# Research on the Performance Management Problems of Gushi Rural Commercial Bank

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**Abstract.** The continued development of China's market economy has resulted in the Rural Commercial Banks expanding their business scale, however, traditional individual performance measurement models have had difficulty adjusting to the bank's deepening development needs. It is important that Rural Commercial Banks concentrate on accurate positioning and development goals and continuously optimize the current performance management system to mobilize the enthusiasm of personnel and improve work efficiency. This paper mainly explores the performance management problems of Gushi Rural Commercial Bank and suggests ways to formulate performance management plans tailored to its characteristics with a focus on improving performance assessment feedback and communication systems, clarifying assessment performance, implementing assessment results more effectively, and strengthening the application of assessment results.

**Keywords:** Rural commercial bank; Performance management; Performance assessment.

## 1. Introduction

China has benefited from the era of financial networking with convenient and fast online financial services such as Alipay and JD IOUs (Huang et al., 2020). In contrast, the market for traditional banks has passed the era of rapid growth, high-interest rates, and high-interest rate margins. The development of disruptive technologies and strategies has resulted in high competition for banks, which requires them to continuously innovate and find new solutions to survive in the market (Tornjanski et al., 2015). Banks are dependent upon the qualities and capabilities of their employees to participate in innovation activities and offer quality customer service for maintaining performance (Salampasis et al., 2015). In this regard, banks need to recruit talented employees in the market and concentrate on training, development, and performance management for achieving suitable results (Ozturk & Coskun, 2014). Performance management of employees is the driving force behind commercial banks' transformation and development, and it is the core resource of any commercial bank. However, rural commercial banks have a large gap in performance management with large banks due to a lack of regional resources, brain drain and other factors. This requires focusing on rural banks' specific needs and conditions for suitable appraisal mechanisms and applying results to attract and nurture talent. Therefore, by exploring Gushi Rural Commercial Bank's performance management issues and countermeasures, this paper provides a reference for the management reform of agricultural commercial banks of the same type and scale.

## 2. Current situation of performance management of Gushi Rural Commercial Bank

### 2.1 Current situation of Gushi Rural Commercial Bank

Gushi Rural Commercial Bank is located in Xinyang City, Henan Province, with a registered capital of 159.26 million yuan. It specializes in the provision of several services such as public deposits, short-term borrowing, medium and long-term loans, domestic settlement, and other financial solutions relevant to its clients in the market. As of October 2022, Gushi Rural Commercial

Bank operates 37 sub-Branches, 54 business outlets, and 641 bankers, covering various counties and towns in China. Among the top financial institutions in Xinyang City are Gushi Rural Commercial Banks based on the criteria of deposits, loan balance, new loan balance, and deposit-to-loan ratio. At present, it actively invests nearly 4.3 billion yuan in loans, injecting strong momentum into the economic and social development of the county. It can also work with numerous industry stakeholders from different backgrounds to serve their specific needs and conduct development. Gushi Rural Commercial Bank is a joint-stock local financial institution with various stakeholders including farmers, enterprise legal persons and other economic organizations making up the main body. In addition, the company has established a well-functioning, mutually coordinated, and balanced corporate governance structure, which consists of the shareholders' congress, the board of directors, and the board of supervisors.

### 2.2 Current situation of performance Management of Gushi Rural Commercial Bank

Gushi Rural Commercial Bank follows the performance management process that involves a number of steps: formulating a performance plan, implementing performance coaching, performance appraisal, and using performance results. The Human Resources Department of the Head Office formulates the bank-wide performance management plan and conducts performance coaching for bank employees. Employee performance is appraised at the end of each quarter. The results of the appraisal are exhibited in the employee's salary and post-adjustment. In the most important performance appraisal stage, Gushi Rural Commercial Bank uses the target appraisal and key performance indicators methods to assess the bank staff. In this regard, it is important to distinguish different appraisal objects, including individual performance appraisal and sub-Branch performance appraisal, which have been carried out in the next sections.

