A Study on Performance Management Systems of Private Commercial Banks in Bangladesh

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CERTIFICATE OF THE SUPERVISORS

It is to certify that the thesis entitled **A Study on Performance Management Systems of Private Commercial Banks in Bangladesh**, has been submitted to the Department of Management, University of Dhaka, by Nazia Sharmin as a partial requirement of the DBA degree. She was under our supervision in this study for partial fulfilment of the DBA Degree. She had to strive to gather enough data on the subject, and it is this data-rich, pragmatic, and appealing study. The work here is not reported in any study or thesis. We are wishing her the best in everything.

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STUDENT'S DECLARATION

I, Nazia Sharmin, student of the DBA program, Department of Management, University of Dhaka, do hereby express my solemn affirmation by saying that the report on the study on Performance Management Systems of Private Commercial Banks in Bangladesh, comprising 31,301 words, is the outcome of my own original work carried out under the guidance of Dr. Faruq Ahmed, Professor, Department of Management, University of Dhaka and Dr. Md. Ataur Rahman, Professor, Department of Management, University of Dhaka. I promise that I will use the study only for my educational purposes, and not for other purposes. I also attest that this report contains authentic material without plagiarism.

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EXECUTIVE SUMMARY

Private commercial banks in today's highly competitive market need expert performance management if they are to survive. Individuals, departments, and even whole companies may get an efficiency boost and a competitive edge by using performance management systems. In this paper, it is empirically investigated how the PMS and ethics directly affect the financial sector employees' morale in Bangladesh. Structured around several pivotal objectives, the research primarily seeks to analyse the correlation between PMS as well as workers' satisfaction. Furthermore, it proves the impact of PMS on ethical behaviour in the private banking domain. Additionally, it aims to explore the intermediary role of ethics in the PMS-employee satisfaction relationship.

Relying on purposive sampling, the research involved a sample size of 300. Four hypotheses were formulated to determine relationships among PMS, employee satisfaction, and ethics. These hypotheses, constituting the backbone of the research, were formulated drawing upon the established academic and empirical discourse, with slight modifications to suit the specificities of the Bangladesh banking context. Therefore, this study adopts a deductive approach to theory development.

The first hypothesis was that PMS positively impacts employee satisfaction, which was confirmed with a prominent path coefficient of 0.309 ($p < 0.001$). The resultant sense of clarity, fairness, and recognition can lead to improved employee satisfaction levels. Furthermore, PMS contributes to a performance-driven culture, promoting employee development, career growth, and perceived fairness in reward distribution. The second hypothesis proposed that PMS positively affects organisational ethics. One path coefficient supported this hypothesis, 0.535 ($p < 0.001$). PMS, by providing clear expectations, conduct guidelines, and conduct standards, contributes significantly to the ethical climate within an organisation. The third hypothesis posits a positive correlation between ethics also employee well-being, which was affirmed with the path coefficient of 0.172 ($p < 0.01$). A healthy workplace culture, defined by equity, respect, and trust, nurtures job satisfaction. Ethical behaviour promotes a feeling of achievement, moral

alignment, and psychological well-being among workers, positively influencing their satisfaction levels. The final hypothesis posits that ethics mediates the relationship between PMS and employee satisfaction, which was confirmed with a significant path coefficient of 0.092 ($p < 0.05$). This mediating role of ethics indicates that PMS impacts employee satisfaction through the enhancement of ethical behaviour.

The outcomes of the paper firmly align with the hypothesised relationships between PMS, ethics, and employee satisfaction. They underscore the significant, positive impacts of PMS, ethics, and their interplay on employee satisfaction. Moreover, the findings bolster the current body of knowledge, elucidating the variables influencing employee satisfaction and ethical conduct regarding PMS. It bears practical values for organisations aspiring to improve employee satisfaction, along with fostering ethical conduct. Organisations should focus on implementing effective PMS, aligning with ethical principles, and providing clear guidelines, regular monitoring, fair appraisals, and constructive feedback. By doing so, organisations can create a performance-oriented culture, fostering employee development, career advancement, and fairness in reward allocation. Ethics, integrated through the performance management system, improve the culture of integrity, trust, as well as engagement, ultimately boosting employee satisfaction and organisational effectiveness. This integration of ethics into PMS involves a conducive workplace, enhancing employee satisfaction and involvement.

In conclusion, the research generates informative proof substantiating the important correlation among PMS, ethics, as well as employee satisfaction. It underlines the significance of well-designed and implemented PMS that emphasise ethical considerations in improving employee satisfaction and ethical behaviour. Recognising the crucial role of ethical behaviour in PMS can help organisations shape a healthy workplace, promoting employee satisfaction, engagement, and contributing to organisational success.

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ACRONYMS & ABBREVIATIONS

SL No.	Abbreviations	Full Form
1	PMS	Performance Management System
2	CN	Counselling
3	FD	Feedback
4	PA	Performance Appraisal
5	PP	Performance Planning
6	MN	Monitoring
7	ERP	Entreprise Resource Planning
8	MBO	Management By Objective
9	GST	Goal Setting Theory
10	CT	Control Theory
11	ET	Ethics
12	SAT	Satisfaction
13	CPM	Continuous Performance Management
14	ERM	Employee Recognition and Reward Management
15	KPI	Key Performance Indicators
16	AD	Authorised Dealar
17	BSEC	Securities and Exchange Commission
18	CRAR	Capital to Risk Weighted Asset Ratio
19	CDM	Cash Deposit Machine
20	FX	Foreign Exchange
21	BRPD	Banking Regulation and Policy Department

Chapter

1.0 INTRODUCTION

1.1 Background of the study

Over the last several decades, Bangladesh's banking industry has undergone extraordinary expansion and transformation, significantly contributing to the country's economic growth and prosperity. Capital formation, job creation, and poverty reduction are all areas where private commercial banks have emerged as major participants (Rahman & Rahman, 2019; Mbodj & Laye, 2025). Private commercial banks in today's highly competitive market need expert performance management to survive. Individuals, departments, and even entire companies can gain an efficiency boost and a competitive edge by utilizing performance management systems (Mone & London, 2018; Al-Jaradi et al., 2023).

Since the banking system was liberalized in the early 1980s, private commercial banks in Bangladesh have grown along changed significantly. To increase competition and new ideas, changes to the financial system at this time permitted private commercial banks to emerge (Hasan & Shabri, 2018; Audi & Al Masri, 2024). These banks have been crucial in the economy because of their ability to pool resources, provide loans, and serve as a one-stop shop for several financial needs (Hossain & Bala, 2020).

Private commercial banks have been expanding at a rapid rate, capturing an ever-increasing percentage of the banking sector's deposits, loans, and total assets. These financial institutions have offered novel services, embraced cutting-edge technology, and used cutting-edge management strategies (Zaman & Ahmed, 2021). However, private commercial banks must establish effective performance management systems that align with their strategic goals and objectives if they are to continue their growth and competitiveness.

For private commercial banks to improve their organizational performance, performance management tools are crucial. Objectives may be defined, progress can be tracked, and development can be directed with the help of these systems (Aguinis, 2019). A performance management system could be used to enhance the productivity, efficiency, and customer satisfaction of a bank (Cardy & Dobbins, 2017).

The setting of goals is fundamental to performance management systems. Establishing SMART (specific, measurable, achievable, relevant, and time-bound) goals aligned with the bank's strategy is a key dimension of this process (Locke & Latham, 2019). The measurement can be used by banks to assess the performance of individuals as well as the bank as a whole based on the established objectives set (Lawler et al., 2020). A performance assessment is an in-depth analysis of an employee's work that highlights both their strengths and potential development areas (Pulakos et al., 2015). Employees get insight into their performance, gain clarity around expectations, and are provided direction for future growth thanks to feedback provided as part of the performance management process (London & Smither, 2019). Finally, incentives and promotions based on performance generate inspiration and encourage hard work (Milkovich et al., 2020).

Performance management systems have been extensively studied in other industries as well; however, there has been limited research on their perception of private commercial banks in Bangladesh. Specific strategies and approaches to maximizing performance outcomes will benefit from closer implications of strengths and weaknesses, as well as a relevant contribution to improved performance management systems in private commercial banks.

This study was motivated by a desire to fill a knowledge vacuum and get first-hand information on how private commercial banks in Bangladesh handle performance management. This study attempts to enhance banking sector performance management systems by assessing present practices, identifying problems, and investigating possible changes. This research will add to the latest paper with justified information for bank managers, policymakers, and anyone who has an interest in improving their organization's performance and competitiveness.

In conclusion, the private commercial banking sector in Bangladesh has seen tremendous improvement along with expansion, making it imperative for these institutions to implement efficient performance management systems to sustain themselves in the ever-changing financial sector. It will also help to develop a tailor-made strategy to maximize organizational performance in the banking industry, bearing in mind the current practices and comparisons between them and the opportunities for improvement.

1.2 Banking Sectors in Bangladesh

The money in a nation is also largely constituted of banks. When Bangladesh gained liberation in 1971, there were only 6 Nationalized commercial banks, 2 specialized banks, and 3 foreign banks. It was in the 1980s when private banks began to emerge, and the growth of the banking industry became significant. Banks in Bangladesh are organized with the guidance of the Bangladesh Bank, which is the centralized bank, and commercial and specialized banks are decentralized and operate under the supervision of the centralized bank.

Centralized Banking Operation (Bangladesh Bank)

In 1972, the Bangladesh Bank Order, 1972 (President Order No. 127 of 1972) was enacted by the President of the Republic of Bangladesh as a legal body that established Bangladesh Bank as the central bank in Bangladesh. According to Article 7 (1), there shall be a central bank of Bangladesh to be referred to as the Bangladesh Bank. Article 9 states that the central bank is charged with the responsibility of implementing and drafting monetary policy, regulating the issue of currency and overseeing the banking system. These provisions also show clearly that Bangladesh Bank is a centralized organization where the monetary system is controlled by a centralized body that dictates policies on a nationwide basis.

Decentralized Banks Operation (Commercial and Specialized Banks)

The day-to-day activities of the commercial banks are decentralized, whereas the central bank of Bangladesh is central. The founding and operations of the banks are regulated by the Banking Companies Act, 1991. Article 5(c) states that the term banking company refers to any entity which receives deposits and lends money on its own. Moreover, as per section 45, the Bangladesh Bank is empowered to issue directives, but banks operate and manage their operations at the branch and institutional level. Therefore, this guarantees that on the one hand, all the activities in the Bangladesh Bank are centralized, whereas the operations of the state-owned, private, foreign, and specialized banks are decentralized to ensure that these banks are flexible in lending, taking deposits, and providing services to their customers.

Consequently, it can be concluded that in Bangladesh:

- ✓ Centralized banking: Bangladesh Bank is the representative of centralized banking that drafts and controls monetary and financial policies that are governed by Bangladesh Bank Order, 1972.
- ✓ Commercial and specialized banks are the representation of decentralized banking and they are independent but supervised by the central bank as provided in the Banking Companies Act, 1991.

Banks in Bangladesh are grouped into two types based on the Bangladesh Bank Website.

- **Scheduled Banks:** Article 37 of the Bangladesh Bank Order,1972 defines a scheduled bank as any bank that is listed as a scheduled bank maintained by Bangladesh Bank. A bank has to have paid-up capital and reserves of at least Tk. 5 crore and meet the requirements of Bangladesh Bank. Nowadays, Bangladesh Bank publishes the list of planned banks (state owned, private, specialized and foreign.
- **Non-Scheduled Banks:** Non-scheduled banks that are on the list of banking transactions were listed in a specified or restricted way in some act, where a banking transaction has to be approved as per the act. Regarding the scheduled banks, they cannot handle all the functions of a bank-queued bank.

There are 61 scheduled banks in Bangladesh, and these banks are under the control of the Bangladesh Bank. Even by any of these defaulting, the ways of shade of those under the statute provisional (Bangladesh Bank Order, 1972 and the Bank Company Act, 1991). Scheduled Banks have been divided into the following categories:

- **SOCBs** (State-Owned Commercial Banks): The government owns a controlling stake (51% or more) in banks, and it is known as the SOCBs or state-owned commercial banks. 6. The ownership of the SOCBs is mostly held by the Government of Bangladesh.
- **Specialized Banks** (SDBs): The SDBs, much like the one the SDBs, do not perform all the work like commercial banks and just present credit for the special tasks. 3 agricultural or industrial development SDBs were already in operation. The latter are solely owned or majority-owned by the Bangladesh Government.
- **Private Commercial Banks** (PCBs): The PCBs consist of three (43) private commercial banks, which are owned by individual/personal bodies. There are 2 types of PCB:
- **Legacy PCBs:** 33 legacy PCBs are still in use in the industry. They follow, as they do normally, their banking business, which they conduct as a business with a view to interest.
- **The PCBs based on Islamic SHARIAH:** Bangladesh has 10 Islami Shariah based PCBs, operating the banking business besides banking business based on the principles of Islami Shariah e.g. Profit-Loss Sharing (PLS) mode.
- **FCBs:** FCBs are banks whose Head Office is in a foreign country but operates in this country. 9 FCBs are also operating in Bangladesh as branches of banks created in foreign countries.

There are now five privately owned commercial banks in Bangladesh.

- Karmashangosthan Bank,
- Ansar VDP Unnayan Bank,
- Jubilee Bank
- Grameen Bank
- Palli Sanchay Bank

1.3 Functions of Commercial Banks

Law and Regulation Concerning Banking in Bangladesh (Banking Regulations):

Most of the rules governing the financial industry in Bangladesh are the Bank Companies Act 1991, the Bangladesh Bank Order 1972, the Securities and Exchange Commission Act 1993, and the Income Tax Ordinance 1984. According to its powers, the Bangladesh Bank oversees and manages all banks in the country, which includes Islamic banks. Bangladesh is fully empowered and equipped with the authority to penalize for all kinds of irregularities and non-compliance. Commercial banks have varied techniques, from direct credit to the government and government agencies. They also subscribe to public debt and invest in a few of the government securities. Through this direct credit provision from side to side, the government can facilitate several development programs. The Government of Bangladesh has a stronger chance of helping poverty if its commercial banks are well supported.

Scheduled banks Centralization of Operations:

Despite the decentralized branch networks carried out by scheduled banks, their institutional core banking activities are centralized at the institutional level. This is because:

Core Banking System (CBS):

The majority of the scheduled banks in Bangladesh operate under centralized online banking systems whereby all the transactions of the branches rely on a single central server/ database. Customers are able to visit their accounts in any branch (anywhere banking).

Centralized Decision-Making:

Head Office of each bank makes policy decisions (credit policy, risk management, product approval, digital banking, treasury operations) which are not made with branches. In some cases, such as loan sanctioning above a limit will have to pass through central credit committee at bank headquarters.

Monitoring under Bangladesh Bank:

According to the Banking Companies Act, 1991 (Section 45 and 46) Bangladesh bank issues directives, which must be followed uniformly by scheduled banks.

Examples:

- ✓ Interest rate caps/floors.
- ✓ Foreign exchange guidelines.
- ✓ Asset classification & provisioning rules.

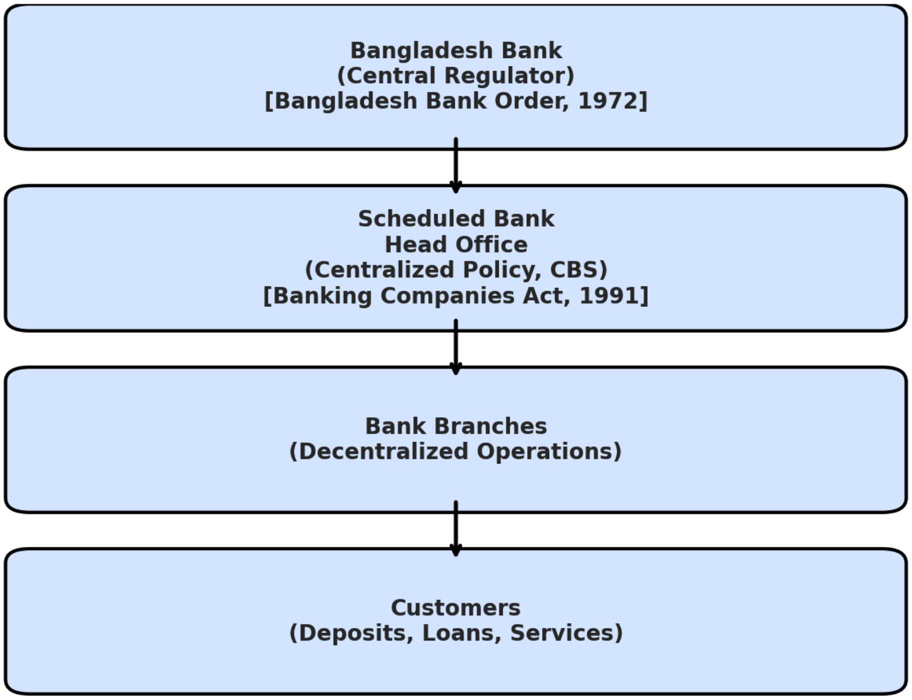
Centralized Settlement and Payments:

All the scheduled banks are linked to Bangladesh Automated Clearing House (BACH) and Bangladesh Real Time Gross Settlement (BD-RTGS), the centre of which is Bangladesh Bank. This provides centralized payment of interbank transactions.

In conclusion, the functions of private commercial banks are:

- Capital Formation is promoted by banks
- Investing in innovative companies
- Trade and Industry Campaign
- Growth of agriculture and other labour sectors (rural development)
- Growth in Various Savings in Balance
- Conviction of the economic movement
- Implementation of economic policy
- Export promotion cells

Centralized Operations Flow for Scheduled Banks in Bangladesh



The aforementioned flow chart represents the centralized operations with the scheduled banks in Bangladesh, and legal references are provided:

- Bangladesh Bank (Central regulator) - As per the Bangladesh Bank Order 1972.
- Scheduled Bank Head Office (Centralized Policy, Core Banking System) - As per, the Banking Companies Act, 1991.
- Bank Branches (Decentralized Operations) - Decide at ground level.
- Customers (Deposits, Loans, Services) - Final service delivery.

1.4 Problem Statement

Yet, there are limited studies examining the impact of performance management in this context. Banks must know how staff feel about performance management and how others judge their ethics to adjust these practices and maintain a strong company culture.

The attitudes and behaviour of staff are strongly influenced by performance management systems, playing a big part in the progress of the organization, although this is a lesser concern for private commercial banks in Bangladesh. Lack of empirical studies from the specific cultural context can limit the tailoring of strategies and techniques in the development of interventions to improve PMS and, in turn, enhance employees' satisfaction and perception of ethical behaviours in the workplace.

Thus, this research tries to contribute to the limitations by investigating the performance management systems of the following workplace, private commercial bank in Bangladesh workplace, on employee satisfaction and ethical behaviour. Given the previous discussion, by exploring the relationships among the constructs, namely, performance management systems, satisfaction, and perceptions of ethical behaviour, the study aims to offer useful ideas and implications for the banks in order to strengthen their performance management mechanisms, as well as cultivate a more desirable working atmosphere.

The research questions being asked in the study are:

RQ1: How does having performance management systems affect customer satisfaction in private commercial banks in Bangladesh?

RQ2: To what degree does the view people in Bangladesh have of performance management in private commercial banks, impact their ethical conduct?

RQ3: Is perceived ethical behaviour a factor that steps in to moderate the way performance management systems affect employee satisfaction?

Looking into these research questions would assist the study in sharing suggestions and knowledge with Bangladeshi private banks that could help in raising performance, staff happiness and promoting ethical behaviours in people.

1.5 Objective of the study

Broad objective:

The main objective is to explore the Performance Management Systems in private commercial Banks in Bangladesh and their impact on employee satisfaction and ethical behavior.

Specific objectives:

a) To determine the relationship between performance management systems and employee satisfaction in private commercial banks in Bangladesh.
b) To determine the impact of performance management system implementation on perceived ethical behavior in this context.
c) To assess the mediating role of ethics in the relationship between performance management systems and employee satisfaction in this context.

1.6 Contribution of the study

This study adds to the knowledge on performance management systems (PMS) in private commercial banks in Bangladesh with a special emphasis of their implication for employee satisfaction and ethical behavior. It contributes to the literature by addressing a research vacuum that exists with relation to PMS, employee morale and ethics within the domain of banking industry in the local setting. The study provides an understanding on how PMS influences employee motivation, development and satisfaction by comparing the current practice of PMS. It also investigates the significance of ethics in moderating the relationship between PMS and employee satisfaction that enhance more ethically based, performance-orientated cultures within banks. These results deliver operational implications for bank managers and policymakers to tailor PMS in a manner that is more closely aligned with organizational goals and the well-being of staff. This research also provides direction for performance management in the banking industry locally and internationally.

