

Rural Banking Dynamics: Assessing the Correlation Between Employee Work Performance and Financial Performance

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Date received: December 15, 2024

Date revised: February 25, 2025

Date accepted: March 20, 2025

Originality: 99%

Grammarly Score: 99%

Similarity: 1%

Recommended citation:

Berbano, J., Castrana, L., Pisueña, J.J. (2025). Rural banking dynamics: Assessing the correlation between employee work performance and financial performance. *Journal of Interdisciplinary Perspectives*, 3(4), 259-270. <https://doi.org/10.69569/jip.2024.0683>

Abstract. This study evaluates the relationship between employee work performance and financial performance in a rural bank in Iloilo City. The research aims to determine whether employee performance influences the bank's financial strength. Primary data was collected using a structured questionnaire to assess task and contextual performance among all bank employees. Secondary data was analyzed using the CAMELS model, which evaluates financial health based on Capital Adequacy, Asset Quality, Management Efficiency, Earning Quality, Liquidity, and Sensitivity. A descriptive-relational analysis was conducted, with responses measured using a 5-point Likert scale. Results indicate that both task and contextual performance were rated moderately. The bank's financial performance was assessed as moderate to low over the past three years, with critical weaknesses in Return on Equity (ROE), Capital to Assets (CATA), asset quality, and management efficiency. Statistical analysis found no significant relationship between employee performance and financial performance. These findings suggest that other factors may have a stronger impact on the bank's financial health, highlighting the need for further investigation into external influences and operational strategies.

Keywords: Rural banking; Employee performance; Financial performance.

1.0 Introduction

Rural banking is pivotal in fostering economic development and financial inclusion in underserved regions. As an establishment that provides financial services to rural populations, it plays a significant role in supporting local businesses and communities. Understanding the dynamics within these banks is crucial, especially the connection between employee performance and the institution's financial performance. (Pasban et al., 2016). This research aims to explore this correlation, contributing to the broader discourse on how human capital influences organizational success in the rural banking sector.

On the other hand, various studies support the relationship between work performance and financial performance. Brief and Motowidlo (1986) argued that it would benefit the organization when team members effectively work harmoniously (Adham, 2023). Employee performance contributes to the growth and development of the company, according to the study of Vosloban (2012). According to Gould-Williams (2003), employees working hard for the organization are expected to deliver superior results (Rubel et al., 2020). Gruman

and Saks (2011) stated that high employee commitment yields increased performance. However, there are conflicting studies that prove otherwise. Malik et al. (2019) found that skills shortages are unrelated to a firm's profitability. Similarly, Emele (2024) research concluded that risk-taking, communication, business skills, and decision-making abilities do not significantly impact the performance of small and medium enterprises in Nigeria.

Maximizing employee performance to its fullest potential has become a challenge for many companies. In the banking sector, employee performance is vital in achieving financial success. Financial performance measures the contributions of individuals and groups that align with the company's financial objectives (Saad, 2016). The bank's profitability and financial soundness are crucial in meeting the compliance, economic, and financial regulations of the Bangko Sentral ng Pilipinas and maintaining financial health for its stakeholders. A well-functioning financial system of rural banks is fundamental as they perform essential functions in the growth of the rural economy.

The relationship between employee performance and financial outcomes has been extensively studied across various sectors, with findings indicating that enhanced employee engagement and productivity can lead to improved financial results. The performance of the banking industry directly affects the industrial and service sectors, as it performs essential functions of economic transformations (Kappagoda, 2018). According to Borman and Motwildo, work performance consists of two key components—contextual performance and task performance—both contribute equally to achieving organizational success (Pradhan et al., 2016). However, according to Campbell et al. (2015), work performance is an action or behavior itself and not the result of acts or a consequence; therefore, it can predict the failure or success of an organization, may it is a profit or a non-profit.

Ultimately, this study clarifies the conflicting results of research studies on the relationship between work performance and the organization's financial performance. As rural banks evolve in response to shifting market dynamics, understanding these correlations is crucial for ensuring their sustainability and effectiveness in driving economic growth within rural communities. While many studies have linked financial success to various fields, limited research solely focuses on task and contextual work performance. Moreover, limited studies cited financial institutions as the field of reference. As the foundation of the country's rural economy, the researchers were motivated to probe the relationship between work performance and the institution's financial performance of a rural bank in Iloilo City.