#### 2.2.1 Individual performance appraisal

Individual performance appraisal currently uses the full-staff marketing valuation performance appraisal method (Jafari et al., 2009). It suggests that in order to reflect the concept of full-staff marketing and achieve the incentive purpose of "more work for more", there is an association between a banker's salary and performance, including deposits, loans, counter business, intermediate banks, and so on, according to the principle of linking labor remuneration with operating benefits. It mainly evaluates the cash receipts and payments of the tellers taking the counter business as an example. The specific accounting formula is as follows:

$$\text{Cash income converted business volume (number)} = \text{teller cash income volume} \times \text{Income conversion factor} \quad (1)$$

$$\text{Cash payment converted business volume (number)} = \text{teller cash payment volume} \times \text{Pay conversion factor} \quad (2)$$

The amount of translation business varies according to the cash income amount and cash payment of tellers. The specific accounting table is as follows:

**Table 1.** Teller Cash Income and Payment Conversion Statement

| Amount Range | Income conversion factor | Pay conversion factor |
|---|---|---|
| Less than 10000 yuan | 1.2 Business /10000 yuan | 1 Business /10000 yuan |
| More than 10000 yuan (inclusive) but less than 50000 yuan | 1 Business /10000 yuan | 0.8 Business /10000 yuan |
| More than 50000 yuan (inclusive) but less than 100000 yuan | 0.9 Business /10000 yuan | 0.7 Business /10000 yuan |
| More than 100000 yuan | Up to 9 conversions | Up to 7 conversions |

### 2.2.2 Sub-Branch performance appraisal

The sub-Branch needs to adopt the method for assessing the institutional business objectives. In this regard, considering the principle of valuing both short-term and long-term goals, a performance evaluation system of "customer-centered, benefit-oriented and based on business reform" has been established. The assessment of institutional business objectives adopts a thousand-point system, which involves five aspects based on key performance indicators such as transformation and development, asset quality, operating efficiency, compliance and case prevention, and party building. In terms of the Branch assessment score, the transformation and development index and the asset quality index are the most important, as they account for more than 70%.

## 3. Problems in Performance Management of Gushi Rural Commercial Bank

The study analyzed the problems in the current performance management system at the Gushi Rural Commercial Bank so that appropriate recommendations could be developed for improvements in the future. To acquire a more comprehensive insight into the actual views of the employees of Gushi Rural Commercial Bank on the current performance management, the author utilized a questionnaire and conducted a field survey. This is particularly valuable since employees including managers and staff members directly involved with the performance management activities of the bank provided suitable data regarding the issues faced. Therefore, a random sampling of 220 bankers from the headquarters and seven branches was conducted to perform the survey and collect data. There was a particular significance given to sampling employees from different backgrounds and positions in the bank so that a representative sample could be developed (Schouten et al., 2009). Accordingly, the representativeness of the results was ensured, which proved valuable in collecting data necessary for developing systems applicable to the performance evaluation needs of all staff members in the organization. In addition, the questionnaire survey method has advantages in collecting quantitative data from participants and performing analyses to generate objective insights. Therefore, the survey results have representativeness and reliability through suitable selection of the sample and application of the questionnaire method.

The questionnaire was divided into various items so that data could be collected related to several aspects affecting performance management, such as the strength of the head office in regards to performance appraisal, employees' awareness of the performance appraisal and perceptions about its fairness, and the actual application evaluation. The participants provided data related to various categories in the questionnaire that were analyzed statistically. The findings of the study based on the analysis have highlighted that the performance management of Gushi Rural Commercial Bank may have the following problems:

### 3.1 Performance plan do not conform to their characteristics

Bank's performance appraisal performs the purpose of assisting the bank's staff in realizing the work plan and finally implementing the business strategy. However, it is crucial for the performance appraisal tools applied to different employees to have appropriate relevance based on their job responsibilities and work conditions. The suitability and applicability of the performance appraisal tool for the employees can also influence their attitudes, as they may feel dissatisfied if the criteria are not relevant to their work responsibilities and conditions. Realizing that the employees‘ attitudes towards performance appraisal have a relationship with their preferences to implement work plan and business strategies, the attitude of bank staff towards the performance plan may influence future development. In this regard, the questionnaire inquired whether employees maintained positive attitudes towards the performance planner implemented at the Gushi Rural Commercial Bank. The findings based on the analysis showed that around 30% of the bank employees participating in the study were dissatisfied with the current appraisal practices implemented. They considered that the head office's human resources department did not consider the differences between each branch in formulating the performance plan. This caused challenges in the applicability and suitability of the