1.7 Rationale of the study

For bank managers, policymakers, employees and researchers in private commercial banks in Bangladesh, exploring performance management systems is very valuable. This study looks at what makes performance management successful or unsuccessful, especially in private commercial banks. Through exploring the best and worst of these systems, the research may be able to offer useful advice for strengthening the performance management process. This can subsequently result in enhanced organizational effectiveness, higher productivity and greater profitability in the banking industry. Second, good performance management systems are required for keeping employees engaged and succeeding in the business. Goals, measuring results, giving feedback, and rewards lead to more employee motivation, satisfaction, and dedication. Through this research, the focus is on determining whether employee growth, high motivation, and productivity are promoted by the performance management system. The last part is that the study's results could direct bank managers and decision-makers when making business plans. The identification of current practices and challenges enables policymakers to design focused interventions to tackle shortcomings and enhance the efficiency of these systems as a whole. This could help the banks to support the link between what the employees do and what the organization needs to achieve in the form of a strategy. Policymakers should consider the results of this study when forming/revising policies on organizational ethics within the banking industry. The findings may be used to develop regulatory systems and principles for the ethical workforce. This would also help in achieving uniformity and standardization among the banks, resulting in a sound and safe banking system. With careful study of these systems, the research adds to the general understanding of banking within the country. Educators might use what is learned in these cases to study other similar performance management approaches in the future.

1.8 Organization of the Thesis /Description of Each Chapter

The thesis contains 7 chapters, which are laid out as follows:

Chapter 1 presents the overview of the study, finally in a nutshell, and highlights its significance, objectives and PMS practices in private commercial banks (PCBs) in Bangladesh. It also summarizes the structure of the thesis. Chapter 2 provides a background on selected banks in terms of information about their history, vision and mission, financial performance, SWOT analysis and practices related to human capital management along with talent management systems. In Chapter 3, the researcher has reviewed prior work related to PMS, employee satisfaction and ethics by analyzing the theories and studies that were cited before, especially from banking industry, comprising research design, data collection and the techniques of analysis for this study are presented in Chapter 4. In Chapter discusses the findings of the study, which explored PMS, employee satisfaction, and ethics. The implications of the findings are discussed in Chapter 6 in relation to other research. Lastly, Chapter 7 ends with a summary of findings, recommendations for enhancing PMS, as well as future research suggestions. The thesis provides insightful lessons for PMS in the Bangladesh banking sector.

1.9 Summary

This chapter aims to explain the study being discussed in this thesis. The first part of the chapter introduced the study, the situation of the banking sector in Bangladesh, the roles of private commercial banks in the country and evaluated the financial status of the bank(s) over the previous five years. It also pointed out why the study was important and what the objectives of the were. A comprehensive chapter description and a chapter on the literature review have been completed for this research.

Chapter

2.0 ORGANIZATIONAL OVERVIEW

2.1 Introduction

The purpose of this study is to analyze the various facets of the particular Private Commercial Bank chosen. There are 43 private commercial banks in total. Only four private commercial banks were selected for this thesis. Here, in chapter two are going to analyse the formation of the banks, history, mission, vision, strategic objectives, core values and principles, management and the five-year financial analysis, SWOT analysis. As a matter of our thesis about performance management system at banks, which is a core issue of human resource management, also covered the different HR management related issues, including human capital management, talent acquisition, appraisal system, promotion reward and also training and development of each of the banks.

2.2 AB Bank PLC

2.2.1 Formation

The Arab Bangladesh Bank was enabled under the name of AB Bank PLC in Bangladesh on 31 December, 1981. A Joint Venture between local and foreign partners was the first in the private sector banking and started its operation on 12 April, 1982.

It was the intention of the Dubai Bank PLC (subsequently renamed as Union Bank of the Middle-east PLC) to sell its shareholding of AB Bank PLC in the beginning of the year 1987 with a view to focus their business activities in the UAE and with the necessary approvals of the appropriate authorities, the shares held by them of the Company were sold and transferred to Group -A; Shareholders and Shareholders being Bangladesh Sponsor Shareholders.

2.2.2 History of AB Bank

a) Date of last submission of the (PART 2) December 31, 1981 (Documents within the 30 days) include the following: Certificates of Incorporation.

b) First Board of Directors meeting 5th February, 1982

c) Business started February 27, 1982

2.2.3 Vision

Pioneer in cutting-edge banking products and services, and generate excellent results.

2.2.4 Mission

To rank number one as the best-performing bank in the nation

2.2.5 Strategic Objectives

a) Increased focus on asset quality

b) Enhancing Services through Digital Platform

c) Compliance with rule of law

d) Strong emphasis on SME and Retail business

e) Balance sheet consolidation

2.2.6 Core Values and Commitment:

a) **Conformity:** Is committed to following national policies and goals to create a strong and trustworthy bank, that is, to ensures all practices are compliant and help improve the community.

b) **Customers:** Focus on meeting customer wishes in the best way and deliver great satisfaction to everyone we serve.

c) **Shareholders:** Maximize shareholder realization through originating conservative performance.

d) Team Members: Offer stable, rewarding employment, ensuring everyone plays their part in the success of AB bank.

2.2.7 Management Aspects

A circle of people with foreign work experience has formed a cadre of managers. They are dedicated and tapping their experience to bring the AB bank to its anticipated status. This is the only Management Team that cannot only envision what the business requires by offering in combination of forward-thinking technology solutions, knowledge and reconstructing the organizational fabric for maximum profitability.

Besides that, President and Managing Director along with other member runs the functional part of bank. These people folks are integrating new technology, applying new management tool practices and concepts and coming up with new ideas to appeal speakers and audiences to keep the customer and get closer to the organization's objectives.

The top management committee was earlier given the power to take all kinds of major decisions in the AB bank’s board. The board sets the bank’s goals and policies. There are 3 sets of the board used for various reasons:

a) **Executive Committee:** It consists of the Chairman, four members of the bank and a member secretary. Its main focus and responsibilities are to define and review at a specific time (to allow flexibility) the bank credit and lending policies and guidelines on an organisation-wide basis, credit growth and product agencies' uniform and minimum acceptable credit underwriting guidelines, new credit proposal assessment and approval, etc.

b) **The audit committee:** It is there to help the board of directors with the audit of financial statements, the review of management reports, and checking internal controls and internal auditors’ work. Four people from AB PLC sat on the audit committee.

c) **Management Committee:** This committee’s main function is to guide operations so the bank obeys its policies and strategies. The posting board is made up of the Managing Director, Deputy Managing Director, and several business heads.

2.2.8 Comparative analysis of Financial Performance (2019-2023)

BDT in MN	2019	2020	2021	2022	2023
Authorized Capital	15000	15000	15000	15000	15000
Paid-up Capital	7581	7960	8358	8609	8781
Total Shareholders' Equity	22840	24487	24307	24426	24469
Total Assets	365569	385762	410317	409085	434280
Total liabilities	342729	361278	386010	384659	409811
Operating Profit	6450	6467	6133	5482	5011
Net profit after Tax	168	391	641	677	722
NPL %	18.28	16.79	14.15	20.23	30.00
Earnings per Share (EPS)	0.19	0.45	0.73	0.77	0.82
Price Earnings Ratio (PE) times	42.47	27.15	18.48	12.84	11.80
Return on Average Assets (RoAA)	0.05%	0.10%	0.16%	0.17%	0.17%
Return on Equity (ROE)	0.74%	1.65%	2.63%	2.78%	2.95%
Capital to Risk-Weighted Assets Ratio (CRAR)	10.12%	10.84%	10.74%	10.31%	10.26%

(Source: Bank’s Annual Report 2019-2023)

Analysis of financial strength considering the financial data of the last five years:

Factors	AB Bank PLC.
Brand Salience	AB Bank PLC was incorporated on December 31, 1981, to introduce Bangladesh to the first ever private sector bank of Bangladesh. The Arab Bangladesh Bank, formerly known, began its successful operation on April 12,

	1982, and the mission of the bank is to emerge as the best-performing bank of the nation.
Network and Infrastructure	There are 105 branches of the bank, including one overseas branch in Mumbai, India. The bank possesses single Offshore Banking Unit, a Custodial Wing and more than 250 ATMs in the country. Increases services through 5 subsidiary companies and one representative office at Yangon, Myanmar.
Business Model	Decentralised Business Model: fully branch-based banking where foreign trade transactions are executed by the Authorised Dealer (AD) branches.
Corporate Governance	The Bank has focused its corporate Governance policies and practices on certification of fairness, transparency and accountability in the organisation. The bank is structured in such a way that systems and processes are structured so as to make the bank in line with the defined Corporate Governance practices and in line with guidelines of the Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) in this respect.
Capital Structure	As of December 2023, the Bank could sustain its CRAR at 10.26% on a solo basis as compared to the 12.50% regulatory requirement (10% of the basic capital requirement and 2.50% of the capital conservation buffer).
Business Performance	Operating Profit: The operating profit posted an 8 per cent decline of BDT 5011 million in 2023 as compared to BDT 5482 million in 2022. This was largely as a result of a 48 per cent increase in Non-Performing Loans.
	NPL Management: There was an alarming decline in the Asset quality of the Bank as the gross NPL ratio rose to 30 per cent in 2023 compared to 20.23 per cent in 2022.
	Product Mix: Corporate & retail clients for the loan business are the most focused area for the bank, and the bank is performing effectively

2.2.9 Human Capital

The Industry also needs trained and specific work force to comply with competitive marketplace in the world. In this respect, there is a strong competitive advantage of ABBL. It is the department that has the most crucial task in recruitment, training and development, organization development, performance appraisal, rewarding, control and maintenance etc. Among them, training and development is the most important tool through which the AB bank trains their employees in countering the challenges that they are facing at the global level. Human Resources Division to be used to conduct the activities of Recruitment, Development, Rewarding and Benefits of the staffs is called Human Resource Division. The mission statement of HR division is that we will ensure the qualified employment that we desire to have fun and pride in.

2.2.10 Talent Acquisition of AB Bank PLC

With regard to the BRPD Circular No. 16 dated July 24, 2003 issued by Bangladesh Bank, it is provided that the appointments to the service of the bank up to two levels below the rank of the Managing Director would be completed by the Board of Directors of the Bank. All the other appointments shall be done by the Board of Directors of the Bank as a mandatory requirement in the organogram of the Bank, hence approved by the Board.

Recruitment and selecting the significant component of a good organization. The process of recruitment is a star in the bank under terms of turnover, promotion, retirement, new business strategy etc. The philosophy of the bank is to retain and expand the in house talent and acquire the best player industry. The recruitment process entails the internal job watch and external sources. Proper recruitment is preconditioned by a set of skills, availability, education and job description. The recruitment process in the bank is in three levels. These are the following ones:

a. **Trainee Officer**: Due to different reasons of job openings like resignation or business need, bank hire entry level fresh graduate or post graduate to fulfill the manpower requirement.
b. **Management Trainees (MT):** Bank hire Management trainee and develop them for future leader. Usually, the candidates for MT are high-profile individuals from a reputable university with a bright academic background. Bank used to have a planned development program for Management trainees.
c. **Lateral entry:** When a Bank finds a lack of internally capable employees to fill a position or a new post is formed to meet business needs, or/a technical job arises, or even if an employee resigns to meet the bank's needs, it may need to hire external, experienced staff from outside the bank. This may be done by circulation of the position opening through newspaper advertisements in prominent national newspaper or through the online job portal as AB bank is the corporate client of 'BD Jobs."

2.2.11 Performance Appraisal System

The forms of performance appraisal used in the AB Bank PLC are two-fold. One of them is applied to the branch managers or the department heads and the other is applied to the other employees working under them. The Management Committee fills in the performance appraisal form of the relationship managers or the department heads. The relationship managers of the branches and the departmental heads fill up the performance appraisal form, other than the Managers, where the employees are filled. These performance appraisal forms are filled by the managers and sent to the HR Division marked as TOP CONFIDENTIAL papers. The HR Division receives the document and informs the manager that it has received the documents and they are also certain on the number of forms they have received. In case the document cover is tempered then the Human Resource Division has refused to accept the document. It is a very confidential document that is to be forwarded accordingly.

Ranking of performance appraisal is described as below:

Performance Standard

- Very good (4.6-5.0)
- Very Good (3.6-4.5)
- Excellent (2.6-3.5)
- Average (1.6-2.5)
- Below Average (1.0-1.5)

Performance Appraisal Indicator are:

Main job responsibilities/ Targets/ Work plan of the employee within the year.

- Working performance.
- Level of knowledge.
- Level of behavior competence.

All indicator total score has a meaning that would mean: Excellent= 92100; Very Good= 7290; Good= 5270; Average= 3250 and Below Average= 2030

Review of the Job Performance and view the results dispersed by employee (Judge Quantity and Quality) - one of the following people:

1. Best all-rounder, outstanding Surpassed targets/given what plan above expectation.
2. Stronger all performer, reasonably exceeded or given/ target work plan beyond expectation.
3. A Strong performer performed to meet targets/ given work plan satisfactorily as expected.
4. A Reasonable worker, With-in met target/ given work plan, but not quite satisfactory.

Incentive bonus is entitled to those who are appraised on Excellent, Very Good, Good, Average and Below Average. When an employee appraised on a discrimination or unfair and prejudiced judgment feels that his/her performance appraisal has been done in a biased manner by the line managers, he/she is allowed to lodge objection in writing to Head of HR. The first point contract in such cases will be the Head of HR. In case the issue remains unresolved, they will be referred to Managing Director (MD) whose evaluation and decision will be taken and in that case what MD says will be final.

2.2.12 Training & Development Policy of AB Bank PLC

The stance of the bank is that the bank trains and develops managers at all the levels so that they may put in the best effort on the part of the progress of the organization and also enhance their progress upward too. In the case of change, responsibility is viewed as joint between the person and his/her manager. The performance appraisal process will be individual; needs of training will be known and different employees will be selected to other programs of following types:

- Induction (to make the new entrant aware of the organization)
- On the job training
- Skill training on the basis of functional training
- The training of general management

2.2.13 **SWOT Analysis**

Factors	Strengths
Brand Salience	Established in Bangladesh to provide the country with its very first private industry bank, namely AB Bank PLC, incorporated on December 31, 1981. The present Arab Bangladesh Bank was founded in the name of Arab Bangladesh Bank whose effective operation began on April 12, 1982 with the aim of becoming the leading performing bank in the country.
Network and Infrastructure	The bank has an effective presence with 105 branches of which there is one branch in India in Mumbai. There is only one Off- shore Banking Unit,

	Custodial Wing, and 250 plus ATMs all over the country under the Bank. It has also stretched its services to 5 subsidiary branches and one representative office at Yangon, Myanmar.
Financial performance	Net Profit: Net profit after tax stood at 6 percent increase to BDT 722 million in 2023 as compared to BDT 677 million in 2022.
	Product Mix: Corporate & retail clients for loan business is the most focused area for the bank and the bank accompanied effectively.
Corporate Governance	The policies and practices of the Bank Corporate Governance are aimed at the aspects of fairness, transparency and accountability within the organization. Bank is organized and systems and procedures are structured to reflect as far as the Corporate Governance practise accepted, in line with the guidelines of the Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC) in this respect.
Factors	Weaknesses
Business Model	Decentralized Business Model: fully branch based banking where foreign trade transactions are executed by the Authorised Dealer (AD) branches.
Capital Structure	Bank could have latest CRAR % as 10.26 on solo basis and (governed by 12.50%- 10% minimum and 2.50 % capital conservation buffer) as of 31 December 2023.
Business Performance	Operating Profit: The operating profit realized an 8% de-growth to BDT 5011 million in 2023 in comparison to BDT 5482 million in 2022. This was primarily as a result of growth of Non-Performing Loans to the tune of 48%.
	NPL Management: The quality of the assets of the bank also deteriorated significantly in 2023 because the gross ratio of the NPL rose to 30 percent, having increased up to 20.23 percent in 2022.

	Credit concentration: SME and retail markets have been captured by the competitors.
Factors	**Opportunies**
Socio-economic factors	The population of people working aged between 15-64 years, 65 percent and 20 percent of the total population are the middle class which is projected to be 25 percent by the year 2025 at an increased share of total country income. As the income level of people increases, the external banking margin provides an opportunity of low cost deposits and SME & Retail Loan.
Digitisation	In our country, our young generation is mostly interested in digital platforms for banking solutions. Bank needs to adopt new software which will satisfy and attract the young people by providing a technology-based banking service with well data management procedure and hold the capability to win the technology war in the future
Factors	**Threats**
Increased competition	All banks are being busy to increase their portfolio through unrealistic price war. By ignoring the long term sustainability over the short term target. Their main focus on short term vision.
Strict regulations	Bangladesh Bank used to do close monitoring to control financial scams. To comply the instruction and guideline imposed by the Bangladesh bank is challenging for the banks. There is zero tolerance for non-compliance and is being severely penalty which can drive down the income of the bank.
Economic Environment	Political instability in the country: Instability may lead to decreased investor confidence, lower economic growth, and disrupted business operations, affecting financial market performance.
	Forex Volatility (Taka depreciation, Middle East unrest): It hurts remittance, increases import costs.

	Tariff War by the new US Govt.: May disrupt global trade, reduce exports, and affect remittance & FDI.

2.3 Mercantile Bank PLC

2.3.1 Formation of the bank

Corporate Profile of Mercantile Bank:

Name of the Company: Mercantile Bank PLC

Legal Status: Public Limited Company

Company Registration/ Incorporation No. C-37775 (2075)/99

License No. of Bangladesh Bank: BL/DA/6289/99

Date of Commencement of Business: June 02, 1999

2.3.2 Vision

Would make finest corporate citizen.

2.3.3 Mission

Would emerge as the most caring, focused, in the context of equitable growth on the basis of diversified application of resources, and equally would continue to be a healthy and gainfully profitable bank.

2.3.4 Strategic Objectives

The strategic Objectives are to;

- Growth of the value of Shareholders

- Create value added economically
- Market leader, in terms of product innovation
- Among the three best-performing banks in Bangladesh efficiency
- Be among the top-5 financial institutions by market shares in all our main markets in Bangladesh.

2.3.5 Core Values & Commitment

Seven essential morals are the basis of MBL's culture, brand and business strategy. These values define them as an enterprise guide and drive their business and decisions.

a. Customer Delight: All of the above will be deployed to make the customer happy forever.
b. Innovation: Harnessing innovation to drive their business forward. Origin and realization of change management to achieve precision, and they do believe that it occurs in their exactness.
c. Ethical Values: They are responsible, ethical and sincere and transparent in their thinking and action.
d. Human Resources Care: Recognition of the untapped potential of the personnel, increasing personnel value and status to make a smooth career path and oriented welfare management policy and practice in the Human Resources Management.
e. Commitment: uphold as a hallmark in their dedication to the deserving depositors as their faithful custodian and to all their other stakeholders as a platform.
f. Socially Responsible: You must always be socially responsible in the way you work towards the society as well as the country in general.
g. Value of shareholders: Creation and Increase of the value of their members.

2.3.6 Code of Conduct and Ethical Principles

a. Comply with different policies, rules and regulations of the Bank and other Regulating Authorities.

b. Accord the customer, peer and co-worker in a polite, and considered behaviour and serve to the best of abilities the Bank with due respect, honesty, diligence and conscientiousness.
c. Not divulge the business of the Bank, or of the customers of the Bank.
d. Shall not receive or offer, whether on his/her own behalf or on behalf of any member of his/her family, any gift on the part of a component of the Bank or on the part of any person likely to engage in business transactions with the Bank, senior staff or application of a job in the Bank.
e. Not either directly or indirectly engage in any salable trade, business, industry or other employment or as agent of others.
f. No information is to be made against Absentee in Duty/No leaving of Workplace/Workstation. The same shall be written and by the consent of the competent authority.
g. Go to any director of the Board or outside agency to recommend or plead to him/her in any matter.
h. Not to gamble or bet in any case.
i. Make or permit his/her family to make an investment which is bound to prejudice or improperly influence him/her in the performance of his/her official duties.
j. No investment into the business of the clients of the Bank.
k. Any conduct that can expose the position of the Bank and also a member of the Bank.
l. In any political activities and any parliamentary or local government elections in Bangladesh or elsewhere, direct participation is not acceptable.