2.0 Methodology

2.1 Research Design

This study utilized a descriptive-correlational research method in gathering and presenting data about the characteristics of the population and the connection between variables involved in this research. A descriptive-correlational study describes the relationships among variables (Tankersley, 2015). Data collection included surveys and secondary data. The study examined the relationship between employees' work performance—both task and contextual—and the financial performance of the rural bank, focusing on profitability, liquidity, and stability using the CAMELS framework.

2.2 Research Participants

This study was carried out at a rural bank located in Iloilo City. The employees from the corporate office were the study's subject participants. The study participants included all 67 bank employees, representing departments such as loan, collection, Real and Other Properties Acquired (ROPA), administrative, accounting, and treasury, with performance ratings provided by their supervisors.

2.3 Research Instrument

This study utilized a researcher-made questionnaire to gather primary data on employees' work performance at rural banks. The secondary data were excerpts from the bank's financial statements. In interpreting the level of performance, the three components: profitability, liquidity, and stability, were evaluated using the CAMELS rating, a standard analysis for financial institutions, and the latest tools today. The choice of ratios for each element, including Capital Adequacy, Asset Quality, Management Efficiency, Earning Quality, Liquidity, and Sensitivity, were based on the study established by Masood et al. (2016) using the combined range of CAMELS rating.

The formulated survey questionnaire designed for the study was subjected to a validation process using Lawshe's validity ratio by the eleven (11) panel of experts in their field. Of the 30 questions subjected to the validity test, all were essential and passed the content validity ratio of 0.95, thus making the questionnaires valid in finalizing the research instruments. The reliability test was piloted to 30 rural bank employees from the branches, rated by their supervisors. Using Cronbach's alpha to analyze the data, the value resulted in .835, which indicates a good result necessary for the instrument to be valid.

2.4 Data Gathering Procedure

The researcher sought the approval of the rural bank's Chief Executive Officer through a formal written letter. After permission was granted, the survey questionnaires were distributed to supervisors of different divisions who were tasked with rating their employees. The data were then gathered and reviewed to ensure the information in the survey form was complete. The data were collated, organized, and analyzed using appropriate statistical tools. The results were presented in tabular form, interpreted, and discussed. The data needed to evaluate the financial performance were from the bank financial reports submitted to the Bangko Sentral ng Pilipinas (BSP). The bank's accounting department head furnished the financial information such as the income statement and the balance sheet. The researcher analyzed the financial data and computed ratios using the CAMELS framework to determine the success of the financial performance.

2.5 Ethical Consideration

The research was conducted with careful attention to ethical considerations throughout all stages of the study. At first, a letter was written to the president of the rural bank for permission to conduct research. It observed confidentiality with the identity of employees as participants by assigning codes to each of them. Before the survey, the researcher asked for informed consent from the supervisors and department heads who rated employees. The name of the rural bank was held in secrecy.

3.0 Results and Discussions

3.1 Profile of the Participants

The demographic data obtained from the survey of 67 bank employees are shown in Table 1 below.

Variables	Frequency	Percentage
Age		
18 to 35 years old	44	65.7
36 to 55 years old	21	31.3
Above 55 years old	2	3.00
Sex		
Male	26	38.8
Female	41	61.2
Civil Status		
Single	35	52.2
Married	31	46.3
Widow/er	1	1.50
Years of Employment		
1-5 years	41	61.2
6-10 years	19	28.4
Above 10 years	7	10.4
Educational Attainment		
High School	4	6.00
Vocational	2	3.00
College	61	91.0
Department		
Loan	14	20.9
Collection	6	9.00
ROPA	3	4.50
Administrative	7	10.4
Accounting	24	35.8
Treasury	13	19.4

Of the responses received from the bank employees, 65 % were younger adults, which implies that most of the employees are newly hired. Female employees dominated the population at 61.2%, while most were single at

52.2%. Most employees, 61.2%, have worked at the bank for 1-5 years, which infers high employee turnover, as supported by the younger age group mentioned above. A high employee turnover creates an inexperienced workforce, presenting a significant risk to the bank. Employee turnover indicates the most expensive and difficult workforce challenges with harmful effects on efficiency, productivity, and performance (Surji, 2013). Most employees finished a college degree, comprising 91%, a qualification for bank employment. The most significant number of employees are assigned to the accounting department.