performance plan to employees in different branches causing inefficiencies. As a result of further investigation, it was discovered that each sub-branch had a diverse target customer base, which was crucial in conducting performance appraisal. For example, among the target customers of Gushi Rural Commercial Bank's Wumiao Sub-Branch were primarily mountain farmers, and Chengguan Sub-Branch served mainly self-employed county households. However, despite notable differences between the target customers and potential market size, the deposit and loan goals that different sub-branch members needed to complete each quarter were the same. The application of similar performance appraisal plan for branches serving diverse purposes contributed to unreasonable performance plans for employees. In various cases, they were compelled to make greater efforts to meet the targets without achieving appropriate results, which reflected that they could not meet the performance objectives in the appraisal. Therefore, the application of this appraisal system did not fully incorporate the employees' efforts in facing the challenges associated with their target market, leading to causing dissatisfaction.

### 3.2 The performance communication system needs to be improved

The questionnaire survey results highlighted that Gushi Rural Commercial Bank Branch presidents and tellers lacked communication regarding performance appraisal activities and the importance of performance management based on questionnaire survey results. It was a significant problem in the performance appraisal process and achieving the advantages towards bank performance and strategy development. The findings showed that in most cases, tellers only received the performance appraisal results without detailed feedback regarding the actions or activities employees should conduct to improve their performance. The performance appraisal scores could have been better understood by tellers who did not have the comprehension and means of improving performance following the appraisal results.

In this respect, the major problems arose because of inefficiencies on the part of presidents and managers responsible for conducting appraisals. Branch presidents tended not to take their duties seriously, as they did not conscientiously participate in the performance appraisal process. It appeared that the presidents of some sub-branches charged with completing the performance assessment had yet to communicate with the grass-roots staff in time and owing to the lack of communication, the assessment tasks were released without proper instructions. This limited the ability of tellers to actively participate in the appraisal process and highlight their achievements effectively. Tellers could only passively accept various indicators and tasks, ignoring the way of receiving a good evaluation, which caused them to feel unclear about their goals. In some cases, tellers felt that the performance appraisal was just a formality due to the lack of timely feedback on the appraisal from their superiors. Employees did not consider performance appraisal to be consequential for their job prospects, which undermined the objectives that can be achieved through performance appraisal and management. In the absence of understanding between the teller and the administration, the bank's performance plan could be adequately implemented within the bank, which could also affect its business performance.

### 3.3 Low clarity of performance assessment

The survey results also showed limitations in measuring employee performance because it needed to incorporate suitable details. There was a primary emphasis on the outcomes achieved by employees without giving significance to the methods utilized by them. The staff of Gushi Rural Commercial Bank mainly employed rural marketing and telemarketing strategies and channels to attract customers. Few customers from this marketing approach handled deposit business immediately, so it was difficult to claim the corresponding handling personnel. However, leaders often judged the assessment results based primarily on the assessment scores, which often ignored the process of employees' work. Therefore, there was a degree of unfairness involved in the practices implemented for the performance appraisal of employees. In addition, the Rural Commercial Bank's appraisal results were released after a period, making it difficult to realize the immediate benefits of performance appraisal. The performance appraisal results could not be used to effectively stimulate

employees‘ work behavior, resulting in a waste of performance management and human resources to a certain extent.

### 3.4 Lack of effective application of performance appraisal results

The findings of this study showed that while performance appraisal was conducted, the results needed to be appropriately employed to take advantage. Various aspects of the assessment results should have been used scientifically and effectively by Gushi Rural Commercial Bank. First of all, when the personnel were mobilized, it did not take performance appraisal into account as a key factor. Second, Gushi Rural Commercial Bank did not consider the results of the performance appraisal, but used the average distribution method, which impacted the enthusiasm of the employees. Also, the training department of the bank needed to fully comprehend the results of the performance appraisal, which was crucial in developing training and development opportunities for employees to deal with their limitations and improve performance. There is no way to conduct targeted training for the bank's members, so the performance appraisal was meaningless. This ensured that performance appraisal did not become a means to enhance employees' performance and became a significant formality.