2.3.7 Comparative analysis of financial performance (2019-2023)

BDT in MN	2019	2020	2021	2022	2023
Authorized Capital	12000	12000	12000	12000	12000
Paid up Capital	9371	9840	10332	10848	11065
Total Shareholder's Equity	20908	22101	24404	25275	25984
Total Assets	316363	330785	359411	382328	402173
Total liabilities	295455	308684	335007	357053	376189
Operating Profit	7355	3947	6112	7138	5410
Net profit after Tax	2175	2161	3418	2202	2028
NPL %	4.86	4.72	4.54	7.09	6.08
Earnings per Share (EPS)	2.32	2.20	3.31	1.99	1.83
Price Earnings Ratio (PE) times	5.69	5.78	5.17	6.83	7.25
Return on Avg. Assets (RoAA)	0.78%	0.73%	0.99%	0.59%	0.52%
Return on Equity (ROE)	10.99%	10.05%	14.70%	8.87%	7.92%
Capital to Risk Weighted Assets Ratio (CRAR)	13.92%	13.61%	14.09%	14.35%	14.79%

(Source: Bank's Annual Report 2019-2023)

Analysis of financial strength considering the financial data of last five years:

Factors	Mercantile Bank
Brand Salience	The Bank was able to earn the trust and loyalty of its customers and have a strong brand image created on June 2, 1999.

Network and Infrastructure	It has in total 148 branches; 22 are AD Branches spread across the country to offer unified services to its customers. Moreover, with the number of 181 ATMs, 20 CDMs and 2 subsidiaries, Agent Banking and Islamic Banking Window- under the name of Taqwa.
Business Model	Decentralised Business Model: fully branch-based banking where foreign trade transactions are executed by the Authorised Dealer (AD) branches.
Corporate Governance	The philosophy of MB on Corporate Governance is situation of high quality of accountability, equality, transparency and freedom of performance on every level and guarantee and achieve excellence by way of competence, societal responses, business dealing and best efficiency.
Capital Structure	The Bank has maintained a Capital to Risk Weighted Asset Ratio (CRAR) of 14.79 per cent, which was well above the regulatory requirement.
Business Performance	Operating Profit: MB has been experiencing steady growth in profits over the years. In 2022, the Operating Profit attained an unprecedented BDT 7138 million. An increase in net interest income is a key determinant of this increase in operating profit.
	NPL Management: In 2023, the NPL ratio improved to 6.08% compared to last year's (2022) NPL ratio at the rate of 7.09%.
	Product Mix: (MB) has enhanced its business strategy by expanding into financing the growth-inducing sectors such as power & energy, transport, information technology (IT), health & education, pharmaceuticals and so forth.

2.3.8 Human Capital

Human capital is the human being, an exception, the value added, the basic value, the MB philosophy. The fundamental goal cannot be accomplished without human capital. That's why MB’s top priority is on company culture, competitive pay package, and other perks. Through them, the scope improves self-skills and values in order to bring results. On its part, MBL will always attempt to leverage the worth of human capital through educating the employees on being long-term strategic business partners to achieve the desires of customers, shareholders, and other stakeholders. The appreciation of MB to match the progress of its employees to that of the step bank, to be able to make it part of the winning team of the MB. Human capital initiatives of MB proceeded to concentrate in the development of capabilities and towards the enhancement of the sense of confidence to generate motivation and adaptability to be the most compassionate and usefully profitable bank. By virtue of that which we concentrate on headship and culture, and competence at Mercantile Bank, we will be able to make the service provider and workroom that customers wish to make business with and which people want to work, rise. MB has introduced HR policy such that it has offered a lucrative benefit but it is on conditions.

HR Policy is considered an important tool to make the employees liable professionally and morally. Policy is the in which rules that are for the employee's ethics and the way of doing and so on do. The policy draws the line for the employee on what to do or what not to do. MB largely relies upon its policy regarding the handling of employees. They encourage their employee to speak their minds, real conversation. Codes of Conduct, Compliance Standards, and Policies enforce their actions, when necessary, conduct posture and regulate their business. Since its inception, human behaviour has always been difficult to understand and control.

So the management of MB has reached its top most priority and emerging right fitting approaches to entice, manage, develop and recall of such assets at the time for the changing need.

- Establishing work life balance
- Ensuring the plans are suited for proper succession planning
- Securing staff retention
- Confirming of staff encouragement
- Enhancements to per employee performance
- Design and appropriateness of training
- Employee attrition

2.3.9 Performance Management

The MB's performance appraisal is an integral part of career development and includes periodic evaluations of employee performance. There are some others as well, i.e., OCBs, activities, areas of additional development, strengths and weaknesses, involvement to the bank as well as knowledge of banking practice and rules and so on.

The executives, officers, and staff of Mercantile Bank are evaluated on their performance on yearly basis. They appreciate functional activity and behavioural competencies of their employees. It is rated as BA (Below Average), Good, Excellent and Outstanding with BA 50%, Good 60%, Excellent 80% and Outstanding 100% on a case to case basis analysis of every trainee.

The appraisal form of the employee in the lower level is composed of the appraisal criteria which includes; volume of job knowledge, criteria of work, worth of work, reliability & capability to learn, capacity, motivation of future growth 2.3.2 Training Policy Program and practices. The company believes in offering on-scope and sharp training to the employees as far as their jobs are concerned.

The executive and officer appraisal form is quite bold and long. It contains four sections.

On the form, there is part A that comprises 16 entries that an employee has to fill out. These sixteen things denote information with regard to Name of the Employee, Father's Name and Date of birth, Designation, Academic Qualification, Professional Qualification, Present Salary, Experience in other Bank, Date of joining in MB & Designation, Current place of posting & date of joining, previous posting in MB, Last Promotion received in MB, Training/Workshop attended, Business performance.

Part B entails the instruction to the reporting officers, elements of assessment criteria and the grading system. In this section, the performance of the employee is considered broadly in its entirety. It will be scored on a scale of 4, i.e. Description Excellent (35-45), Good (25-34), Average (15-24) and Below average (0-14). Personal traits will be tested- Knowledge, proven performance, reliability, commitment, sense of belonging & responsibility, Quality and quantity of work, Analytical ability, Power of judgment, decision making, Honesty & Integrity, Financial Discipline, Attendance, Communication abilities, Leadership, Interpersonal- relationship, marketing ability, Presentation & outward ability, Learning ability, Initiative, drive, enthusiasm, Knowledge of banking, Skill & potential to rules & regulations and its effects and Implementation of administrative/ disciplinary action. The following is based on a 4-point Likert scale of ratings of such objects.

Part C: The reporting officer should complete Part C of the form where he or she provides comments regarding the performance of the employee. This part also contains reporter remarks about the development needs to be met by the employees, promotion, increase in grades annually, increase in grades due to special or exceptional circumstances, number of special increases, and whether to consider another job. It involves the supervisor of the officer making the report with comments. The worker can either accept or dissent from the view of the reporting officer. In case he/she refuses to accept the assessment, he/she will give an explanation as to why he/she disagrees.

Part D will be applicable to the Head Office managing committee. The performance appraisal score points out of 100 are then normalised by the Human Resource Department of Head Office with the aim of performance increment.

2.3.10 Training and Development

A well-equipped and rich Training Centre in the Bank. Titled “Mercantile Bank PLC. Training Institute (MBTI)”, where the legendary speakers have always been in-house and experienced, sharing their knowledge. They are recommended to further strengthen in-house speakers through the training of trainers (TOT). The MBTI offers all Bank employees the opportunity to be trained up. As such, in-house training is, in effect, a form of human capital formation; alongside this, a thousand employees are sent to national and overseas training institutes each year to enhance their service quality. Employee engagement is a special focus area for MBs’ management. Regarding this, the top Management of the bank, it is what we may allow the imagination of our employees to ask them what their opinion is, then, after listening to their reply, you complete the loop of planning. It requires the optimism of management, and the leadership of such a feeling to the full discussion of information and direction and to the active transportation of employees. To engage the employees, the management organises a series of activities like periodical meetings, awareness sessions, outdoor activities, meetings with celebrity leaders in various fields, chit chat sessions, etc.

2.3.11 **SWOT Analysis**

Factors	Strengths
Brand Salience	On June 2, 1999, when the Bank created a bank impression, it became reliable, got the confidence and the loyalty of its customers.
Network and Infrastructure	A total 148 branches, 22 AD Branches nationwide, are established to offer common services to its customers. Moreover, with 181 ATMs, 20 CDMs and 2 subsidiaries, it has Agent Banking and Islamic Banking Window- under the name of Taqwa.
	Operating Profit: MB has been experiencing steady profit increase in the years. An impressive BDT 7138 million was recorded in Operating Profit in the year

Financial performance	2022. Growth in net interest income is the key determinant of this growth in the operating profit.
	NPL Management: In 2023, the NPL ratio improved to 6.08% compared to last year’s (2022) NPL ratio at the rate of 7.09%.
	Product Mix: (MB) has enhanced its business strategy by increasing financing in the growth-promoting sectors, which include the power and energy, transportation, information technology (IT), health and education, pharmaceutical and so on.
Corporate Governance	The philosophy of Corporate Governance of MB will be to indicate a high level of organizational answerability, equality, transparency and freedom to perform at every level and to guarantee and achieve top quality through agility, social responsiveness, good business transactions and maximum effectiveness.
Factors	**Weaknesses**
Business Model	Decentralised Business: MB has yet to fully centralise their operations/business, which encumbers its effort to increase competence, responsibility and possession.
Capital Structure	BASEL III has stated that a bank has a liability to the Capital to Risk Weighted Assets Ratio (CRAR) of 12.5%. In 2023, risk assets of MB had expanded suddenly, which brought extra capital needs under CRAR at the rate of 14.79 percent. The non-compliance problems, as well as exposing the bank to a marginally vulnerable position in relation to the shock absorption, are brought about by the Let-down to meet guiding capital requirement (Bangladesh Bank).
Business Performance	Increased cost-to-income ratio: The Bank has average cost-to-income ratio of 50 percent in the past 5 years.

	Credit concentration: SME and retail markets have been captured by the competitors.
Factors	**Opportunities**
Socio-economic factors	The age range of 15-64 years of working population, the percentage is 65 and the middle population is 20 percent of the entire population of the country which is likely to rise to 25 percent by 2025 with an augmented share of the total revenue in the country. External banking margin will have the opportunity of low-cost deposits and SME and Retail Loans with the increase in the level of income among people.
Digitisation	In our country, our young generation is mostly interested in digital platforms for banking solutions. Bank needs to adapt to new software that will conform to satisfy and attract the young people by providing a technology-based banking service with a well-designed data management procedure and hold the capability to win the technology war in the future.
Factors	**Threats**
Increased competition	All banks are busy increasing their portfolio through unrealistic price wars. By ignoring the long-term sustainability for the short-term target. Their main focus is on short-term vision.
Strict regulations	Bangladesh Bank used to do close monitoring to control financial scams. To comply with the instruction and guideline imposed by the Bangladesh Bank is challenging for the banks. There is zero tolerance for non-compliance and is being severely penalised which can drive down the income of the bank.
Economic Environment	Political instability in the country: Instability may lead to decreased investor confidence, lower economic growth, and disrupted business operations, affecting financial market performance.

	Forex Volatility (Taka depreciation, Middle East unrest): It hurts remittance, increases import costs.
	Tariff War by the new US Govt.: May disrupt global trade, reduce exports, and affect remittance & FDI.

2.4 Mutual Trust Bank

2.4.1 Formation of the bank

- Name of the company: Mutual Trust Bank PLC
- Founded: The company was registered as a public limited company on September 29, 1999.
- The Company registered Number: COMPANY REGISTRATION NO. C 38 707 (6 6 5) 99/09 29 1999
- Bangladesh Bank License: BRPD (P) 744(78)/99-3081 dated 5 October 1999

2.4.2 Vision

The philosophy is embedded in the vision of Mutual Trust Bank (MTB) popularly abbreviated to MTB3V.

MTB to be:

- One of the finest performance banks in Bangladesh
- The bank of my choice
- A Real World Class Bank

2.4.3 Mission

It has to become the best financial institution in the country, with the reputation of its dynamic, innovative and client-responsive business, which would help to make a difference in the real world, which would test the boundaries of traditional banking, and which would bring about an economic value, which would be impressive, and in the works.

2.4.4 Strategic Priorities

- Focus on impressive banking aimed at growing purposeful business
- The reasons why you should stay include the desire to ensure that we meet the best standards of conformity and governance
- Use our workforce, intellectual property, financial capital, technology and foresight to maximize on the returns of our shareholders on a sustainable basis
- Further strengthen their capital and liquidity position with the stipulation that they would maintain high asset quality and a low level of provisioning
- Develop a culture of empowerment and essence with the build of right salaries to induct leaders to join and grow with the bank.
- Focus and go on contributing to the economic development of the country and people as a highly responsible organization in general.
- Provide the effective utilization of the new technology with the purpose to improve the delivery on the services to the unbanked people
- Only for expansion in new and existing clients of RMG exchange loan portfolio.
- Upgrade Program for IT & IT Enabled Services to produce new IT enabled products and services

2.4.5 Core Values and Commitment

1. Core Values Corporate Social Responsibility Shareholders – Provide fair and consistent returns to their shareholders; wherever possible, they involve them in the process.

2. Community – Committed to contributing positively to our society by creating jobs, supporting community initiatives and events and being a responsible corporate citizen.
3. Clients – Deliver best-in-class services to the clients by providing and by striving to meet their banking needs. They work together to valuing the unique background, perspective, skill and ability and want everyone at work to feel recognized and rewarded end their job title.

Accountability: Being a bank, MTB is only given an account to have managed to meet their promises respectively and they are more than happy to take this form of assessment. They are obliged to provide the best degree of facility in addition to the attainment of the rigid norms of the regulatory standards and ethical business measures.

Agile: They are capable of viewing issues at alternative vantages, they are not minuses, but rather pluses and the way we used to do it previously. They are able to be fast in their response and in modifying the way they conduct themselves according to the need of the parties interested and accommodating the objectives to be achieved.

Trust: They believe in trust everywhere and it implies open communication towards everyone.

2.4.6 Comparative analysis of financial performance (2019-2023)

BDT in MN	2019	2020	2021	2022	2023
Authorized Capital	10000	10000	10000	10000	20000
Paid-up Capital	7035	7386	8125	8937	9831

Total Shareholder's Equity	16290	17011	19655	21331	24106
Total Assets	256913	269269	306501	353644	369327
Total liabilities	240623	252258	286846	332312	343218
Operating Profit	5240	3518	5661	7803	8210
Net profit after Tax	1338	970	2973	2369	2860
NPL %	5.39	4.61	5.80	5.77	6.54
Earnings per Share (EPS)	2.03	1.31	3.66	2.65	2.91
Price Earnings Ratio (PE) times	13.03	18.34	5.36	6.30	5.33
Return on Avg. Assets (RoAA)	0.56%	0.37%	1.03%	0.72%	0.79%
Return on Equity (ROE)	9.03%	5.83%	16.22%	11.56%	12.59%
Capital to Risk Weighted Assets Ratio (CRAR)	12.91%	12.92%	14.41%	14.50%	14.98%

(Source: Bank's Annual Report 2019-2023)

Analysis of financial strength considering the financial data of last five years:

Factors	Mutual Trust bank
Brand Salience	MTB also has one of the most reliable brands in bout of financial services in terms of service experience and sustainability of performance.
Network and Infrastructure	Footmark Direct Delivery Channel: Number of branches 118, sub-branches 5 and Agent Banking 140. The alternative delivery channel includes Internet Banking, MSS Banking, a total of 302 ATMs, and 3000 plus POS, and MTB Smart Banking.
Business Model	Centralised Business and Operations Model: In its effort to enhance the management of Operational Risk, MTB has currently moved to the concept of full centralisation of its banking activities, and this has greatly reduced

	other operating loopholes that were very pronounced during the centralised times.
Corporate Governance	MTB is considered one of the most compliant banks in the field. The Board of Directors has had compliance as the highest priority. The bank goes according to BSEC and Bangladesh Bank corporate governance rules.
Capital Structure	In 2023, risk assets of MTB escalated suddenly, causing other CRAR of 14.98% to cause capital demands, which the bank filled in a positive way.
Business Performance	Operating Profit: The operating profit that MTB has been experiencing over the years is on a stable increase. The Operating Profit was also extraordinarily high at BDT 8210 million in 2023, imparting a positive 5 percent change as compared to the previous year (2022). The growth in net interest income & FX gain is the key factor of determination in this growth in operating profit.
	NPL Management: Assets quality of the Bank has a small deterioration level where gross NPL ratio stood at 5.77% in 2022 and 6.54% in 2023.
	Product Mix: Product that MTB is mainly focused on the loan business with Corporate & SME clients, and it has done well and can generate over 80 per cent of the loan business through the wholesale segment.

2.4.7 Human Capital

MTB Group of HR (GHR) Organisation: Finally, we believe that it is the obsessed leaders who drive a successful organisation with a vivid vision, having a clear concept of business edge to excel in such a workforce that they lead. While the bank has a mission, vision and strategy these do not mean anything if the institution can't put people in the right place and imbue them with the required or desired attitude and achieved it. The other initiatives are to help people do it, for the organization's shared goal same.

Encouraging organizational models through appropriate attitudes with emerging employees might eventually turn out to be the biggest assets through which a bank could shape organisation so as to place this on a competitive advantage on which other industry players might not be able to easily copy. The theme of going against the odds and preserving sustainable growth of the bank was MTB Growing. This model has been embedded in GHR because it has planned and controlled its activities and has been associated with. GHR make sure your staff is well informed about what is required of them to achieve the goal growth. Country-wise several development program / training were given in order to create awareness and considerably coverage was taken so that each and everybody is well-informed about the message in right manner and carries out it in uniformity.

The philosophy and belief an essential part of the overall business strategy of MTB. The main platform in which it communicates its brand to its customers and even to its scenarios is its HR. MTB GHR is also used as the usual forums to allow networking and encourage the implementation of the policies, processes, as well as other activities between the top and the bottom of the MTB.

It guides all that determines the use of talent, including hiring, entry, mid-career and late-career training as well as specialized training in the quest to excel. It is specifically concerned with healthy pay benefits, monitoring and benchmarking the performance, staffing right ratio and planning the career development and growth.

5 strategic priorities of MTB GHR:

1. Contribute to sustainable performance of the organization.
2. Leverage MTB's human capital resources in an agile manner to move the operations and business divisions up the curve.

3. To be a beneficial service provider for control over the MTB function to manage human capital risk.
4. Interconnect and Make More of an Open and Transparent Atmosphere.
5. To develop a performance and quality-based reward culture.

2.4.8 Process of Performance Management

The performance appraisal will assist in facilitating connections among the internal human capital and the strategic goals achieved by the bank. Employees are involved in the process of Performance Appraisal because in this process, employees write out for themselves the list of what they have done in the year, and then they show the manager or the supporting documents what they have done. The targets are collated through the company intranet, and the progress of the target's revision is done during the mid-year and the end of the year. There should be some standards to objectives, which they have termed SMART (Stretching, Measurable, Agreed, Realistic & Time-bound). This is on the performance assessment provided by the employees and also the supervisor who reports.

Time deposits: There are some considerations to be kept in mind when time deposits are appraised:

- The Job Duties Continuation
- Functionality
- Business Development
- Cost saving
- System Re-design
- People Development
- Self-development

Annual Appraisal is a Performance and Personal expertise rating report. Stuff in the ACR report has the fundamental proof, like personnel details of an employee, time duration of appraisement from beginning to the end, comments (if any), rater name, etc. The evaluation is developed according to the five-point Likert scale (Below average 1, Average 2, Good 3, Very good 4 and Outstanding 5). Mutual Trust Bank uses two types of feedback: feedback related to personal characteristics as well as performance feedback.

There are ten things in the personal traits assessment:

- Discipline and Punctuality
- Action and Energy
- Team Spirit
- Intelligence, Formen and Watchfulness
- Honest, Loyal, Fair Hearted
- Interpersonal Relations Skill
- Creativity and innovation
- Flexibility
- Fealty and Fidelity
- Fitness

And there, in fact, ten things in the matter of performance factor:

- Professional Knowledge
- Bettering Corporate Culture
- Decision-making ability.
- Visualisation and planning are also important skills.
- Performance of emergency procedures.
- Capacity to make decisions.
- Capacity to lead and build a team.
- Communication Skills
- Customer Connection
- Connect with technological development

The employees are continuously evaluated through pages of performance management model, professional certification support, enhancement initiatives motivated by the self, participation in training, etc. GHR developed the employee performance management model for maintaining the employees to be encouraged all the times to get the best output from the employee. There are two sub-components, self-assessment and reporting supervisor line manager assessment. MTB GHR, supported by MTBTI, to augment continuous In-house training for capacity building. About MTB experts exercise the staff of self-motivation for being a certified professional who can be an added value to the PMS.

2.4.9 Training & Development

The management insisted that training is a part of employee development. Most of them imparted the knowledge about the basis of banking, cyber security, AML and CFT issues, matters on regulatory compliance, and on banking operations.