3.2 Task Performance According to Profile

Table 2 below describes the task-based performance of bank employees according to profile.

Table 2. *Task performance according to profile variable*

Variables	Mean	SD	Interpretation
Age			
18 to 35 years old	3.40	0.51	Moderate
36 to 55 years old	3.52	0.54	High
Above 55 years old	3.43	0.80	Moderate
Sex			
Male	3.46	0.50	Moderate
Female	3.43	0.54	Moderate
Civil Status			
Single	3.46	0.46	Moderate
Married	3.40	0.58	Moderate
Widow/er	4.07	0.00	High
Years of Employment			
1-5 years	3.38	0.50	Moderate
6-10 years	3.41	0.53	Moderate
Above 10 years	3.54	0.39	High
Educational Attainment			
High School	3.53	0.54	High
Vocational	2.90	0.33	Moderate
College	3.45	0.52	Moderate
Department			
Loan	3.44	0.62	Moderate
Collection	3.41	0.46	Moderate
ROPA	3.18	0.25	Moderate
Administrative	3.44	0.47	Moderate
Accounting	3.44	0.46	Moderate
Treasury	3.52	0.65	High

Legend: Very High – 4.50-5.00, High – 3.50-4.49, Moderate – 2.50-3.49, Low – 1.50-2.49, Very Low – 1.00-1.49

The study found age-related differences among age groups of the age-task-performance profile of bank employees. Middle adult employees age 36 to 55 years old performed above expectations (mean = 3.52), interpreted as high-performance level. Older workers can grasp difficult situations and concentrate on vital tasks (WHO, 2015). However, Brustio et al. (2017) stated that mobility and cognitive performance decrease significantly in the older group, similar to the findings of this study. Another negative predictive value of the age variable showed that as librarians in the university libraries of Nigeria advanced in age, the job performance declined (Ugwu, 2017).

Based on the study, male employees were more active and effective than female employees. The findings indicated that male employees scored higher (mean=3.46) than female employees. In one of the studies conducted by the American Time Survey from the U.S. Department of Labor (2019) on time spent at work, men work longer, with 8.4 hours, compared to women, who work 7.9 hours. Regarding civil status, the widower had the highest score (mean= 4.07), while married employees got the lowest score (mean=3.40). The lowest score of married employees is attributed to their daily multipart responsibilities. Based on research findings, employees having families is associated with decreased attendance (Trahan, 2017).

Employees' expertise is enhanced through the years of employment, as shown in the results; employees above ten years of tenure rated above expectations (mean=3.54), interpreted as a high-performance level. A study stated that length of service is positively correlated with the performance of the insurance salesmen in Nigeria (Hassan, 2014). The relationship between tenure and engagement points to a crucial untapped opportunity for most organizations

(Harter, 2015). Entry to higher-level jobs often required professional degrees; however, performance usually is not measured by academic aptitude. This study found an insignificant relationship between education and task performance, where high school graduates performed above expectations (mean=3.53), considered higher performance than other education levels. A study in the financial institution in Punjab further supported the idea that education negatively correlates with employee performance (Khan, 2014).

The evaluation of various departments of the bank showed dissimilar rating scores. Treasury rated above expectations (mean=3.52) on top of other departments. Employees assigned in the treasury department are more efficient with their assigned tasks than other departments, whose critically pressing functions cannot. The bank treasury is the custodian of financial and liquidity risk management, which manages cash, liquidity, and risk to meet regulatory requirements and stay in control (PwC, 2014). The task performance result is obtained through employee compliance with the organization's preset work standards, targets, and criteria (Al Mehrzi & Singh, 2016).

