	1	
Performance	0.355**	0.424**	0.498**	.488**	1

Correlation is significant at the 0.01 level (2-tailed) The study later on conducted the regression analysis. Linear

regression analysis was used employing SPSS. The regression results are shown below.

Table 2: R; R Square and Adjusted R²

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.586 ^a	.344	.335	1.04513

a. Predictors: (Constant), Evaluation, PMS, Planning, Execution

Table 2 depicts that the value of R is 58.7%, the R square is .345 and the Adjusted R Square is .334. R-squared refers to a statistical measure to determine the closeness of the data

to the fitted regression line. It is also called the coefficient of determination.

Table 3: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	135.071	4	33.767	30.917	.000 ^b
Residual	256.661	235	1.091		
Total	391.734	239			

- a. Dependent Variable: Performance
- b. Predictors: (Constant), Evaluation, PMS, Planning, Execution

Table 3 given above indicates that the value of F is 30.917 and that the overall model is significant. According to Table 5, all hypotheses (H1, H2, H2b, and H2c) have been accepted at $P \leq 0.05$ and at $P \leq 0.10$, except H2a. In addition, Hypothesis 3 states that performance appraisal and feedback to support performance improvement have a positive relation with employees' performance and have been proven to be significant at $P \leq 0.01$, while Hypothesis 4 states that linking the pay and rewards system with PMS has a significant relation with employees' performance and has been proved to be significant at $P \leq 0.01$.

8. DISCUSSION

According to the state banks rating list from January 2016, the National Bank of Pakistan, Allied Bank Limited, United Bank Limited, Habib Bank Limited, Muslim Commercial Bank, Standard Chartered, Meezan Bank, Bank Islami, and Askari Commercial Bank were chosen for this study to examine the effect of PMS on the performance of banking sector employees in Balochistan. To improve staff performance and provide the desired outcomes, all of these banks have utilized the performance management system to varying degrees.

The sampling method employed was simple random sampling. To analyze performance and achieve their desired performance results, all of the chosen banks thought it was crucial to have a performance management system. Results show that there are more men (90.8%) than women (9.2%) working in Balochistan's banking industry. The Balochistani labor culture, the dearth of qualified female workers, and the longer workweeks are all contributing factors to the dominance of men in the banking sector.

The findings were examined to see if the performance management system had a substantial impact on staff performance. The results show a substantial and favorable association between PMS and employee performance. In Balochistan, the PMS was seen to have been adopted and implemented throughout the whole banking industry. The results are consistent with earlier research investigations, such as those by [23, 1, 3]. According to research, PMS is considered an excellent instrument that significantly contributes to increasing employee and bank performance in today's highly competitive economy.

In addition, results proved hypothesis 1, stating that the planning of PMS has a significant relationship with the employees' performance. It is observed that all the selected banks developed the mission statement and strategies and aligned them with the objectives. Findings indicate that set objectives have a positive impact on the performance of

employees. The second phase of PMS execution includes supervisory support, coaching, motivation, training, and development. Hence, the results are in line with the studies in [8, 14, 27, 20]. Regarding the third hypothesis of this study, performance appraisal and feedback to support performance improvement have a positive relationship with employees' performance. The third phase of evaluation includes performance appraisal, feedback, pay, and rewards. It is observed that in the entire selected bank, the appraisal and evaluation process is taken very seriously. Findings show that in each selected bank, the appraisal system is annual, starts in January, and employees' performance output is assessed against their set objectives regularly. Regarding the fourth hypothesis of this study Linking the pay and rewards system with PMS proved to have a significant relationship with employees' performance.

9. CONCLUSION AND RECOMMENDATIONS

An efficient instrument that actively contributes to the success of any organization, including banks, by enhancing staff performance is the performance management system. The majority of preceding research on the performance management system was focused on academics and manufacturing, and only a small amount of research had been done to examine the performance management system in Pakistan's banking industry. This study fills this vacuum in the prior research on the topic. As a result, this study's research is being done to determine how well the banks' present performance management system is functioning. The results show that there is a favorable and substantial association between planning and staff. Through the best planning strategy, the banks could achieve their mission and enable employees to understand their responsibilities by increasing the employees' involvement and engagement, increasing their awareness of the performance management system, its use within the organization, and aligning their goals in line with set objectives. The study focused on a three-step performance management system that includes planning, execution, and evaluation. Hence, banking planning strategies must be strong enough to boost employee performance. Overall, the planning phase enables employees to understand the organizational objectives, their roles and responsibilities, and link their individual work goals and overall performance activities in the right direction.

Banks should use a continuous assessment strategy rather than a periodic examination. As timely and correct feedback has the potential to boost employee engagement,

motivation, and happiness, banks should encourage it because it would be beneficial for both employees and banks. Future performance management will incorporate more input and place a greater emphasis on development. Banks rely largely on their workers' talents, inventiveness, and devotion; as a result, without the proper work attitudes, the organization's goals may be in jeopardy. Therefore, management should serve as a motivator to foster the appropriate employee attitude at work. It is suggested that this research be broadened so that other international and domestic banks may be considered for additional investigation. Additionally, this analysis may be applied to other Pakistani companies and sectors to identify any underlying issues with performance evaluation procedures.

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