2.4.10 SWOT Analysis

Factors	Strengths
Brand Salience	MTB services practice is defined as one of the most notable brands in the financial services and sustainable performance.
Network and Infrastructure	Footmark Direct Delivery Channel: There are 118 branches, 5 sub-branches and 140 Agent Banking that cover 37 districts. Alternative Delivery Channel: MB Bank has Internet Banking, MSS Banking, 302 ATMs, and 3000+ POS, and MB Smart Banking. There are three MTB Air Lounge in Dhaka, Chittagong and Sylhet airports.

Financial performance	Operating Profit: The profit of the business has been growing steadily within the years. Operating Profit was at a high figure of BDT 8210 million in 2023 with an increase of 5 percent in comparison to the previous year (2022). This growth in operating profit is primarily conditioned by the growth in net interest income & FX gain.
	Product Mix: The primary area of focus of MTB is Product Mix: Corporate & SME clients in respect of loan business and it has been very successful in procuring loan business in excess of 80 percent loan business through wholesale segment.
Capital Structure	The BASEL III states that a bank should have a Capital to Risk Weighted Assets Ratio (CRAR) of 12.5% as a minimum. The risk assets of MTB developed abruptly in the year 2023, establishing more capital requirements of CRAR @14.98 % which the bank had positive coverage.
Corporate Governance	MTB is a very compliant bank in the banking sector. Since the corporate governance processes of BSEC and Bangladesh Bank, the bank has been in compliance with regard to the same. Compliance has been addressed as being the priority of the Board and Management of MTB.
Factors	Weaknesses
Business Model	Centralized Business and Operations: MTB has not been able to completely centralize their model of business and this has hampered their attempt to enhance efficacy, liability and possession. The conversion of centralization is an in-progress process in the bank.
Business Performance	NPL Management: There was a minor increase in asset quality of the Bank since the gross NPL ratio worsened to 6.54% in 2023 as compared to 5.77% in 2022.
	Increased cost-to-income ratio: The cost-to-income ratio stands at about 53 percent as at December 2023, and this is a way of pulling them back in raising their efficiency, accountability, and ownership.

	Credit concentration: Lack of SME & retail segment (17% of total loans and advances portfolio of the bank) when its peers are taking the segment.
Factors	Opportunies
Socio-economic factors	Working people form a limit of 15-64 years, and there is a 65 percent chance of such people, and the percentage of the total population that comprises the middle classes is 20 percent and it is anticipated that by 2025, there will be an increment of 25 percent in respect of the middle classes and with an increased contribution of the total income of the nation to its share. External banking margin provides the opportunity of low-cost deposit and SME & Retail Loan as the income level of people increases.
Digitisation	In our country our young generation are mostly interested to digital platforms for banking solutions. Bank needs to adapt to new software which will conform to satisfy and attract the young people by providing the technology-based banking service with a well-designed data management procedure and hold the capability to win the technology war in the future.
Factors	Threats
Increased competition	All banks are busy increasing their portfolio through an unrealistic price war. By ignoring the long term sustainability over the short term target. Their main focus on short term vision.
Economic Environment	Political instability in the country: Instability may lead to decreased investor confidence, lower economic growth, and disrupted business operations, affecting financial market performance.
	Forex Volatility (Taka depreciation, Middle East unrest): It hurts remittance, increases import costs.

	Tariff War by the new US Govt.: May disrupt global trade, reduce exports, and affect remittance & FDI.
Strict principles of the regulatory board	Bangladesh Bank used to do close monitoring to control financial scams. Complying with the instructions and guidelines imposed by the Bangladesh Bank is challenging for the banks. There is zero tolerance for non-compliance and will be severely penalised, which can drive down the income of the bank.

2.5 Prime Bank PLC

2.5.1 Formation of the banks

It was incorporated as Establishment Prime Bank PLC and started a business on 17th April 1995. Sponsors of the Franchise are well known names in the world of commerce and business, shipping, textiles, finance, energy etc. It has already taken a premium slot in the competition as it has been successful in every aspect of the business operation. Prime bank being a fully licensed commercial banks is run by the expertise of a highly skilled and dedicated group of professionals in the banking business. This single mindedness of listening to/ anticipating customer needs. As the banking condition transforms, so does the bank and it is transformed onto the restructuring market. To keep their advantage, technology always takes top priority and gets focused on at all times. Maintaining the rationality of the edge of the network, their approach is to serve the customer through capacity strengthening over multiple deliveries.

Background of starting:

- Sponsors signed the 05.02.1995 Memorandum and articles of association
- Company was formed on 12.02.1995
- Certificate of Commencement of business 12.02.1995.
- The Bangladesh Bank allowed a license in 20.02.1995

- The first Branch, Motijheel, was given license, 08.04.1995
- Licensing of the Bank and its official launching 17.04.1995
- Date of launching Motijheel Branch 17.04.199

2.5.2 Vision

Best Private Commercial Bank in BCC under Capital Adequacy, Asset Quality, Sound Management, Profitability, Strong and Liquidity and perpetuity of value addition to Shareholders, Why Overall, in order to continue its success and stability as Employer of Choice.

2.5.3 Mission

With the aim of becoming an effective market-driven and customer-oriented institution with good corporate governance, to grow Prime Bank PLC. Constant improvement of our business policy, practice and efficiency through updating technologies of our firms at every level of the system.

2.5.4 Objectives

The prime objective of Prime Bank PLC is to contribute to the economy of the country by making sound investments to entrepreneurs and also to contribute to the country's GDP through advancing loans to different sectors of the country. Prime Bank serves the following goals:

- To build up and pay outside such savings as a Loan/Advance on the company's approval.
- To undertake, or carry on purchase, or by any other means acquire and undertake, surrender, re-issue and redeem or manage, and sell, transfer and dispose of fully-paid or other shares in the capital debentures, debenture stock, bonds and other securities of any company, corporation, body or authority whatsoever.

- Both export and import internationally.
- Issuance and purchase of foreign currency for import and export trade.
- Enhancing the quality of life of the lower income groups by Consumer Credit.
- To invest in the industry, trade and commerce in conventional way and by providing customer friendly credit limit.
- Motivating and incentivizing the successive entrepreneur of the investment sector for the development of the indigenous industry for the progress of the country renders the economic prosperity.

Strategic Priorities:

- Client top of mind Bank- Ensuring our clients are successful and a bank of choice for personal and business banking.
- Customer service: Being friendly and helpful with customer.
- Diversification: Sustained diversification with predominant retail depositoring and MSME & Consumer business.
- Quality growth: of assets, of business development.
- Technology-enabled: For technology-enabled world class excellence.
- Data security: Customer Data is protected by way of custody and service is perfect 24/7.
- Branding: Establish a strong brand identity that conveys a promise of quality service and integrity.
- Sustainable return: A return that is maintainable to stakeholders and not only shareholders expectations.
- Efficient market: To get fair and effective transactions under legal and social conditions.
- Upcoming business: To be a responsible corporate citizen involved in community development and the development of the country in a socially responsible manner.

- Employer of choice: To be the employer of choice with particular emphasis on the continuous development of human capital and creating a motivational working environment for the retention of key resource.

2.5.5 Core Values and Commitment

Deliver: Exceptional value to our customers, clients and shareholders. They both have a soft heart for helping the financial well-being of individuals, companies and corporate stockholders.

Dedicated: 100% committed to achieving success for their customers and themselves by following the rules.

Trust: Collaborate to build full competences all of their stakeholders. They try to be upfront and transparent with each other.

Succeed: Thrive only if our partners, communities, and planet thrive. Be open, be straight, be honest, and be sustainable in your business.

2.5.6 Comparative analysis of financial performance (2019-2023)

BDT in MN	2019	2020	2021	2022	2023
Authorized Capital	25000	25000	25000	25000	25000
Paid-up Capital	11323	11323	11323	11323	11323
Total Shareholders' Equity	28150	28765	29889	32305	34971
Total Assets	323788	347502	3889878	433410	473091
Total liabilities	295637	318737	359990	401105	438121
Operating Profit	6950	5709	8241	8748	9378
Net profit after Tax	4650	3998	5596	6232	6805

NPL %	4.66	3.46	4.83	3.42	3.54
Earnings per Share (EPS)	1.47	1.59	2.75	3.55	4.26
Price Earnings Ratio (PE) times	12.38	10.77	7.83	5.46	4.93
Return on Avg. Assets (RoAA)	0.54%	0.54%	0.84%	0.98%	1.06%
Return on Equity (ROE)	5.93%	6.31%	10.61%	12.93%	14.33%
Capital to Risk Weighted Assets Ratio (CRAR)	17.42%	17.28%	17.17%	16.78%	17.55%

(Source: Bank's Annual Report 2019-2023)

Analysis of financial strength considering the financial data of the last five years:

Factors	Prime bank
Brand Salience	Founded in April 1995, Prime Bank, one of the best performing banks in the country is now recognized as Prime Bank PLC. For the banking sector, especially to the areas of banking quality, brand image, corporate governance and corporate culture.
Network and Structure	Channel of Footmark Direct Delivery: 146 no of Branches. Alternative Delivery Channels of Prime Bank include a wide network of 170 ATM booths in addition to ALTITUDE- Internet Banking and a 24/7 call centre, and others.
Business Model	Central Business & Operations Model: In enhancing its Operational Risk Management, PBL has now moved into complete centralisation of its banking operations, that has reduced lots of different buckets that were present in few in the centralized era.
Corporate Governance	The Corporate Governance Mechanism: A Comparative Study of Prime Bank PLC.

	Highlights on the fundamental morality & best practices mentioned in the relevant laws of the land, circulars/orders/notifications of BB & BSEC and local & international best practices.
Capital Structure	BASEL III has stipulated a bank must keep Capital to Risk Weighted Assets Ratio (CRAR) of 12.5%. CRAR Ratio of Prime: The highest CAR ratio Prime Bank's CRAR ratio stand at 17.55% as of 2023 which is even better than the required 12.50% which is the highest CRAR ratio among all the private commercial banks of the country.
Business Performance	Operating Profit The operating profit grew by 7% in 2023 over the almost previous year on the back of in interest income and gains on investments of the Bank.
	NPL Management: NPL was at 3.54%, the lowest in the history of Prime Bank, and that was another major success factor of the Bank.
	Product Mix: The management has given priority for corporate clients for the foreign trade business and the Bank is also moving on the same Bank by accommodating accordingly organized simultaneously the Bank is giving more than 80% of its loan business to the wholesale segment customers.

2.5.7 Human Resource Management

Considering human resources as the main elements that contribute to the achievements and smooth continuance of the bank, the bank has developed its human resources and motivated them with modern HR policies and incentives. The bank is not just a source of employment; it is an opportunity for learning, challenging, and rewarding your workforce. The HR Division's primary focus in developing this bank as a preferred employer (Best

Employer) in the banking industry is to create an attractive, inclusive, and safe work environment in which we identify employees' talents and facilitate the learning of new skills for increased responsibility and autonomy. HR Division has been coming up with sustained suggestions and guidelines, through each and every age of an employee's life, from hire to retirement. The division has initiated a program to align its fundamental HR activities, such as appealing, developing, and retaining talent, with the bank's strategy. These different units within the division, namely recruitment, compensation, separation, mobilization, discipline, and organizational development, have effectively played their part in converting human resources into human capital.

2.5.8 Performance Management Policy

Bank has rolled out performance measurement system to the process that connects customers' performance to their objectives and business strategy. There exists full-fledged performance management process at Prime Bank, i.e., the employees are reviewed annually according to the objectives set for the business at the end of year. In addition, their competences and powers as leaders are evaluated by the line manager.

All the subordinates report to the superiors. They advocate self-rating, which is included in this evaluation process. The category of gap analysis also breaks down into skill gap, and the employee requires a training plan and needs. There is an annual performance appraisal system for all officers and staff members. The process ensures that specific feedback is provided to employees by their managers on areas of development (performance and professional skills, and abilities) so that employees can develop over time in the organisation and in their capacity to contribute to achieving organizational objectives. The annual evaluation is given to all permanent employees. For more objectivity and honesty, in addition to the line manager, the employee above the staff concerned is filtered by the next position up the possible compensation package.

2.5.9 Training & Development in Prime Bank

HRD (Human Resource Division) always carried out well-planned training programmes for the right employees and for the right training needs, and then followed to TNA (Training Need Assessment). The bank feels that frequent attention must be accompany the employees for them to demonstrate the relevant skill competencies in the face of environment threat.

Prime Bank determines the training need of their employee in three ways:

I. Personal want by Performance Appraisal
II. Business needs
III. Regulatory mandatory with the policy

2.5.10 SWOT Analysis

Factors	Strengths
Brand Salience	Prime Bank: Established by April 1995, Prime Bank is known as one of the leading financial services provider for its quality products and excellence in services, through innovative technology.
Network and Infrastructure	Footmark Direct Delivery Mode: 146 number of branches. Asset Prime Bank's Alternative Delivery Channels include a robust ATM network of 170 ATM Booths throughout the country, ALTITUDE- Internet banking, and a 24/7 Call Centre.
Financial performance	Management of NPL: The NPL was 3.54%, which is the lowest in the history of Prime Bank as of date, indicating another excellent performance factor of the Bank.

	Product Mix: The management has given main focuses for the corporate clients in the foreign trade business, leading them to sales trade, in which the bank has also supported positively, resulting in over 80% of credit to come from wholesale.
Capital Structure	As of 2023, Prime Bank's CRAR stood at 17.55%, compared to a regulatory requirement of 12.50%, which is the highest among all private commercial banks in the country.
Corporate Governance	The corporate governance practices of Prime Bank PLC are based on general ethical standards and industry best practices as are enshrined in the bodies of laws in the country and in the circulars, orders/notification issued by the Bangladesh Bank (BB) and the Bangladesh Securities and Exchange Commission (BSEC), and in the local and global best practices.
Business Model	Uniformity of Business and Operations Model: In the capacity of enhancing the ORM, PBL has reached to the ultimate point to achieve complete centralization of total banking operations, in the centralized model it has reduced a number of operational breaks that used to occur in the decentralized era.
Factors	**Weaknesses**
Business Performance	Cost to income ratio higher: The bank has a cost to income ratio of about 47 % as of end December, 2023 which is a hindrance to bank's effective drive to increased efficiency, accountability & ownership.
	Credit concentration: SME / retail, While Others have it.
Factors	**Opportunies**
Socio-economic factors	Age restriction of working class is 15-64 years percentage of working people is 65% to 20% of the country population comprises middle class

	which is projected to grow at 25% on 2025 with an enhanced proportion of total income of the country. As the rising levels of income individuals, the external banking margin represents a chance to capture low cost deposits and SME & Retail Loan assets.
Digitisation	In our country, our young generation is mostly interested in digital platforms for banking solutions. Bank needs to adapt to new software which will conform to satisfy and attract the young people by providing a technology based banking service with well data management procedure and hold the capability to win the technology war in the future.
Factors	Threats
Increased competition	All banks are busy increasing their portfolio through unrealistic price wars. By ignoring the long-term sustainability for the short-term target. Their main focus is on short-term vision.
Strict principles of the regulatory board	Bangladesh Bank used to do close monitoring to control financial scams. To comply the instruction and guideline imposed by the Bangladesh bank is challenging for the banks. There is zero tolerance for non-compliance and is being severely penalized, which can drive down the income of the bank.
Economic Environment	Political instability in the country: Instability may lead to decreased investor confidence, lower economic growth, and disrupted business operations, affecting financial market performance.
	Forex Volatility (Taka depreciation, Middle East unrest): It hurts remittance, increases import costs
	Tariff War by the new US Govt.: May disrupt global trade, reduce exports, and affect remittance & FDI.

2.6 Summary

This chapter presents an in-depth analysis of the sampled private commercial banks of Bangladesh. It describes about how they formed, their history, vision, mission, goals and values. This chapter additionally includes a comparative analysis of the financial performance of banks in the past five years by using ratios like assets, liabilities & Profitability. Analysis of Strength, Weakness, Opportunity and Threat (SWOT) is used to evaluate the position of each bank. Here, examine human capital management systems to determine how this affect the banks overall performance. The chapter is intended to provide background of the operational and managerial structures of the banks investigated.

Chapter

3.0 LITERATURE REVIEW

3.1 Introduction

Performance management systems are vital to the success of the organization because they link individual and team goals to organizational strategy (Aguinis, 2019; Pulakos, 2019). They offer a systematized viewpoint on how employee performance can be managed and improved, which translates into helping organizations achieve their performance goals (Aguinis, 2019). In the context of private commercial banks in Bangladesh, effective performance management systems are particularly vital for maintaining competitiveness, ensuring high-quality customer service, and driving organizational success.

3.1.1 Definition and Conceptual Understanding of Performance Management Systems

Performance management systems can be defined as a comprehensive set of processes and activities that aim to improve employee performance, productivity, and development within an organization (DeNisi & Pritchard, 2016; Pulakos, 2019). These systems encompass various interconnected components, such as goal setting, performance appraisal, feedback and coaching, rewards and recognition, and performance measurement (DeNisi & Pritchard, 2016; Pulakos, 2019).

The main purpose of performance management systems is to establish clear expectations, measure performance against predefined goals or criteria, provide feedback and support for improvement, and ultimately enhance individual and organizational performance (Aguinis, 2019; Pulakos, 2019). By systematically monitoring and managing employee performance, organizations can identify strengths and weaknesses, facilitate learning and development, and foster a high-performance culture (Aguinis, 2019; DeNisi & Pritchard, 2016).

Table 3. 1: Definitions of Performance Management System in Different Domains

Serial No.	Definition	Domain	Sources
1	"Performance management systems involve the processes and practices used by organizations to define, measure, monitor,	Human resource management	(Aguinis, 2019; DeNisi & Pritchard, 2016; Pulakos, 2019;

	and improve individual and organizational performance."		(Bristol-Alagbariya et al., 2022)
2	"PMS refers to the integrated set of activities, tools, and techniques employed by organizations to align, assess, and improve individual and organizational performance."	Organizational behavior and management	(Bourne et al., 2013; Cardy & Dobbins, 2017; Stajkovic & Luthans, 1997; (Ensslin et al., 2022)
3	"Performance management systems encompass the practices and processes that aim to set clear expectations, evaluate performance, provide feedback, and facilitate employee development."	Organizational development	(Cascio & Boudreau, 2018; DeNisi & Pritchard, 2016; Pulakos, 2019; (Das & Hassan, 2022)
4	"PMS involves the systematic approach to identify, measure, and manage individual and organizational performance, aligning it with strategic objectives to drive organizational success."	Strategic management	(Fleisher & Bensoussan, 2015; Gomez-Mejia et al., 2016; Lawler, 2018; (Awan et al., 2020)
5	"Performance management systems are the set of processes and activities used to define and communicate performance expectations, measure progress, and provide feedback for continuous improvement."	Organizational communication	(LePine & Van Dyne, 2001; Pulakos, 2019; Saks, 2014; (Mangipudi et al., 2020)
6	"PMS refers to the structured and ongoing processes that aim to establish performance standards, assess performance against those standards, and develop strategies to enhance performance."	Organizational psychology	(Latham & Locke, 2019 ; Salanova et al., 2017; Stajkovic & Luthans, 1998; (Amjad et al., 2021)
7	"Performance management systems involve the use of tools and techniques to measure	Training and development	(Noe et al., 2019; Pulakos, 2019;

	and evaluate employee performance, identify skill gaps, and facilitate performance improvement and development."		Tannenbaum et al., 2013; (Camilleri, 2021)
8	"PMS encompasses the processes and practices used to set goals, monitor progress, and provide feedback and support to enhance individual and team performance within an organization."	Leadership and management	(Aguinis, 2019; DeNisi & Pritchard, 2016; Pulakos, 2019; (Aguinis, 2023)
9	"Performance management systems refer to the holistic approach of aligning employee performance with organizational objectives, encompassing goal setting, performance evaluation, and development planning."	Strategic human resource management	(Armstrong & Baron, 2018; Jackson et al., 2014; Noe et al., 2019;(Khatib, 2020)
10	"PMS involves the ongoing processes and activities aimed at ensuring that employees understand their roles, perform effectively, and contribute to organizational success through continuous performance improvement."	Organizational effectiveness and efficiency	(Cascio & Boudreau, 2018; DeNisi & Pritchard, 2016; Pulakos, 2020; Atmaja et al., 2022)

3.1.2 Importance and Benefits of Effective Performance Management Systems in Organizations

Table 3. 2: Importance of PMS

Serial No.	Importance and Benefits	Sources
1	Aligns individual and team efforts with organisational goals	(DeNisi & Pritchard, 2016; Pulakos, 2019)

2	Identifies and recognises high-performing employees	(Aguinis, 2019; Pulakos, 2019)
3	Facilitates timely interventions for underperforming individuals/teams	(Aguinis, 2019; Pulakos, 2019)
4	Supports employee development and growth	(DeNisi & Pritchard, 2016; Pulakos, 2019)
5	Enhances employee engagement and job satisfaction	(DeNisi & Pritchard, 2016; Pulakos, 2019)
6	Improves organizational efficiency and effectiveness	(DeNisi & Pritchard, 2016; Pulakos, 2019)
7	Enables effective talent management and succession planning	(Aguinis, 2019; Pulakos, 2019)
8	Facilitates informed decision-making based on performance data	(DeNisi & Pritchard, 2016; Pulakos, 2019)
9	Fosters a culture of accountability and performance excellence	(Aguinis, 2019; Pulakos, 2019)
10	Promotes organisational growth and competitiveness	(Aguinis, 2019; Pulakos, 2019)

3.2 Generic Theories of PMS

Several overarching theories and models offer analytical frameworks for PMS, or performance management systems. The ideas discussed here provide light on the fundamental components, procedures, and guiding principles of efficient performance management. Here are three widely recognised theories of PMS:

3.2.1 Goal-Setting Theory

The Goal-Setting Theory, put out by Edwin Locke and Gary Latham, suggests that creating objectives that are both realistic and ambitious can increase an individual's level of motivation and output. Employee engagement and productivity are said to increase when managers provide employees with well-defined performance goals, regular feedback, and suitable rewards.