## 4. Suggestions on the performance management of Gushi Rural Commercial Bank

### 4.1 Develop a performance management plan that conforms to its own characteristics

Each department's work responsibilities need to be refined at various levels during the planning process, and different assessment ideas need to be adopted based on individual positions‘ priorities to achieve the best possible match between work objectives and work positions. The human resources department of the head office should often visit all branches to understand the actual situation such as the target customer base, requirements and demands of the market, and challenges in dealing with the customer base. This understanding and information can be helpful in making corresponding adjustments to the performance management plan of each branch to incorporate fairness (Shrivastava & Purang, 2011). In terms of the index design and price standard of the evaluation method, it can be decomposed according to the target, reflecting the business orientation of the bank. On the one hand, the staff should be guided to participate in the grass-roots and credit work actively. Priority should be given to establishing marketing concepts so all staff members can participate in marketing activities to improve customer experience and bank performance. Specific evaluation methods include: setting market pricing, establishing an excellent bank evaluation system, and selecting a performance marketing benchmark to evaluate all staff performance. Meanwhile, the performance is geared towards grassroots marketing, so that the median salary of the branch tellers does not fall below the average salary of the functional departments of the head office. A performance management plan based on the characteristics of the company can be applied to practice, fully mobilizing the enthusiasm of employees, and improving their work efficiency.

### 4.2 Improve the communication system of performance appraisal

Gushi Rural Commercial Bank needs to strengthen the communication between the branch presidents and the tellers, so that the performance management plan can be conveyed from the top to the bottom contributing to improving the bank's performance (Ahmad & Bujang, 2013; Aggarwal & Thakur, 2013). There are a few steps to improve the performance appraisal communication and feedback system. First, branch presidents can regularly communicate with the tellers through the bank Intranet, WeChat, telephone, and other channels, which will help avoid establishing performance goals that are unrelated to teller’s job responsibilities and requirements. Second, at the end of each quarterly assessment, branch managers can organize brainstorming sessions to take feedback from the employees and exchange of the assessment results, which can provide them an understanding of improving their performance. This approach will not only improve the listening skills of the managers,

enabling them to understand the tellers' thoughts and intentions accurately, and giving them the correct and timely responses, but also enhance the communication skills of the tellers, so that they can dare to speak, ask questions and learn from each other. Moreover, the branch president should actively understand the difficulties faced by tellers while communicating with them and help them analyze the reasons so that the level of understanding can improve. Managers can also rely on their experience and knowledge of the field to guide tellers about dealing with issues, which will contribute to improving employees‘ quality and performance. Further, they can utilize motivational techniques and strategies for encouraging employees to find mechanisms and techniques for dealing with challenges so that their capabilities of overcoming problems can improve leading to better results.

### 4.3 Improve the clarity of performance assessment

Gushi Rural Commercial Bank can optimize the performance management system and elevate performance assessment clarity by improving the information levels (Baird et al., 2020). It can be valuable to take advantage of various technological solutions in dealing with data so that suitable insights can be generated in learning from employees‘ performance data and developing solutions for improvements. For example, performance appraisal systems can be combined with big data, cloud computing, and other advanced technologies, which will be valuable in dealing with large data (Mahmoud et al., 2019). It will reduce the burden on managers in the evaluation of data, as they will be assisted by technological solutions to understand trends and patterns such as the strengths and weaknesses of their employees (Singh & El-Kassar, 2019). It will elevate the efficiency of business task decomposition, performance data integration, performance data claims, performance index monitoring, appraisal scheme management, reward calculation following achievements, and performance reward data query function. Similarly, the performance claims of line members based upon the trends and insights generated from the data will be more accurate and the pay will be more equitable.

Gushi Rural Commercial Bank should also continuously build an internal performance management supervision mechanism and formulate special performance management and supervision methods in order to ensure fair and reasonable performance appraisal. It can focus on enhancing the clarity of the appraisal systems and mechanisms and factors affecting the appraisal quality related to employees performing activities in different branches. The supervision will ensure that the implementation of performance appraisal is improved continuously with changing situations and conditions and that high clarity of the system is maintained. To constantly strengthen the internal supervision of the performance appraisal, the bank's internal audit department should audit the implementation of the performance appraisal and the rationality of the salary management every six months. The audit result should be presented to the board of directors for consideration. In this way, performance appraisal will become an activity of meaningful importance that will increase the sense of responsibility among managers in different branches. The employees will also become sensitive to appraisal’s significance, leading to greater participation. This will be valuable for evaluating employee performance and implementing suitable activities for improving results.