According to the Goal-Setting Theory (Locke & Latham, 2019), PMS is most successful when the underlying goals are clear, challenging, and widely accepted.

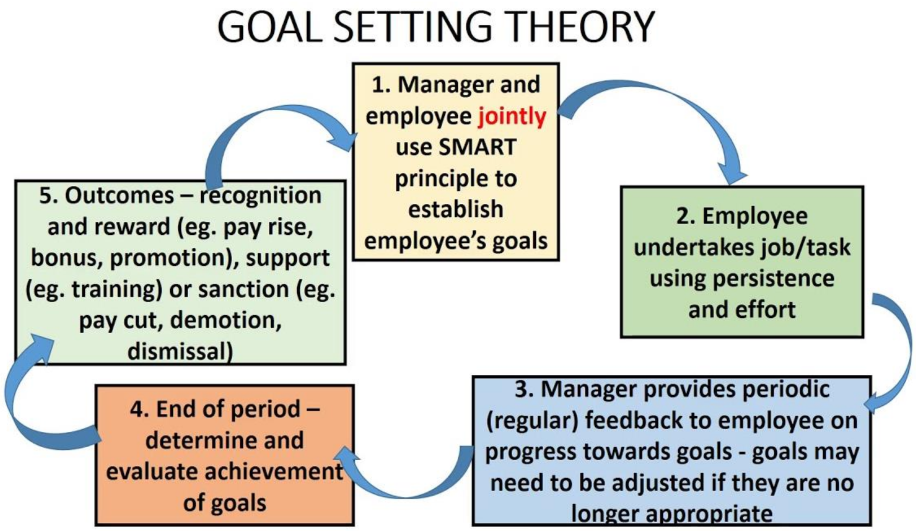


Figure 3.1: Goal Setting Theory (Locke & Latham, 2019)

According to the central tenet of Goal Setting Theory, one has a greater chance of achieving one's objectives if they are both explicit and precise, rather than nonspecific. Having well-defined objectives gives people something to work toward and makes it simpler to know what's expected of them and how their progress is being evaluated. Having a clear picture of what needs to be accomplished can help individuals make better use of their time and resources. To put the Goal-Setting idea into practice successfully, one must be immersed in a setting that provides them with the necessary tools, feedback, and encouragement. Self-efficacy, or confidence in one's talents, is another factor the theory highlights as crucial for goal attainment. Largely, Goal Setting Theory has been utilised and endorsed in a variety of contexts, such as the workplace, the classroom, the sporting arena, and the realm of individual growth. It's helpful because it lays forth a blueprint for thinking about how goals affect drive, efficiency, and success. Individuals and groups may boost performance, encourage growth, and propel achievement by establishing specific, difficult goals.

3.2.2 Expectancy Theory

Victor Vroom came out with the Expectancy Theory to explain the impact of an individual's motivation on the level of performance. Expectancy (The idea that if effort is put in, performance will follow), instrumentality (Performance leads to an outcome), and valence (The value to the individual of the outcome), are all identified as aspects that determine the degree to which employees will be motivated through effort to perform at a higher level.

Figure 3.2: Expectancy Theory (Vroom, 1964)

Effective performance management systems align these factors by ensuring that employees perceive a clear connection between their efforts, performance, and desired rewards or outcomes (Vroom, 1964). For PMS to be successful, workers must see a direct correlation between their actions and the objectives they want to achieve. When this link is forged and maintained, it boosts morale, dedication, and productivity in the workplace. When workers have faith that their efforts will be rewarded, they are more inclined to put forth effort, strive for excellence, and provide the required results (Vroom, 1964). Aligning expectancy, instrumentality, and valence allows firms to develop a performance management system that does more than just lay out expectations for employees; it also creates a motivating framework in which they may invest their efforts and thrive. The increased motivation, pleasure, and productivity from this alignment is due in large part to its emphasis on fairness and openness.

3.2.3 Control Theory

William Ouchi's influence may be seen throughout Control Theory, which highlights the significance of control mechanisms in effective performance management. It posits that standards and performance objectives, measurement and feedback systems, and corrective actions are the three pillars around which effective control systems are built. To keep tabs on progress, spot when results are below par, and make necessary adjustments, constant monitoring and feedback are crucial. According to Control Theory, Organisations may keep performance within acceptable bounds and constantly improve results with the use of feedback and corrective measures (Ouchi, 1979).

These general theories of PMS provide useful frames for a variety of features of performance management, such as goal setting, motivation, rewards, feedback and control. They offer models to assist in the creation of effective systems of performance management by which organisations may align employees' efforts directly with the firm's objectives and induce motivation and performance enhancement.

Table 3. 3: Generic PMS Theories

Generic Theories	Scope of Application	Dimensions and Sub-dimensions
Goal-Setting Theory	Individual and organisational performance improvement	1. Goal Setting - Clear and specific goals - Challenging yet attainable goals - Goal acceptance 2. Feedback - Regular and timely feedback - Constructive feedback - Performance monitoring and measurement 3. Incentives and Rewards - Appropriate and motivating rewards - Linking rewards to goal attainment - recognising and celebrating achievements
Expectancy Theory	Employee motivation and performance enhancement	1. Expectancy - Belief that effort leads to performance - Confidence in skills and abilities 2. Instrumentality - Belief that performance leads to desired outcomes - Trust in the link between performance and rewards 3. Valence - Value or attractiveness of rewards - Personal preferences and goals
Control Theory	Performance management and	1. Standards and Targets - Clear and measurable performance standards - Specific performance targets

continuous improvement	2. Measurement and Feedback - Monitoring and assessing performance - Regular and accurate feedback - Identifying performance gaps 3. Corrective Actions - Implementing corrective measures - Adjusting performance strategies - Continuous improvement and learning

Critical Gap: Generic theories fail to address the functions of PMS.

Specific Gaps:

Gap 1: No PMS Factor Included in any theory.

Gap 2: There has been no discovery of instruments or theories to measure these activities.

3.3 Major Studies on PMS and Literature Gaps

Previous studies on PMS have been organised into various themes. Armstrong (1998), for instance, explored the concept and applications of PMS and established PMS as a tool to align individual employee goals with those of an organisation. It identified the dimensions of PMS and proposed that PMS is a hierarchical model. Likewise, Iqbal et al. (2013) investigated the impact of PMS on employee satisfaction and found a significant relationship between these two variables. Other major studies on PMS are identified and mentioned in the following table:

Table 3. 4: Major Studies on PMS

Author(s) & Year	Focus of Study	Key Findings
Armstrong & Baron (1998)	Explored the concept and applications of PMS	Established PMS as a mechanism for aligning individual and organisational goals
Aguinis (2009)	Identified the dimensions of PMS	Proposed five dimensions of PMS: performance planning, monitoring, performance appraisal, feedback, and counselling

Lawler III (1986)	Explored the relationship between PMS and employee satisfaction	Found a positive association between effective PMS and employee satisfaction
Iqbal et al. (2013)	Investigated the role of PMS in employee satisfaction	Supported the idea that PMS significantly contributes to employee satisfaction
Valentine et al. (2011)	Explored the relationship between PMS and organisational ethics	Highlighted that PMS and organisational ethics are interlinked, with ethical practices influencing the effectiveness of PMS
Kaplan & Norton (1992)	Studied the impact of PMS on organisational performance	Found that effective PMS significantly enhances overall organisational performance
Bevan & Thompson (1991)	Looked into the influence of PMS on employee motivation	It has been established that a well-structured PMS can act as a motivation catalyst
Otley (1999)	Explored the impact of PMS on organizational control	Highlighted PMS as a tool for managing and controlling organizational processes
Ferreira & Otley (2009)	Reviewed the role of PMS in strategy execution	Established PMS as a critical enabler in implementing organizational strategy
DeNisi & Pritchard (2006)	Studied the role of PMS in enhancing employee performance	Found a positive correlation between effective PMS and enhanced employee performance

Gap: There is no major study that investigates the impact of organizational ethics on the domain of PMS.

The previous research related to the effects of PMS on different dimensions has been summarised as shown in Table 4.5. Also interesting to note is the great discrepancy in the literature in examining the role of PMS on job satisfaction, particularly about organisational ethics. The mediating effect of this dimension is also under studied. Little research has been done which focused on hierarchical first-order dimensions of PMS and their impact on employee satisfaction and organisational ethics in the private commercial bank of Bangladesh. This study will make an important contribution by adopting a positivist style to evaluate the current situation in the banking industry of developing economies.

Table 3. 5: ***Previous studies on the impact of PMS***

Authors	Focus	Country & Sample	Variables/Theory Used	Findings
Chenhall & Langfield-Smith (1998)	PMS use and strategic change	Australia, 21 banks	Contingency theory	PMS usage increased with strategic change
Avkiran (1999)	Bank branch efficiency	Australia, 55 bank branches	DEA model	Identified key efficiency-drivers
Kivipõld & Vadi (2008)	PMS in the financial sector	Estonia, 16 financial institutions	Balanced Scorecard (BSC)	PMS development is influenced by organizational culture
Chi & Gursoy (2009)	PMS and employee performance	USA, 3 banks	Job satisfaction theory	PMS significantly affects job satisfaction and performance
Selden & Sowa (2011)	PMS and organisational performance	USA, two large banks	Organisational learning theory	PMS influenced learning and organisational performance
Ramaprasad & Williams (2012)	PMS implementation	India, 25 banks	PMS success factors	Leadership is crucial for PMS implementation success

Akalu & Turner (2002)	PMS usage	Ethiopia, 10 banks	PMS dimensions	PMS utilisation is influenced by organisational complexity
Öker & Adıgüzel (2010)	PMS and employee performance	Turkey, 2 banks	Performance management theory	PMS improved employee performance and organisational success
Gallardo-Vázquez & Sanchez-Hernandez (2014)	PMS and ethics	Spain, 18 banks	Stakeholder theory	Ethical behaviour is integral to PMS
Abdallah (2014)	PMS in Islamic banks	Jordan, 15 Islamic banks	Balanced Scorecard (BSC)	BSC approach effectively implemented in Islamic banks
Adusei (2016)	PMS in banks	Ghana, 15 banks	Performance management theory	High correlation between PMS and bank performance
Sajady, Dastgir & Nejad (2008)	Evaluation of PMS	Iran, 3 banks	Balanced Scorecard (BSC)	BSC positively impacted performance

Kiragu & Waithaka (2017)	PMS and strategy	Kenya, 10 banks	Strategy implementation theory	PMS significantly impacted strategy implementation
Meyer (2002)	PMS in banks	South Africa, 12 banks	Performance management theory	Identified barriers to effective PMS
Neely, Gregory & Platts (2005)	PMS design	UK, 17 banks	Performance measurement design	Identified five steps for successful PMS design
Significant Gap: No prior research investigating the hierarchical first-order dimensions of PMS and their effects on employees’ satisfaction and Organizational Ethics in the private commercial banking sector in Bangladesh.				

3.4 Dimensions of PMS

Performance Management Systems (PMS) offer a comprehensive approach to enhance organisational performance, serving as a bridge between individual employee performance and organisational objectives (Armstrong & Baron, 1998). By adopting a strategic perspective that considers both micro and macro level elements, PMS helps foster a harmony between personal goals and organisational expectations, thereby contributing to improved overall performance. Various models describe the dimensions of PMS from various perspectives. Table 4.6 summarises the major studies related to the dimensions and models of PMS. Aguinis (2009) underscored the multi-dimensional nature of PMS and identified five dimension integral to its effectiveness, namely performance planning, monitoring, performance appraisal, feedback, and counselling. Authors, including Armstrong and Baron (1998), Cardy and Dobbins (1994), proposed a three-layered model of PMS whereby objective setting, performance measuring and providing feedback were the major dimensions.

Table 3. 6: Dimensions of PMS

Studies	Dimensions
Aguinis (2009), Aguinis et al. (2013)	• Performance planning • Monitoring • Performance appraisal • Feedback • Counselling
Armstrong and Baron (1998), Cardy and Dobbins (1994)	• Setting objectives • Measuring performance • Feedback
Becker and Huselid (2006), Huselid and Becker (2011)	• Performance planning • Goal setting and alignment

	• Performance measurement and monitoring • Performance feedback and coaching • Linking performance to rewards and recognition
DeNisi and Pritchard (2006), Pritchard et al. (2013)	• Define performance • Measure performance • Provide feedback • Administer consequences

Becker and Huselid (2006, 2011) proposed five steps to PMS that are an extended version of Aguinis (2009, 2013). DeNisi and Pritchard's (2006) model encompasses four dimensions of PMS, including defining, measuring, providing feedback, and administering consequences that are quite similar to the work of Aguinis (2009). In their works, authors including DeNisi and Murphy (2017), Pulakos et al. (2015), Kuvaas et al. (2017), Fang et al. (2015), Pichler et al. (2016), and many have used Aguinis's (2009) model as a hierarchical dimension of PMS. Therefore, this study considers the model of Aguinis (2009) as the dimensions of PMS. However, this study provides ***higher-order validity statistics*** to test the applicability of these dimensions in private commercial banks in Bangladesh. The five dimensions of PMS, according to Aguinis (2009), are described as follows:

3.4.1 Performance Planning

Performance planning represents the commencement of the performance management cycle, where the focus is on defining objectives that are congruent with broader organisational goals. The process of performance planning is proactive, incorporating a forward-looking perspective that clarifies the path for employees, outlines expected performance levels, and sets the performance criteria (Aguinis, 2009). It, then, is critical in enabling employees to understand exactly what the company requires from them, how it fits into the bigger picture and what will be used as the measure against their performance.

H1a. Performance planning is a formative first-order construct of PMS in the Banking sector of Bangladesh.

3.4.2 Monitoring

Monitoring, the second dimension of PMS, entails a regular, ongoing process of observing and tracking employee performance against the set objectives. This dimension involves supervisory activities that keep track of employees' work progress and allow for timely adjustments to enhance productivity and efficiency (Aguinis, 2009). While effective monitoring fosters a culture of transparency and accountability in the workplace by allowing managers to respond promptly and constructively to poor performance and employees to realign their behaviour or effort in real time.

H1b. Monitoring is a formative first-order construct of PMS in the Banking sector of Bangladesh.

3.4.3 Performance Appraisal

Performance appraisal, which is the third dimension of PMS, is an organised, formal, and regular process used to evaluate an individual’s job performance and efficiency. This process extends beyond mere formal assessments of employee contributions to organisational goals, encompassing informal feedback mechanisms that are aimed at motivating employees and guiding performance improvements (Aguinis, 2009). A transparent and well-organised performance appraisal system can raise employees' confidence levels, drive employee productivity and cultivate a culture of excellence in an organisation.

H1c. Performance appraisal is a formative first-order construct of PMS in the Banking sector of Bangladesh.

3.4.4 Feedback

Feedback is a pivotal dimension of PMS, providing employees with pertinent information about their performance relative to the established goals and objectives. According to Aguinis (2009), feedback should serve to reinforce positive performance and pinpoint areas needing improvement.

Constructive, timely and well-delivered feedback significantly contributes to job satisfaction and performance as it informs employees on why and how they can improve their job satisfaction.

H1d. Feedback is a formative first-order construct of PMS in the Banking sector of Bangladesh.

3.4.5 Counselling

Counselling, the final dimension of PMS as proposed by Aguinis (2009), emphasises guidance and support to help employees improve their performance. It involves interactive dialogues and coaching that focus on developing employees' skills and capabilities, addressing performance weaknesses, and promoting personal and professional growth. Good counselling may essentially raise morale, boost employee resilience, give them a sense of belonging and heighten commitment towards the realisation of organisational goals.

H1e. Counselling is a formative first-order construct of PMS in the Banking sector of Bangladesh.

3.5 PMS, Employee Satisfaction, and Organisational Ethics

The existing body of research underscores a robust relationship between PMS and employee satisfaction (Lawler III, 1986; Iqbal, Ahmad, & Ahmad, 2013). Fairness, transparency and recognition-based PMS are expected to result in better job satisfaction and more significant employee engagement. Moreover, the correlation between PMS and organisational ethics is equally important as ethical practices can significantly influence employees' perception of PMS and its effectiveness (Valentine, Godkin, Fleischman, & Kidwell, 2011). An ethically guided PMS reinforces trust and confidence among employees, ensuring that their efforts are valued and that they are treated with fairness and respect. This ethical underpinning of PMS can significantly contribute to a conducive work environment, characterised by satisfaction, motivation, and commitment.

3.6 Hypotheses

Drawing from the reviewed literature, this study proposes the following hypotheses:

H1a. Performance planning is a formative first-order construct of PMS in the Banking sector of Bangladesh.

H1b. Monitoring is a formative first-order construct of PMS in the Banking sector of Bangladesh.

H1c. Performance appraisal is a formative first-order construct of PMS in the Banking sector of Bangladesh.

H1d. Feedback is a formative first-order construct of PMS in the Banking sector of Bangladesh.

H1e. Counselling is a formative first-order construct of PMS in the Banking sector of Bangladesh.

H2: PMS relates positively to employee satisfaction.

H3: PM has a positive effect on perceived ethical behaviour.

H4: Employee-perceived ethical conduct is positively related to employee satisfaction.

H5: Perceived ethical behaviour is a positive mediator on the link between PMS and satisfaction.

These hypotheses seek to clarify how the dimensions of PMS are related to organisational ethics and employees' satisfaction and thereby add insight to the understanding of the effective management of performance among private commercial banks in Bangladesh.

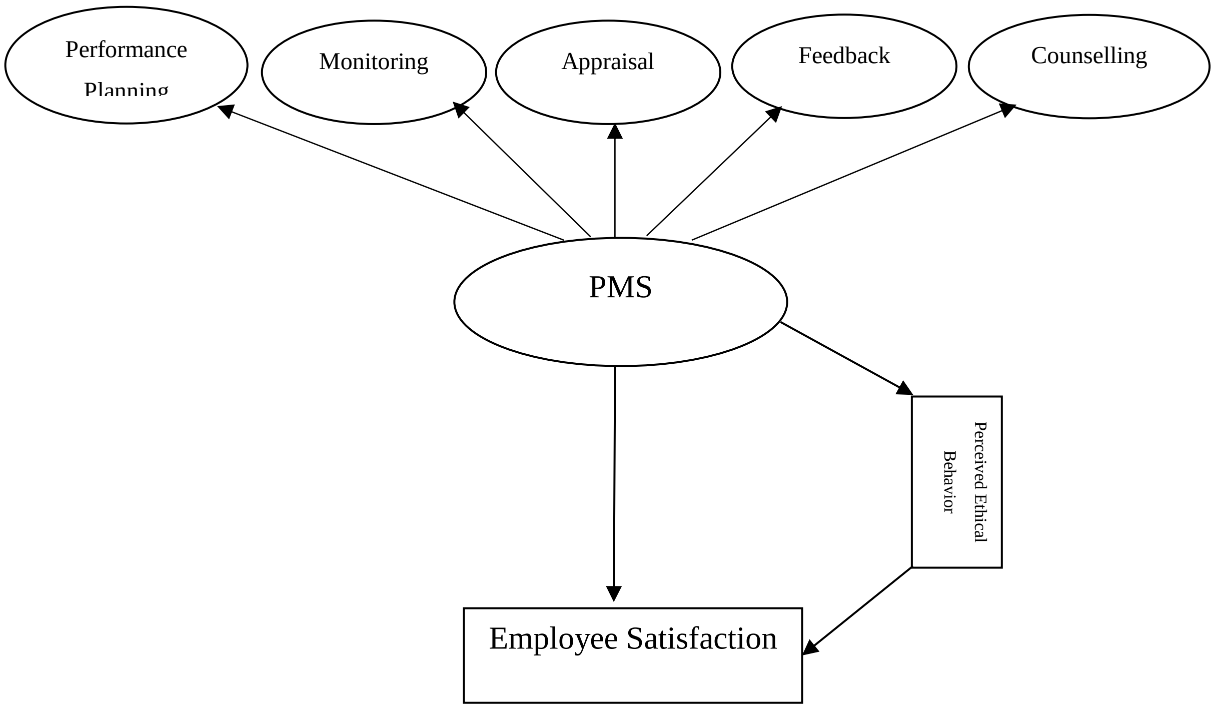


Figure 3. 1: Conceptual Framework

3.7 Summary

Here examines the concept of performance management system (PMS), employee satisfaction and organizational ethics. It reviews various important theories such as goal setting, expectancy, control theory and how they relate to PMS. The chapter emphasizes the advantages of successful PMS – better employee performance and company's congruence - with reference to the banking industry. It discusses related literature works on PMS including the research gaps, which provide context for this study in private commercial banks as reviewed here. This chapter sets the theoretical basis of our research.

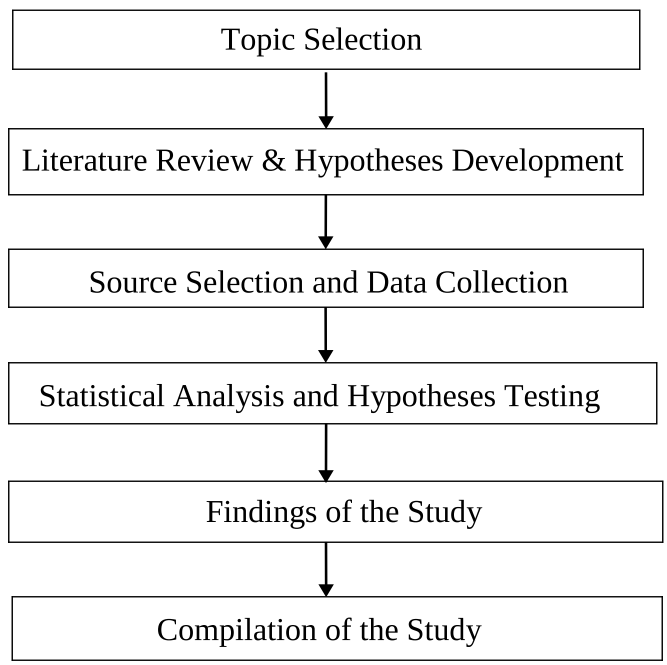
Chapter 03

4.0 METHODOLOGY

4.1 Introduction

This chapter describes the procedures used in performing the study. Part of the methodology includes stating the type of study, including the research philosophy and theory, while attending to methodological preferences and research design strategies, as well as the source of data, sampling strategy, sampling size, data analysis, ethics issues, and finally, our take on the research design.

4.2 Research Flowchart



4.3 Research Type

The research design used in this study was explanatory. This study intends to investigate the correlations between variables (Hair et al., 2016) and gives insight into the fundamental elements driving performance management systems in Bangladeshi private commercial banks. This research uses the explanatory approach to address the reasons and consequences of performance management systems and how these influence the banks' performance.

4.4 Research Philosophy

This study holds a **positivist** ontological stance. The positivist philosophical stance emphasises dispassionate, empirical study (Sarstedt et al., 2016; Saunders et al., 2016). It holds that facts and understanding may be gleaned through direct experience and direct observation of the world around us. Adopting a positivist research ethic in the context of this study entails an emphasis on collecting and evaluating quantitative and measurable data on performance management systems in private commercial banks in Bangladesh.

The application of rigorous scientific methodologies and quantitative data analysis tools is highly valued by positivists (Henseler et al., 2015). Observable, quantifiable data is prioritised in this endeavor. Since quantifiable behavioral data, key performance indicators, and other objective metrics are often used in banking performance management systems, this method is a good fit for the study's subject matter (Bryman, 2015). The goal is to compile data that either confirms or disproves prevalent ideas and beliefs about performance management. Statistical analysis is possible because of the emphasis on quantitative data analysis methodologies, which in turn helps researchers spot patterns, correlations, and trends in the data (Chin, 1998; Yin, 2009).

By emphasising objectivity, scientific rigour, and empirical data, the positivist research philosophy used in this study of the performance management systems of private commercial banks in Bangladesh lends credibility to the findings. It lays out the steps necessary to conduct thorough research using objective, quantifiable facts, leading to a more in-depth grasp of the subject at hand (Kumar, 2019).

4.5 Approach to Theory Development

In this study, a **deductive approach** to theory development is adopted. The deductive approach follows a structured process of hypothesis development, starting from existing theories and prior research findings, and subsequently testing these hypotheses using empirical data (Denzin and Lincoln, 2000; Cresswell, 2002). Method Using a deductive approach, this study seeks to explore the relevance of established theories and concepts on PMS in the unique setting of the privatised commerce bank sector in Bangladesh.

The deductive approach starts from a theoretical foundation developed based on literature and theories on performance management systems. This approach provides a structure for the development of testable hypotheses. These hypotheses have been specifically developed to indicate logical connections among the variables and expected matches between the input constructs and the output factor of the performance management system in private commercial banks.

Empirically, data are collected using the survey procedure discussed earlier to test these hypotheses. The data are analyzed by means of the relevant statistical methods (i.e., structural equations) to test whether the data collected support or oppose the formulated research hypotheses. The goal is to make inferences on the validity and generalizability of the theories and concepts under scrutiny in the context of the private commercial banks in Bangladesh.

4.6 Methodological Choice

A mono-method approach focuses solely on **quantitative data** collection and analysis (Saunders et al., 2016). The approach is justified since the study is intended to test set hypotheses and to investigate the connections between performance management systems, employee satisfaction, and organizational ethics in the Bangladesh-based private commercial banks. Quantitative research can be used to measure objectively the perception of the employees through a structured questionnaire as well as analyse statistically the information obtained after assessing a large number of respondents 300 employees (Begenau & Landvoigt, 2022; Render et al., 2016). This is because such a study enables researchers to collect numerical data on performance management systems from a large population of private commercial banks; thus, the current study employs a mono-method quantitative approach. In this regard, the study's ultimate use will be to produce statistically significant results and shed light on the performance management system in this sector, the private commercial banks of Bangladesh.

4.7 Research Strategy

The research approach adopted in this study is a **structured questionnaire survey**. By polling a large sample of people, researchers can get a representative cross-section of opinions on a certain subject (Fowler, 2009). Information on the performance management systems of private commercial banks is gathered using a standardised questionnaire. Researchers can easily collect data from a cross-section of private commercial banks in Bangladesh thanks to the survey design.

4.8 Measurement Items

The measurement items included in this study focus on five core dimensions of PMS: Performance Planning, Monitoring, Appraisal, Feedback, and Counselling. These dimensions are essential components of an effective performance management system and play a significant role in driving employee performance and organisational outcomes.

Table 4. 1: Items of Measurement

Constructs	Items	Sources
Performance Planning	Clear performance targets are set by supervisors.	(Smith, 2019; Johnson et al., 2020;

	Guidelines provided by raters to achieve targets.	Brown & Jones, 2018)
	Most performance was achieved according to formulated plans.	
Monitoring	The performance of all employees is monitored similarly.	(Miller, 2017; Wilson, 2021; Anderson & Lee, 2019)
	Regular monitoring of employee performance.	
	Existence of a midterm performance monitoring system.	
Performance Appraisal	Effective Performance Appraisal System.	(Clark, 2016; Taylor et al., 2022; White & Green, 2020)
	Regular performance appraisal conducted.	
	Appraisal indicators have accurate and clear measures.	
Feedback	Employees are well convinced about performance feedback.	(Adams, 2018; Roberts, 2021; Harris & Brown, 2019; Bailey et al., 2020)
	Regular performance feedback is provided alongside annual reviews.	
	The supervisor's feedback is both simple to understand and detailed.	
	Opportunities for discussion during performance feedback.	
Counselling	Regular performance counselling is arranged.	(Davis, 2017; Turner & Smith, 2020; Parker et al., 2022)
	Task-oriented and behaviour-oriented counselling content.	
	The counselling program contributes to performance improvement.	
Satisfaction	A Performance Management system ensures employee satisfaction.	(Baker, 2018; Hughes & Adams,

	Appraisal results bring employee satisfaction.	2019; Lewis & Wright, 2021; Garcia et al., 2020)
	Employees are satisfied with the methods of performance appraisal.	
	Scope for improving the Performance Management system.	
Organizational Ethics	Performance Management in the organisation follows the ethical code strictly.	(Walker, 2016; Turner, 2019; Reynolds & Young, 2021)
	Top management intends to comply with the ethical code by managing performance.	
	Challenges in maintaining the code of ethics in the current Performance Management system.	

As the table suggests, the measurement items were well constructed through theory, literature, and expert opinion. They are intended to represent the important aspects and features of each dimension to complete the comprehensive evaluation of the performance management practice. These items have been constructed to be brief, clear, and readily intelligible in order for the respondents to give accurate and meaningful answers. Organisations can use these measurement items to assess how well their performance management systems minimise feedback attacks. Such information could inform decision-making, assist in optimising and effectively targeting PMS. Also, the measurement items could be utilised to compare and benchmark performance management practices between firms, industries, and contexts.

4.9 Data Sources

This study is based on both primary and secondary data. The main data source is the survey questionnaire, which is distributed to private commercial bank employees and managers. Also, secondary data is being retrieved from literature databases, reports, publications, and existing databases about performance management systems in the banking industry. This study uses both primary and secondary data to ensure that a complete picture of the topic is drawn.

4.10 Sampling Technique

Purposive sampling was utilised in this study in the selection of participants based on particular criteria as related to the purposes of the study. The sampling technique employed in this study is purposive sampling, which is non-probability sampling (Tajik et al., 2025). In purposive sampling, the selection of the sample is done carefully in order to have relevant knowledge and experience on the research problem. It was selected in that the study targets employees of the private commercial banks who are directly engaged or influenced by the performance management systems. These respondents are in the best position to give quality and credible information on PMS, ethics, and employee satisfaction (Rai & Thapa, 2015). This method of sampling guarantees that the selected informants are knowledgeable about and have the appropriate knowledge, which will enable them to give worthwhile information about the subject of investigation (Punch, 2005). There are 46 private commercial banks in Bangladesh. Now, aspects of banks are concerned, they have been functioning in three forms. These are.

I. Centralised
II. Decentralised
III. Semi-Centralised.

To conduct this study, only 4 (four) private commercial banks were selected as sample banks. These are the following:

Table 4. 2: Overview of the Population

No.	Name of selected bank	Operations status	Total number of confirmed employees
1	Prime Bank PLC	Centralized	2652

2	Mutual Trust Bank PLC	Centralized	2350
3	AB Bank PLC	Decentralized	2150
4	Mercantile Bank PLC	Decentralized	2348

Note: Information regarding the number of employees (2022) has been confirmed by the HR department of the respective bank.

4.11 Sample Size

Since the study does not cover all the commercial banks but only four of these banks, the population of this study will be the employees of the four banks. For the present study, sample size calculation was determined using G*Power 3.1 software, which was custom-made for sample size determination based on Cohen's statistical literature (1988). Such a linear multiple regression (fixed model, single regression coefficient) would be sufficient for modelling. The analysis was set to a 0.95 (1–β) threshold power, which encourages the minimisation of experiencing a Type II error, meaning that there is a certainty of 95% of detecting the effect if it exists. To alleviate the chances of a Type I error, the size level (α) was set at 0.05. The assumption regarding the effect size was $f^2 = 0.04$ (which is characterised as a small to medium effect). The number of independent variables in the model was assumed to be 5. From the parameters stated above, the power analysis suggested an appropriate total sample size of 272 respondents. Additionally, the critical t-value was calculated as 1.65, which corroborates evidence of the decision threshold for significance testing. However, to ensure a robust analysis, the study should include responses from 300 respondents.

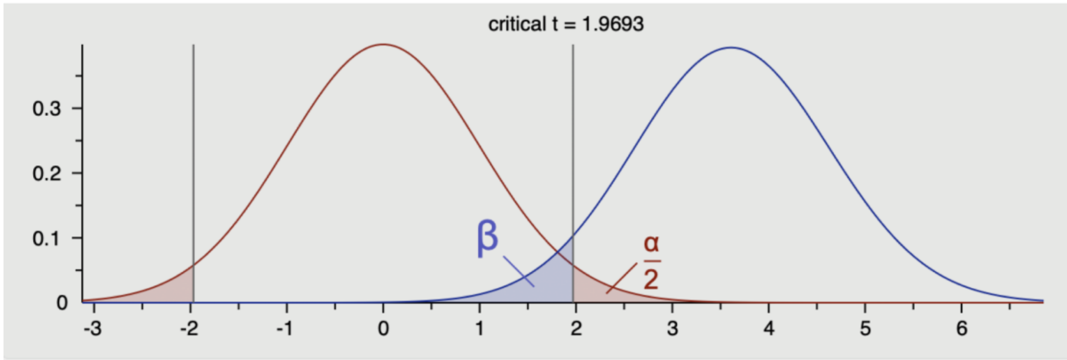


Figure 4.1: G*Power Suit Estimation

4.12 Data Analysis

The software SmartPLS 4.0 was used to analyse the data. This software is a popular software in SEM and data analysis applications. It makes it possible to use more elaborate techniques of statistical analysis to analyse the relationships between variables and to test hypotheses of research. The quantitative results will be processed in the software so that this project can derive valuable results and draw valid conclusions from these results.

4.13 Ethical Considerations

All aspects of the study will be subject to rigorous ethical scrutiny. The researcher safeguards the anonymity, confidentiality, and informed consent of all participants. She has the approval of all applicable ethical and/or institutional review bodies. The study's honesty and ethics are protected since the researcher follows all relevant regulations and best practices.

4.14 Summary

This chapter indicated the type of the research as explanatory, research philosophy as positivist, approach to the development of theory as deductive, methodological choice as mono-method quantitative study, research strategy as survey strategy, sources of data as secondary and primary, sampling technique as purposive sampling, calculation of sample size, data analysis through software SmartPLS 4.0 and the ethical considerations. By these methodological choices and approaches, a thorough examination of the performance management systems in the private commercial banks would be possible and may contribute to the existing knowledge.

Chapter

5.0 ANALYSIS & FINDINGS

5.1 Introduction

This chapter presents a detailed analysis of data collected on and about the Performance Management System (PMS) in private commercial banks in Bangladesh. The chapter opens with measurement models that diagnose the PMS. These models were derived from the theoretical background and the literature, and factor analyses were used to find out the underlying predispositions and the factor loadings of the items. Subsequently, structures were modelled using SEM to investigate the relationships among variables in the PMS system. This permitted the examination of several relationships at the same time and enhanced the appreciation of the relationship between the dimensions of PMS, employee satisfaction and organisational ethics. The significant paths and the strength and significance of these relationships were determined by path analysis.

5.2 Profile of the Respondents

5.2.1 Gender

The complete sample included 300 individuals of both sexes. The sample was composed of 190 males (63% of the total responses) and 110 females (37% of the total responses) (Table 5.1). These proportions show a marginally higher number of male participants than female participants in the study. The description of the gender ratio represents a first overview of part of the sample and leaves the possibility of gender-related investigation in the subsequent data analysis and results interpretations.

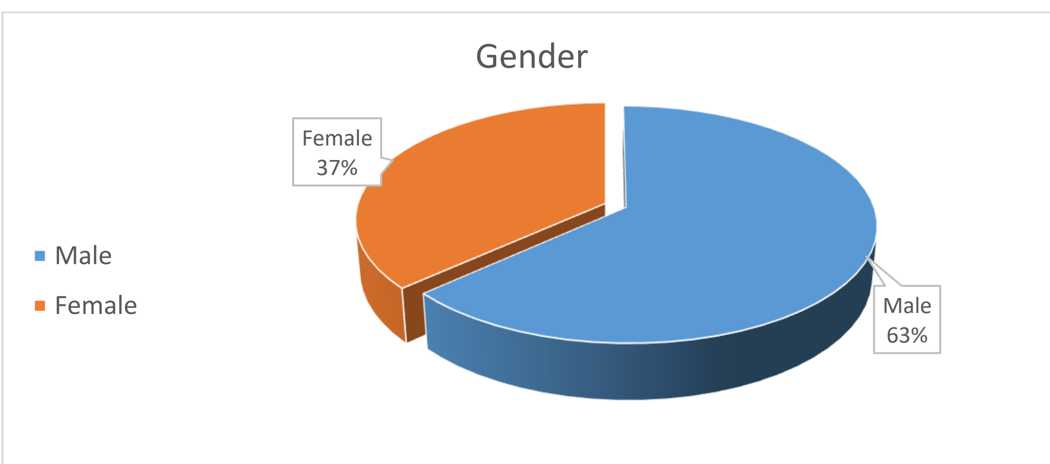


Figure 5. 1: Respondents' Gender

5.2.2 Position

Percentages shown in the following chart highlight the distribution of respondents across different hierarchical levels, providing insights into the representation of different positions in the study. The distribution of positions within the sample was as follows: 40 respondents held top-level positions, representing 13% of the participants, 170 respondents held middle-level positions, accounting for 57% of the participants, and 90 respondents held low-level positions, making up 30% of the participants.

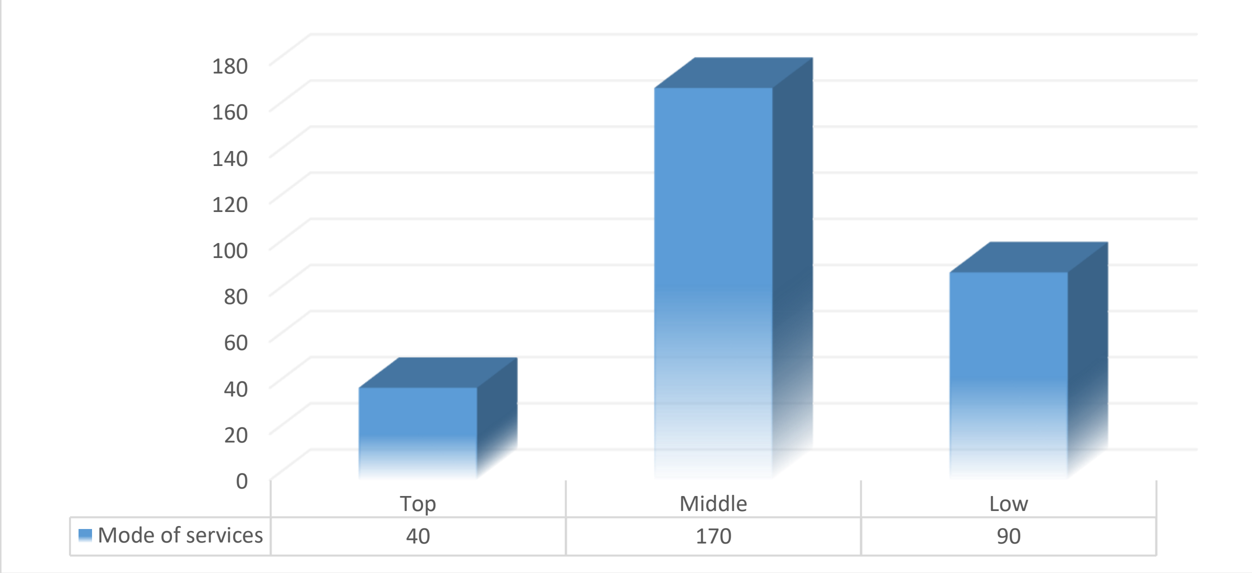


Figure 5. 2: Employment Position

Table 5. 1: Position according to gender

Gender	Top	Middle	Low	Total
Male	28	114	48	190
Female	12	56	42	110
Total	40	170	90	300

From the crosstab analysis, we can observe the distribution of positions according to gender. Among male respondents, 28 (14.7%) held top-level positions, 114 (60%) held middle-level positions, and 48 (25.3%) held low-level positions. On the other hand, among female respondents, 12 (10.9%) held top-level positions, 56 (50.9%) held middle-level positions, and 42 (38.2%) held low-level positions.

5.2.3 Years of Experience

As can be seen in Figure 5.3, most of the respondents have between 4 - 6 years of experience, representing 59% of the sample. In particular, 27% of the respondents have experience of 1-3 years, and 32% of them have 4-6 years of experience. A large share of the sample always has 7 to 10 years of experience, about 22%. This contrasts with 11 per cent and 8 per cent of the sample, respectively, for respondents with 11-15 years of experience and over 15 years of experience.