### 4.4 Further strengthen the application of assessment results

Gushi Rural Commercial Bank can strengthen the application of performance appraisal results through the following methods.

First, the performance appraisal results should be combined with suitable employee training and development opportunities. The training department should analyze the strengths and weaknesses of the employees, which will provide insights into the areas that can be focused on for training. Following this, a culture of continuous training and development can be developed by providing targeted training for deficiencies of employees (Kadiresan et al., 2015). For example, performance appraisal may highlight that certain employees have defects in communicating with customers or dealing with their specific needs. In this regard, a training program can be developed and made available to employees so that their capabilities of communicating and interacting with customers can

improve. This will be advantageous for enhancing the customer service of the bank and its performance. Similarly, other challenges in the performance of employees can also be highlighted and dealt with through the availability of suitable training and development opportunities. This will not only improve the performance of employees but also contribute to their intrinsic motivation, as they will be able to achieve their self-actualization needs. Accordingly, appraisal and data evaluation can become an essential element of training activities in the organization.

Second, the results of performance appraisal can be helpful in developing rewards and incentive systems in the organization (Mani, 2002). Based on the annual business target assessment and internal control assessment results, it can be viable to create the "comprehensive business index assessment award", "business marketing contribution award", "business benefit award" and other awards. The branches having high performance based on the appraisal criteria that were applicable to their context should be recognized and rewarded. Similarly, the performance of individual employees should also be identified and those having high performance should be rewarded and incentivized. However, employees should be encouraged to work together to achieve success, as team involvement can be highly important for the efficient working of organizations. In this regard, team awards and incentives can also be implemented for promoting the efficient working of teams in different departments.

Third, human resources departments can also use the results of performance appraisals during the personnel transfer as a reference for developing more reasonable personnel allocation plans. The bank leaders are more concerned with selecting excellent bankers based on their character, ability, performance, and attitude, so they can comprehensively assess employees' moral character, ability, performance, and attitude. A value-oriented approach can be reflected in the bank's talent selection process using insights from big data analysis. However, it will be crucial to make practical adjustments to Gushi Rural Commercial Bank's performance management system every two years to adapt to fierce competition in the market. For example, focus can be given to the changing requirements of the skills and capabilities of employees in different branches, which will help improve employee recruitment, selection, and allocation systems. Further, it will be important to communicate changes in the performance management systems with substantial clarity explaining the specific process and work arrangement of performance appraisal operations, so that performance management can be carried out smoothly in all branches. In this way, notable values and advantages will be achieved from the performance appraisals of employees contributing to systematic improvements in the operations and performance of the banks.

## 5. Summary

This paper analyzes the current situation of Gushi Rural Commercial Bank using the cycle system of formulating performance plans, implementing performance coaching, performance appraisal, and applying the results for practical purposes. The research has been performed using a questionnaire survey method collecting data from 200 employees performing responsibilities in different branches of the banks.

The data analysis has highlighted that Gushi Rural Commercial Bank has several problems, including a performance plan that does not match its characteristics, an imperfect performance feedback system, a lack of clarity regarding assessment performance, and a failure to apply performance appraisal results effectively. These issues significantly affect the bank's capabilities to improve employees' performance and implement suitable reward and incentive systems.

Therefore, a few recommendations have been made based upon study findings that stakeholders can utilize to achieve performance improvements. To realize the prospect of steady development, Gushi Rural Commercial Bank should continuously improve its performance management to ensure it remains scientific and feasible. It is recommended that head office managers should interact with their branches to understand their conditions and develop customized appraisal systems. Further, communication between managers and tellers should be improved to promote the importance of appraisal.

There should also be improvements in the application of results. The appraisal results should be used in developing training opportunities for employees so that their skills and capabilities can be enhanced. The result can also be used for creating reward and incentive systems for branches, teams, and individual employees to increase motivation. Performance evaluation can also be helpful in employee recruitment, selection, and allocation processes.

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