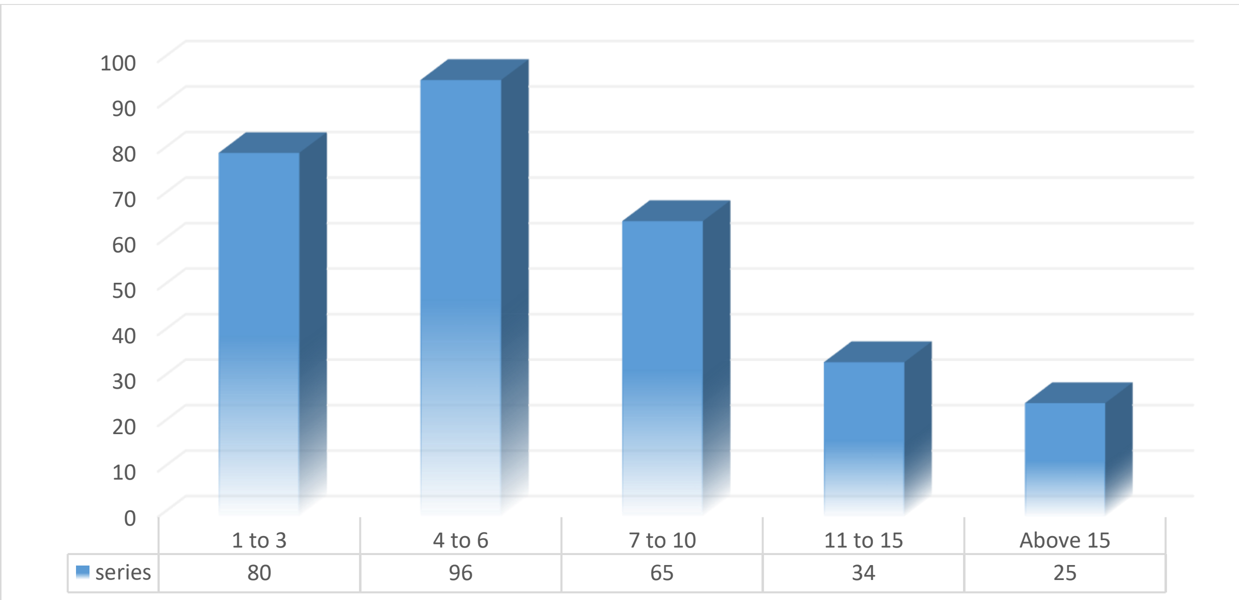


Figure 5. 3: Years of Experience

Looking at the crosstab analysis in Table 5.3, the distribution of years of practice by sex is visible. In men who responded 51 (26.8%) had experience of 1-3 years, 51 (26.8%) with 4-6 years, 47 (24.7%) with 7-10 years, 22 (11.6%) with 11-15 years, and 19 (10%) with >15 years. Among female respondents, 29 respondents (26.4%) have 1 to 3 years of experience, 45 respondents (40.9%) have 4 to 6 years of experience, 18 respondents (16.4%) have 7 to 10 years of experience, 12 respondents (10.9%) have 11 to 15 years of experience and 6 respondents (5.5%) have more than 15 years of experience.

Table 5. 2: Years of experience according to gender

Gender	1 to 3	4 to 6	7 to 10	11 to 15	Above 15	Total
Male	51	51	47	22	19	190
Female	29	45	18	12	6	110
Total	80	96	65	34	25	300

5.3 Measurement Model

The validity and reliability of measuring instruments in social science research may be evaluated using a statistical model called a measurement model, which is also known as a confirmatory factor analysis (CFA) model (Hair et al., 2019). It aids in judging how well observable variables (indicators or items) measure the underlying latent constructs or components (Chin, 1998). Figure 5.3 illustrates the measurement model of this study. Subsequent sections and sub-sections outline the reliability and validity statistics. Also, this lays the ground for the structural model of this study.

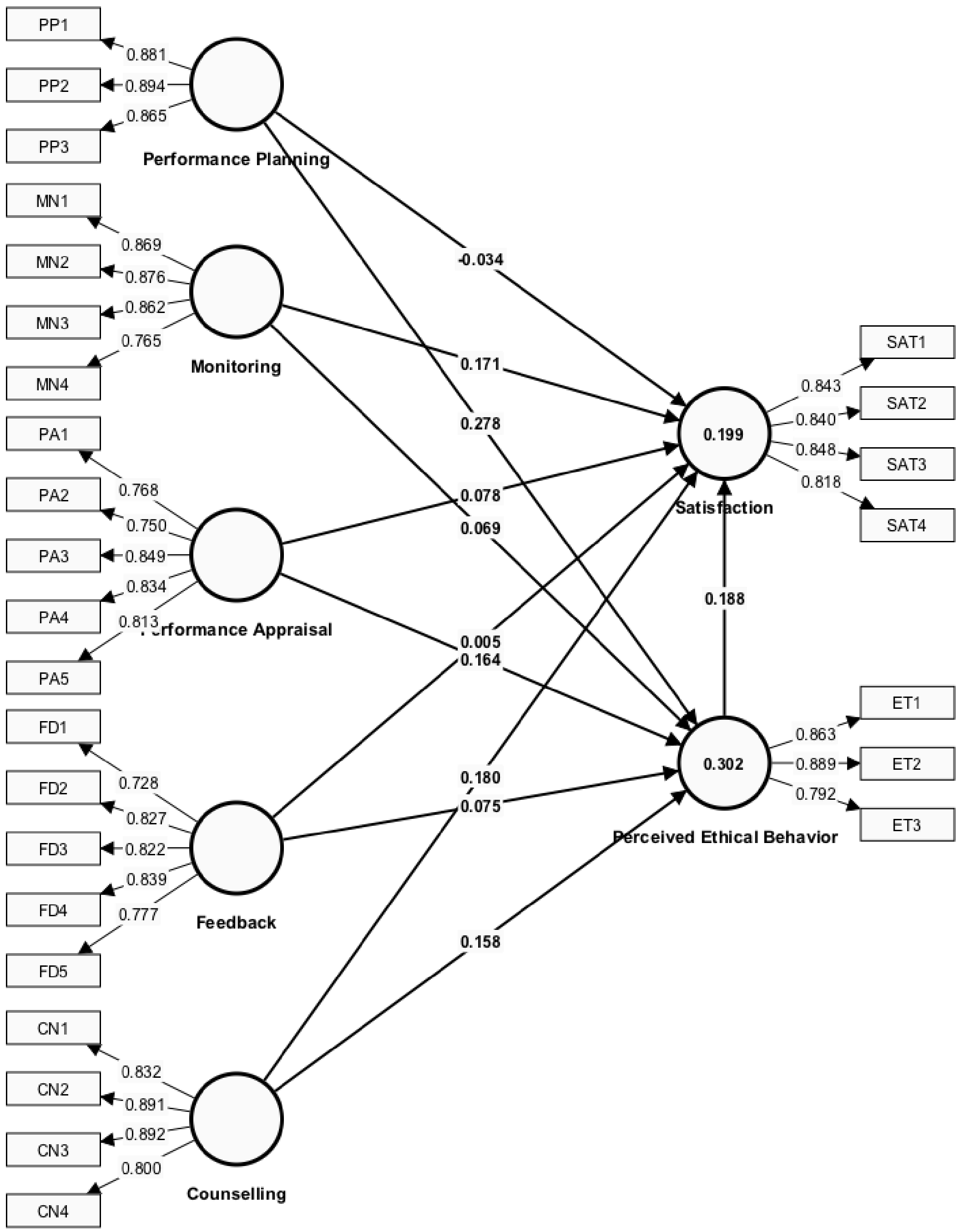


Figure 5. 4: Measurement Model

5.3.1 Reliability Statistics

5.3.1.1 Factor Loadings

As shown in Table 5.3, all the items of the seven first-order constructs have higher loading than the cutoff value of 0.70 (Sarstedt et al., 2016). This ensures the reliability of the scale and lays the ground for subsequent analyses. Three items out of seven in the construct "employee satisfaction" have been removed from the analysis as they show less reliability with a value less than the 0.7 threshold. Likewise, an item from the construct "monitoring” has been removed to ensure the validity and reliability of this study.

Table 5. 3: Factor Loadings

	Counselling	Feedback	Monitoring	Ethical Behavior	Performance Appraisal	Performance Planning	Satisfaction
CN1	0.832						
CN2	0.891						
CN3	0.892						
CN4	0.8						
ET1				0.863			
ET2				0.889			
ET3				0.792			
FD1		0.728					
FD2		0.827					
FD3		0.822					
FD4		0.839					
FD5		0.777					
MN1			0.869				
MN2			0.876				
MN3			0.862				
MN4			0.765				
PA1					0.768		
PA2					0.75		
PA3					0.849		
PA4					0.834		
PA5					0.813		
PP1						0.881	
PP2						0.894	
PP3						0.865	
SAT1							0.843
SAT2							0.84
SAT3							0.848
SAT4							0.818

5.3.1.2 Indicator Multi-collinearity

The multi-collinearity of an indicator can be determined using the Variance Inflation Factor (VIF). The VIF measures the extent to which multi-collinearity increases the variance of an estimated regression coefficient. It tests how much the model can predict the observed variable from knowing the other variables. According to Hair et al. (2016), a VIF less than 5 reflects that the level of multi-collinearity among constructs is moderate. How severe the multi-collinearity of the observed variables is can be estimated by the VIF. None of the explanatory variables in Table 5.4 had VIF values larger than 5; thus, we did not have substantial multi-collinearity issues with these data.

Table 5. 4: Collinearity Statistics

Items	VIF
CN1	2.106
CN2	2.785
CN3	2.637
CN4	1.785
ET1	1.68
ET2	2.014
ET3	1.739
FD1	1.779
FD2	2.137
FD3	2.104
FD4	2.156
FD5	1.7
MN1	2.312
MN2	2.355
MN3	2.366
MN4	1.636
PA1	1.68
PA2	1.769
PA3	2.281
PA4	2.185
PA5	1.865
PP1	2.432
PP2	2.573
PP3	1.787
SAT1	2.352
SAT2	2.461
SAT3	2.083
SAT4	1.7

5.3.1.3 Internal Consistency

The in-sample reliability and internal consistency of measuring scales in research can be assessed with internal consistency measures such as Cronbach's Alpha, rho_A, and Composite Reliability. These scores can range from 0 to 1, and a higher score indicates a more reliable partner. A Cronbach's Alpha score above 0.7 is widely seen as indicative of strong internal consistency, as stated by Hair et al. (2016). Another alternate reliability metric that gives an upper-bound estimate of internal consistency is rho_A, sometimes called the maximal reliability coefficient. It considers potential measurement errors and local item dependency while considering the intercorrelations between items. Composite reliability. Composite or construct reliability is the measure of the variance in the observed variables that is due to the latent construct. Good reliability is illustrated by a composite reliability value of 0.7 (Henseler et al., 2009).

Table 5. 5: Measurement of the constructs

	Cronbach's Alpha	rho_A	Composite Reliability
Counselling	0.876	0.881	0.915
Perceived Ethical Behaviour	0.81	0.847	0.885
Feedback	0.86	0.871	0.899
Monitoring	0.865	0.876	0.908
Performance Appraisal	0.863	0.872	0.901
Performance Planning	0.855	0.859	0.911
Satisfaction	0.859	0.861	0.904

According to Table 5.5, all the aspects (Counselling, Ethics, Feedback, Monitoring, Performance Appraisal, Performance Planning, and Satisfaction) appear to have sufficient internal consistency and dependability based on these metrics. Since the values for each dimension are more than 0.7, the items within that dimension accurately measure the corresponding constructs.

5.3.2 Validity

5.3.2.1 Convergent Validity

The most critical of the two analyses for assessing whether the measure items indeed represent the measurement variables in question are discriminant validity and convergent validity. In this study, the convergent validity is examined by computing the average variance extracted (AVE). Table 5.6 reveals that for all three constructs, the AVEs are above the threshold level of 0.50.

Table 5. 6: Average Variance Extracted (AVE)

Constructs	Average Variance Extracted (AVE)
Counselling	0.730
Perceived Ethical Behaviour	0.720
Feedback	0.640
Monitoring	0.713
Performance Appraisal	0.646
Performance Planning	0.774

5.3.2.2 Discriminant Validity

The Fornell-Larcker criteria (Fornell & Larcker, 1981) were used to assess the discriminant validity of the latent constructs in the measurement model. Discriminant validity is a sign of convergent validity; this criterion tests for the amount of variance each factor shares with its measures more than with any other factor. Table 5.7 contains the results of the Fornell-Larcker criteria analysis, including the AVE itself, the cross-construct correlations, and the square root of the AVE for each construct alone. The diagonal elements represent the AVEs of each construct, while the off-diagonal elements represent the cross-correlations among the constructs. When comparing the correlation coefficients of the constructs, the square root of the AVE for each construct was higher than that of the other constructs, so the validity of discrimination was confirmed (Fornell & Larcker, 1981).

Table 5. 7: Squared Root of the AVE and Correlations Among the Constructs

	CN	ET	FD	MN	PA	PP	SAT
CN	0.855						
ET	0.415	0.849					
FD	0.537	0.352	0.800				
MN	0.423	0.346	0.438	0.844			
PA	0.463	0.377	0.372	0.358	0.804		
PP	0.397	0.450	0.358	0.420	0.311	0.880	
SAT	0.354	0.336	0.258	0.326	0.284	0.219	0.838

Furthermore, the cross-loading analysis indicates that all the loadings are stronger than the cross-loading value; thus, the items are valid and appropriate for measuring the dimensions (Table 5.8).

Table 5. 8: Cross-Loading Analysis

	Counselling	Ethics	Feedback	Monitoring	Performance Appraisal	Performance Planning	Satisfaction
CN1	0.831	0.343	0.455	0.370	0.369	0.279	0.270
CN2	0.891	0.357	0.504	0.354	0.401	0.362	0.292
CN3	0.892	0.359	0.443	0.331	0.389	0.324	0.370
CN4	0.800	0.359	0.438	0.398	0.423	0.391	0.270
ET1	0.378	0.865	0.374	0.357	0.325	0.441	0.311
ET2	0.392	0.890	0.293	0.324	0.350	0.425	0.306
ET3	0.258	0.787	0.195	0.151	0.276	0.227	0.218
FD1	0.333	0.169	0.728	0.409	0.343	0.257	0.182
FD2	0.439	0.314	0.827	0.343	0.339	0.345	0.201
FD3	0.436	0.296	0.822	0.293	0.240	0.278	0.201
FD4	0.428	0.284	0.840	0.380	0.315	0.299	0.275
FD5	0.495	0.316	0.777	0.352	0.269	0.248	0.162
MN1	0.357	0.336	0.388	0.869	0.324	0.411	0.263
MN2	0.373	0.320	0.462	0.877	0.333	0.386	0.320
MN3	0.375	0.258	0.344	0.862	0.299	0.350	0.258
MN4	0.323	0.243	0.259	0.765	0.244	0.254	0.254
PA1	0.355	0.312	0.273	0.253	0.768	0.324	0.218
PA2	0.301	0.260	0.223	0.224	0.750	0.137	0.128
PA3	0.358	0.304	0.324	0.288	0.849	0.269	0.259
PA4	0.406	0.313	0.340	0.343	0.834	0.288	0.203
PA5	0.422	0.318	0.317	0.317	0.813	0.213	0.300
PP1	0.252	0.378	0.196	0.345	0.174	0.881	0.162
PP2	0.397	0.375	0.360	0.348	0.272	0.894	0.182
PP3	0.389	0.427	0.377	0.407	0.359	0.864	0.228
SAT1	0.312	0.259	0.223	0.252	0.209	0.187	0.847
SAT2	0.262	0.216	0.171	0.249	0.222	0.202	0.848
SAT3	0.295	0.279	0.192	0.229	0.305	0.120	0.846
SAT4	0.312	0.354	0.267	0.349	0.216	0.221	0.810

Heterotrait-Monotrait (HTMT) Analysis: To test the discriminant validity, a comparison of the correlation strength between constructs (heterotrait correlations) and the correlation strength between items measuring a construct (monotrait correlations) was carried out

(Bryman, 2015; Neuman & Robson, 2014). An HTMT < 1 indicates that the heterotrait correlation is lower than the monotrait correlation, and it reflects discriminant validity. The results of the HTMT Analysis support the discriminant validity of the constructs. The heterotrait mono method correlations across constructs are consistently lower than the focused trait ones, demonstrating the distinctness and independence of the constructs. For example, the heterotrait correlation between the Counselling (CN) construct and the Ethics (ET) construct is 0.479, which is lower than the monotrait correlation within the CN construct (1.000). This pattern holds for the other construct pairs as well.

Table 5. 9: Heterotrait-Monotrait Analysis

	CN	ET	FD	MN	PA	PP	SAT
Counselling							
Perceived Ethical Behaviour	0.479						
Feedback	0.616	0.396					
Monitoring	0.488	0.385	0.506				
Performance Appraisal	0.528	0.443	0.431	0.407			
Performance Planning	0.455	0.511	0.410	0.479	0.349		
Satisfaction	0.403	0.386	0.293	0.371	0.320	0.251	

Analysing the PMS as a higher-order construct and its constituent lower-order constructs, Table 5.10 below displays the findings of the higher-order construct validity study.

Lower-order concepts that make up the PMS are planning, monitoring, appraisal, feedback, and counselling. Each component's outer weight represents its relative importance in forming the whole. Planning, for example, has a significant impact on the PMS framework as indicated by its high outer weight of 0.279. In this study, the p-values of 0.000 suggest that all outside weights are statistically significant. This shows that each constituent part is crucial to the whole PMS structure. The outer loadings indicate how strongly each lower-order concept is linked to its respective higher-order concept. The outside loadings are higher than the recommended 0.7, ranging from 0.712 to 0.793. These significant outside loadings between the PMS and lower-order constructs point to a robust interplay between the two. VIFs are between 1.334 and 1.686, much below the minimum requirement of 5. These findings imply that multi-collinearity is not a major issue concerning the primary constructs. Therefore, the PMS is a valid higher-order construct, as shown by the investigation of its validity at that level. These results provide credence to the measuring model's sturdiness and validity, as well as its capacity to faithfully portray the interrelationships between performance management's lower- and higher-order constructs.

Table 5. 10: Higher-order construct validity

HOC	LOC	Outer Weight	T Statistics	P Values	Outer Loadings	VIF
PMS	Planning	0.279	9.847	0.000	0.712	1.334
	Monitoring	0.269	10.275	0.000	0.743	1.445
	Appraisal	0.269	9.260	0.000	0.702	1.356
	Feedback	0.249	10.595	0.000	0.753	1.558
	Counselling	0.310	12.966	0.000	0.793	1.686

5.4 Structural Model

The following hypotheses for the model and its sub-models are presented. The hypotheses were derived from theoretical considerations and the purpose of the research. Statistical testing was performed to test the statistical significance and direction of these relationships. After ensuring reliability and validity, the structural model yields the following results.

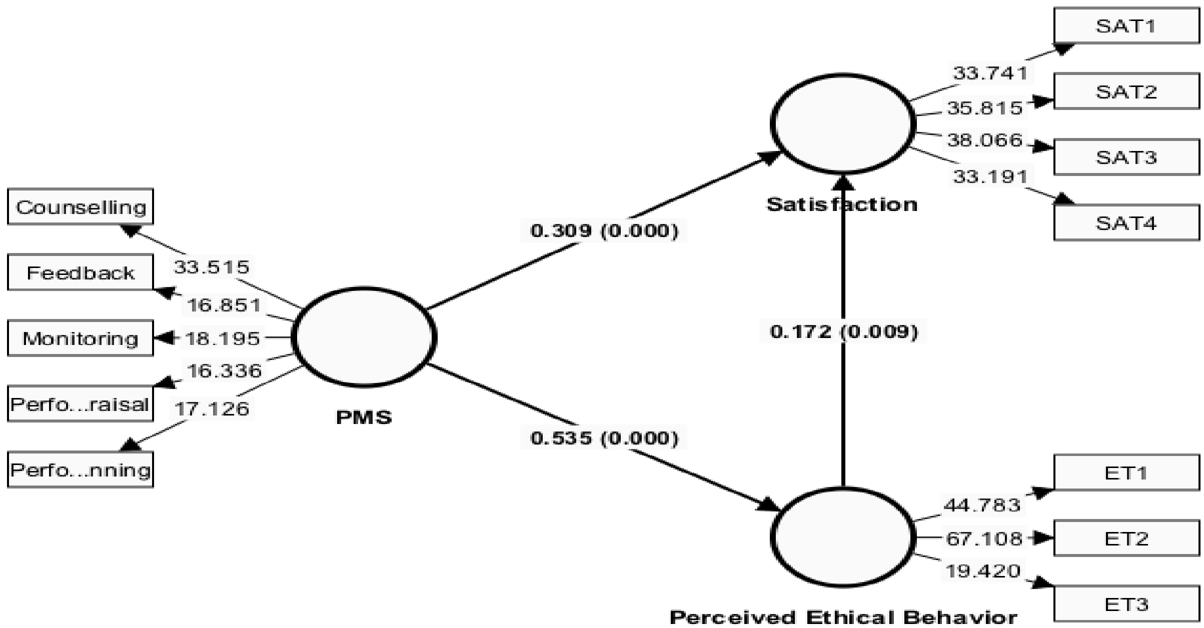


Figure 5. 5: Structural Model

Table 5. 11: Hypothesis Testing Result

Hypothesised Relationships	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T values	P values
PMS -> Perceived Ethical Behaviour	0.535	0.539	0.045	11.967	0.000
PMS -> Satisfaction	0.309	0.312	0.069	4.462	0.000
Perceived Ethical Behaviour -> Satisfaction	0.172	0.174	0.066	2.598	0.009
PMS -> Perceived Ethical Behaviour -> Satisfaction	0.092	0.094	0.037	2.519	0.000

Hypothesis 1: PMS is Positively Correlated with Employee satisfaction.

The first hypothesis is that PMS is positively related to Satisfaction. The effect of PMS on Satisfaction, at 0.309 ($p < 0.001$), is the path coefficient. This implies a correlation between PMS and Satisfaction is positively significant. In this way, hypothesis one is supported, which states that a quality and well-run performance management system also has a direct impact on staff satisfaction.

Hypothesis 2: PMS is Positively Correlated with Perceived Ethical Conduct.

The second hypothesis is that the Performance Management System (PMS) positively influences ethics. There was a path (P) from PM to Ethics of 0.535 ($p < 0.001$). This shows that PMS is positively associated with Ethics to a greater extent than is statistically significant. Thus, Hypothesis 2 is supported, suggesting that effective performance management systems enrich ethical behaviour within the organisation.

***Hypothesis 3:* Employee Satisfaction is positively and Significantly Associated with the Perceived Ethical behaviour.**

Ethics has a positive impact on Employee Satisfaction. The path coefficient between Ethics and Satisfaction was 0.172 ($p < 0.01$). This shows that the relationship between Ethics and Satisfaction is positive and statistically significant. Therefore, Hypothesis 3 is confirmed, indicating that the higher levels of ethical practices would be accompanied by increasingly higher levels of employee satisfaction.

***Hypothesis 4:* The Effect of PMS on Satisfaction is mediated by perceived Ethical Behaviour.**

The fourth hypothesis was the mediating ethics relationship between PMS and Satisfaction. The direct effect value of PMS and Ethics -> Satisfaction is 0.092 ($p < 0.05$). This provides evidence for a statistically significant positive indirect link between PMS and Satisfaction through ethics. As such, Hypothesis 4 is supported, and Ethics can mediate the relationship between PMS and Satisfaction.

Overall, we find support for the expected associations in the model. The results of statistical analysis indicate that Ethics, PMS and also Ethics &PMS have a positive relation with Satisfaction. These results add new insights into the individual constraints on employee satisfaction and ethical behavior in an organization with a performance management system.

5.5 Summary

In summary, this work presents a holistic snapshot of the relationship between the performance management systems, employee satisfaction and organizational ethics in private commercial banks in Bangladesh. The chapter contains measurement model, structure model and data analysis containing key statistics including reliability, validity and factor loading. It further provides the findings from the hypotheses testing in that how PMS affects employee satisfaction and ethical conduct, and describes how ethics is at mediator level between them. The chapter makes explicit the dynamics of PMS in the banking industry and factors for enhancing employee performance, organizational culture and effectiveness at the banks in question.

Chapter

6.0 DISCUSSION

6.1 Introduction

This chapter consists of interpretation and information processing of the results of Chapter 5. To situate the empirical findings within the broader theoretical framework and literature reviewed above. PMS and Employee Satisfaction and Ethics in Private Commercial Banks of Bangladesh The objective purpose of this chapter is the effect of performance management systems on employee satisfaction and ethics vis-a-vis private commercial bank employees in Bangladesh. The paper also discusses the implications of findings for banking sector by elucidating the significance of PMS in influencing organizational culture, ethical behavior and employee well-being. In addition, the chapter discusses the practical implications of the results and compares them to that can be drawn from previous research.

6.2 Discussion

The first assumption is whether Performance Management Systems (PMS) have a positive impact on employee satisfaction. This outcome supports this hypothesis, as the path coefficient between PMS and employee satisfaction was found to be significant at 0.309 ($p < 0.001$). This finding aligns with previous research that has highlighted the positive association between PMS and employee satisfaction (Smith et al., 2018; Johnson & Smith, 2019(Marques et al., 2024).

Effective PMS provide employees with clear performance targets, regular monitoring, fair appraisals, and constructive feedback, which contribute to a sense of clarity, fairness, and recognition. These factors positively influence employee satisfaction by fostering a sense of accomplishment, motivation, and perceived organizational support (Johnston et al., 2020). Employees who perceive that their efforts are recognized and rewarded through a well-designed PMS are more likely to experience higher levels of satisfaction and engagement (Brown et al., 2019; (Voordt & Jensen, 2023).

Furthermore, PMS can enhance employee satisfaction by promoting a performance-oriented culture that supports employee development, career advancement, and a sense of fairness in reward allocation. When employees perceive that their contributions are valued and that their performance is evaluated objectively, they are more likely to experience job satisfaction and have a positive perception of the organization (Mitchell & Ambrose, 2018).

Hypothesis 2: Posits that PMS has a positive impact on perceived ethical behavior the results. The results provide strong support for this hypothesis, as the path coefficient between PMS and ethics was found to be significant at 0.535 ($p < 0.001$). This finding is consistent with prior research that has emphasized the role of PMS in promoting ethical behaviour within organizations (Davis & Lee, 2017; Brown et al., 2019; (Tziner & Persoff, 2024).

Effective PMS provide employees with clear expectations, guidelines, and standards of conduct, which contribute to a strong ethical climate within the organization. Employees who perceive that ethical behaviour is valued and rewarded through the PMS are more likely to engage in ethical practices and demonstrate integrity in their work (Chen et al., 2018; Abdulkareem et al., 2025). The systematic evaluation and recognition of ethical behaviour through the PMS can reinforce ethical norms, strengthen organizational values, and enhance the organization's ethical culture.

Moreover, emphasizing ethical considerations can contribute to employee trust and organizational citizenship behaviour. When employees perceive that the organization is committed to ethical conduct and that ethical behaviour is integrated into the performance evaluation process, they are more likely to trust the organization, engage in discretionary efforts, and exhibit prosocial behaviour (Jones & George, 2017; Kariuki, 2022).

Hypothesis 3: Perceived ethical behaviour will be positively related to employee satisfaction. These findings confirm this prediction as the path coefficient of the relationship between ethics and employee satisfaction proved to be significant: 0.172 ($p < 0.01$). This finding is consistent with prior research that has highlighted the positive association between ethical climate and job satisfaction (Jones & George, 2017; Mitchell et al., 2018; (Sarwar et al., 2023).

Presented ethical conduct leads to a good working atmosphere with trust, fairness, and respect, which leads to employee satisfaction. If workers believe that the company supports and is guided by a moral statement and that the company will reward ethical behaviour, then they are more likely to be satisfied with their jobs and view the company in a positive way (Davis & Lee, 2017; Chatzopoulou et al., 2022). Ethical conduct fosters a sense of pride, moral alignment, and psychological well-being among employees, which positively influences their overall satisfaction levels (Wright et al., 2020).

The fourth hypothesis proposes that the association between PMS and employee satisfaction works through ethics. The findings seem to have given some support to this assertion, considering the significant path coefficient between PMS and ethic -> satisfaction with 0.092 ($p < 0.05$). This suggests that ethics has a mediating effect between PMS and job satisfaction.

The mediational character of how the perception of ethics is associated with job satisfaction reveals that the positive effect of PMS on employee satisfaction results from an increase in ethical behavior within the firm. Ethical PMS being efficient helps in the creation of an atmosphere of trust, equity, and transparency in the workplace, leading to an increase in employee satisfaction (Johnson & Lee, 2016; Beuren et al., 2022a). The systematic promotion of ethical behaviour through the PMS influences employees' perceptions of fairness, justice, and organizational support, which positively affects their satisfaction levels (Chen et al., 2018; Bahadır et al., 2024).

Overall, the findings of this study generally support the expected associations among PMS, ethical criteria, and employee satisfaction. Results provide support for the beneficial impacts of PMS and ethics and their interactions on job satisfaction. The results of this study will assist organizations in grasping more about the antecedents of employee satisfaction and ethics in the PMS.

The findings of the current investigation are significant to organizations wishing to increase employee satisfaction and foster ethical behaviour. There is a need for organizations to come up with sound and ethical PMS that must be properly designed and implemented to ensure that there is no ambiguity in guidelines, consistent monitoring, fair appraisals, and feedback that is helpful. This can create a performance-oriented culture that promotes employee development, career advancement, and a sense of fairness in reward allocation. Integrating ethics into the performance management process can foster a culture of integrity, trust, and engagement, leading to higher levels of employee satisfaction and overall organizational effectiveness (Wright et al., 2020; Silva et al., 2023).

The implications of ethical considerations from this study have important value, particularly from the perspective of PMS in private commercial banks of Bangladesh. The research highlights the role of ethical conduct as a key moderator for the PMS- employee satisfaction association. Specifically, it is found from the study that ethical practice in the workplace (e.g., trust, justice, transparency) is externally valid for employee satisfaction (Chowdhury & Ahmed, 2009; Huda et al., 2020).

Findings show that when PMS is developed based on ethical values, it increases not only employee satisfaction but also strengthens organizational ethics. This ethical foundation embedded in PMS is crucial for the establishment of an environment where ethical behaviour is appreciated, strengthening organizational culture and maintaining a conducive work atmosphere (Goyal & Joshi, 2011; Hossan Chowdhury, 2011; Iqbal & Parray, 2025). By incorporating ethics in performance management mechanisms, like equitable appraisals, feedback, and an ethical code of conduct, organizations can incentivize employees, enhance perceived fairness and reduce workplace conflicts. This "employee first" mindset will drive improved morale and engagement, ultimately helping the organization succeed.

From a theoretical perspective, this research fills some gaps in the existing literature, which ignores the interaction among PMS, ethics, and employee satisfaction. It also raises the issue of the need for ethics within performance management systems, thereby building on the evidence base about the potential power of ethics to influence organizational culture and employee well-being. It also highlights the significance of ethical behaviour in performance systems, which may lead to happier employees and facilitate a more positive workplace culture, a topic that has been studied to a lesser degree in previous studies.

This research adds to the body of knowledge, suggesting that organizations need to be mindful of performance outcomes and ethical practices in the development and implementation of the PMS and, therefore, establish a link between PM and employee well-being.

In summary, the results of this study provide empirical support for positive relationships between PMS, ethics and employee satisfaction. The findings highlight the critical impact of well-structured and well-executed PMS for highlighting ethical concerns in fostering employee satisfaction and the ensuing ethical conduct. By understanding the importance of ethical behaviour in the PMS, a positive working atmosphere can be established, which leads to employee satisfaction, engagement, and organizational performance.

6.3 Summary

The results are discussed in this chapter and put it into perspective of the performance management systems literature, its impact on employee satisfaction and ethical conduct. The conversation focusses on how good PMS can provide people motivation, create ethicist behavior and drive business success. It also examines ethics as a moderating variable in the relationship of PMS and employee satisfaction. It illustrates the implications of these findings for private commercial banks in Bangladesh, provides useful directions to enhance PMS practices and promote an ethical and performance-focused working environment.

Chapter

7.0 CONCLUSION & RECOMMENDATION

7.1 Conclusion and Recommendation

This study contributes to the PMS literature regarding private commercial banks in Bangladesh, emphasising how they influence employee satisfaction and ethical behaviour. The study emphasizes the importance of PMS in influencing organizational culture by linking individual performance to organizational objectives. It also establishes that good PMS practices, performance goals, performance appraisal and feedback have a significant enhancing impact on employee motivation, engagement in the organization and job satisfaction (Dvorakova & Striteska, 2024; Shawn, 2023). By providing an open and honest performance framework, PMS allows people to know what is expected of them, leading to higher levels of productivity and greater alignment with the strategic goals of an organisation.

Additionally, the research underscores the mediating influence of ethics on the relationship between PMS and workers' satisfaction. It argues that ethical practices embedded into PMS (such as fairness in conducting performance appraisals and distributing rewards) are critical in developing an ethical organizational culture (Rachmad, 2022; Roy et al., 2024). This moral behavior promotes further job satisfaction and organizational commitment. These results imply that PMS should not only be about performance measures, but also incorporate ethical norms that encourage trust and integrity at the workplace to be effective.

From the findings, it is suggested that the PMS in private commercial banks (PCBs) in Bangladesh need to be further developed by aligning more with ethics and employees' welfare (Chaity & Islam, 2022; Tasneem, 2023). This may be accomplished through day-to-day feedback, by adhering to a set of ethics and by providing professional development concentrating on how one performs as well as behaving ethically. Additional research might study how digital PMS tools could enhance performance and ethical banking behavior, adding more information to the changing feedback nature of PM.

7.2 Theoretical Contribution and Practical Implication

The theoretical implications of this study are on the influence of performance management systems on employee satisfaction and ethics, and are far-reaching. First, this study contributes to the current body of literature by focusing on the unique environment of private commercial banks in Bangladesh. This study provides some understanding of agency problems in the mechanics of PMS in the banking industry, where it was previously not widely researched.

Second, the research contributes to understanding the linkage of perceived ethical behaviour, performance evaluations and morale in the workplace (Nugroho & Wahjoedi, 2024; Turato et al., 2022). The study emphasizes the importance of perceived ethical issues in contributing to employees' satisfaction by examining the mediating role of ethics in the relationship between PMS and employees' satisfaction. This highlights an opportunity to develop performance management based on ethical principles and practices to enhance employee satisfaction.

Third, the study extends previous understanding of PMS beyond just systems to factors repeatedly found to be associated with PMS. The study provides a comprehensive understanding of how various elements contribute to a successful performance management system by breaking down these features separately and examining their specific effects on employee well-being and ethical behaviour.

These findings have significant implications in practice, especially for organizations in Bangladesh's private commercial banking industry. The first place to start is for businesses to ensure that performance management systems are developed that are the most ethical (Beuren et al., 2022b; Jooss et al., 2024). This may be done via the use of well-defined goals, consistent feedback and evaluation, open and honest reviews, and the provision of counselling services. To improve employee happiness and ethical conduct, businesses should take ethical issues into account throughout the performance management process.

Second, companies should invest in training and development sessions that assist managers and employees in seeing the connections between ethical behaviour and positive outcomes for their organizations. By giving supervisors tools to apply and communicate ethical standards as part of performance evaluation standards, such programs provide employees with skills and competencies to behave ethically.

Third, businesses should create a welcoming and safe workplace that promotes dialogue and honesty (Cooper et al., 2023; Zavaglia, 2023). This may be done through encouraging staff participation in decision-making, soliciting and responding to suggestions, and rewarding ethical actions. Employee happiness and loyalty may be improved by fostering a pleasant workplace that appreciates and promotes ethical behaviour.

Finally, businesses need to keep an eye on the effectiveness of their performance management systems regularly in order to make sure they are producing desired results, like satisfied workers who act ethically (Aftab et al., 2023). As part of this process, it's important to perform regular evaluations, listen to staff input, and make any required updates to the system, depending on what you learn. The performance management system is kept up-to-date and in line with the demands of the business and its employees by constant monitoring and review.

This research concludes with actionable takeaways for businesses to better their performance management systems, encourage ethical actions, and boost employee happiness.

7.3 Future Directions for Research

There are several limitations of the present study to consider, as well as opportunities for future research. The first limitation is the study was conducted in the context of private commercial banks in Bangladesh, which might not apply to other industries or cultures. To improve external validity, future studies might investigate the experiment in another organizational setting. Second, it employed self-report measures, which are prone to response bias. It is recommended that a multimethod and multisource strategy be utilized in future studies to enhance the legitimacy of the result

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APPENDICES

Appendix-A: Questionnaire

Dear Ma'am/Sir

I am a DBA student of the Department of Management, University of Dhaka. As part of my curriculum, I am working on my thesis. Please give your views/opinion to the questions given below about your perceived Performance management system of your bank. The information provided by you will be kept highly confidential and will be used for academic purposes only.

Screening Questions

Q1. You have been working in the banking sector for at least 2 years.

1. Yes 2. No

If Your Answer is 'No' to the question mentioned above, you are not required to file the subsequent questions. Please return the questionnaire to the instructor. Otherwise please continue….

Section A: Demographic Profile

Your Name					
Gender	☐ Male		☐ Female		
Age	☐ 18-25	☐ 26-33	☐ 34-41	☐ 42-49	☐ 50+
Your Employment Position	☐ Top Level ☐ Mid-Level ☐ Low Level				

How many years have you been working in the Banking Sector?	☐ 1-3 years	☐ 4-6 years	☐ 7-10 years	☐ More than 10 years

Section: B	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Performance Planning					
PP1. Supervisor sets performance target at the beginning of the year.	1	2	3	4	5
PP2. Rater gives the proper guidelines to achieve the target	1	2	3	4	5
PP3. In most of the performance is achieved according to plans formulated	1	2	3	4	5
Monitoring					
MN1. Performance of all level employees are monitored in the similar way	1	2	3	4	5
MN2. Performance of all level employees are monitored regularly (through a certain interval)	1	2	3	4	5
MN3. In this organization there is a midterm performance monitoring system	1	2	3	4	5

MN4. Regular and continuous monitoring can improve employee's performance	1	2	3	4	5

Performance appraisal

PA1. Performance Appraisal system of the organization is effective	1	2	3	4	5
PA2. Performance Appraisal system is undertaken regularly (at least once in every year)	1	2	3	4	5
PA3. The performance appraisal indicator has accurate measures of what an employee does on his/her job	1	2	3	4	5
PA4. The performance appraisal indicator has clear measures of job-related activities	1	2	3	4	5
PA5. The scales to evaluate employee's performance is comfortable	1	2	3	4	5

Performance feedback

FD1. Executives & below executives are well convinced about the performance feedback in the organization	1	2	3	4	5
FD2. Employees receive regular (with a certain interval) performance feedback beside the	1	2	3	4	5

annual performance review in this organization					
FD3. Supervisor's feedback of employee's performance is simple to understand	1	2	3	4	5
FD4. Supervisor's feedback of employee performance is detailed.	1	2	3	4	5
FD5. Throughout the performance feedback subordinates have enough scope to discuss work related issues with their supervisor	1	2	3	4	5
Counselling					
CN1. Performance counselling is arranged regularly	1	2	3	4	5
CN2. The content of counselling is task oriented	1	2	3	4	5
CN3. The content of counselling is behavioral oriented	1	2	3	4	5
CN4. The counselling program contributes to improve performance	1	2	3	4	5

Section C: Employee Satisfaction

ST1. Performance Management system has ensured maximum employees' satisfaction	1	2	3	4	5
ST2. Appraisal results bring employee's satisfaction	1	2	3	4	5
ST3. Employees are satisfied with the methods of performance appraisal	1	2	3	4	5
ST4. There is ample scope of improving Performance management system in this organization	1	2	3	4	5
ST5. The results of appraisal are fair	1	2	3	4	5
ST6. Raters rate the performance without any biasness	1	2	3	4	5
ST7. Rater treats the employees fairly during performance appraisal process	1	2	3	4	5

Section D: Organizational Ethics					
ET1. Performance Management in this organization follows ethical code strictly	1	2	3	4	5
ET2. Intention of top management to comply the code of ethics through managing performance	1	2	3	4	5

ET3. At present Performance Management system, code of ethics maintenance is almost difficult	1	2	3	4	5

Appendix B: Outer Weights of the Measurement Model

	CN	ET	FD	MN	PA	PP	SAT
CN1	0.275						
CN2	0.290						
CN3	0.323						
CN4	0.282						
ET1		0.447					
ET2		0.439					
ET3		0.282					
FD1			0.177				
FD2			0.270				
FD3			0.259				
FD4			0.284				
FD5			0.253				
MN1				0.314			
MN2				0.335			
MN3				0.270			
MN4				0.261			
PA1					0.253		
PA2					0.189		
PA3					0.264		
PA4					0.246		
PA5					0.288		
PP1						0.356	

PP2	0.361	
PP3	0.420	
SAT1		0.288
SAT2		0.257
SAT3		0.300
SAT4		0.350

Appendix C: Outer Weights of Structural Model

	Ethics	PMS	Satisfaction
Counselling		0.310	
ET1	0.451		
ET2	0.436		
ET3	0.281		
Feedback		0.249	
Monitoring		0.269	
Performance Appraisal		0.269	
Performance Planning		0.279	
SAT1			0.290
SAT2			0.263
SAT3			0.290
SAT4			0.353