3.3 Contextual Performance According to Profile

Table 3 presents the contextual performance of bank employees according to the profile of participants.

Table 3. Contextual performance according to profile variable			
Variables	Mean	SD	Interpretation
Age			
18 to 35 years old	3.30	0.41	Moderate
36 to 55 years old	3.39	0.47	Moderate
Above 55 years old	3.47	0.75	Moderate
Sex			
Male	3.43	0.43	Moderate
Female	3.27	0.42	Moderate
Civil Status			
Single	3.31	0.42	Moderate
Married	3.35	0.46	Moderate
Widow/er	3.60	0.00	High
Years of Employment			
1-5 years	3.29	0.41	Moderate
6-10 years	3.31	0.43	Moderate
Above 10 years	3.40	0.49	Moderate
Educational Attainment			
High School	3.45	0.41	Moderate
Vocational	2.97	0.05	Moderate
College	3.34	0.44	Moderate
Department			
Loan	3.40	0.54	Moderate
Collection	3.44	0.39	Moderate
ROPA	3.20	0.35	Moderate
Administrative	3.28	0.42	Moderate
Accounting	3.27	0.36	Moderate
Treasury	3.38	0.52	Moderate

Age profile showed that older workers possess better extra-role performance toward the organization. The age group above 55 showed the highest rating (mean=3.47). Employees developed soft skills like emotional stability, conscientiousness, and agreeableness with age (Witt et al., 2002). In a cross-national sample of white-collar employees from South Korea and U.S. automobile and bank companies, interpersonal, helping, and civic virtue are more likely to be regarded as in-role behaviors for senior than junior employees (Kang et al., 2016).

In this study, findings reflected that male employees displayed powerful personality traits with a higher score (mean=3.43) than female employees (mean=3.27). Employees with friendly personalities resolve personal and professional conflicts through cooperation and collaboration for the organization's benefit (Youshan et al., 2015). This study showed that as the length of tenure advanced, employees' level of commitment to perform beyond their formal job responsibilities increased. Employees above ten years of service obtained the highest rating (mean=3.40) compared to other groups. The study by Mustafa et al. (2021) found that longer organizational tenure resulted in higher affective commitment or the tendency of an employee to stay with the company because of emotional attachment. Based on their educational attainment, employees who completed high school were

more likely to go the extra mile for the organization. Employees who completed secondary education scored the highest (mean=3.45) than those who finished vocational or college. Kalia et al. (2019) study that education has no significant relationship with overall job performance. Employees connected with the collection department rated the highest (mean=3.44) compared to other departments. Similarly, the nature of work-related behavior in a specific occupational field, which Kapaggoda (2018) mentioned, is the importance of extra-role behavior in accomplishing organizational goals. Collectors must overcome the challenges of collecting and facing account holders who cannot pay their bills with excellent customer service while recovering the bank's past-due funds.

3.4 Bank Employees' Task and Contextual Performance

Table 4 below describes the level of the bank employees' task-based performance as rated by their supervisors.

Table 4. *Bank employees' task performance*

Indicators	Mean	SD	Interpretation
1. Completes tasks on time.	3.46	0.59	Moderate
2. Completes tasks accurately.	3.40	0.58	Moderate
3. Understands day-to-day tasks with minimal supervision.	3.45	0.78	Moderate
4. Fulfills job responsibilities specified in job description.	3.48	0.66	Moderate
5. Keeps in mind the results to achieve in work.	3.40	0.65	Moderate
6. Knows how to set the right priorities.	3.43	0.66	Moderate
7. Collaboration with others is very productive.	3.42	0.63	Moderate
8. Good at following instructions.	3.42	0.68	Moderate
9. Communicate information accurately both verbally and in writing.	3.31	0.61	Moderate
10. Exercises good judgment and makes appropriate decisions in performance of duties.	3.37	0.55	Moderate
11. Understands and follows department policies and procedures with a high degree of integrity and results.	3.49	0.53	Moderate
12. Observes work time responsibly.	3.34	0.73	Moderate
13. Attendance at work is above the norms.	3.51	0.77	High
14. Gives an advance notice when unable to work.	3.58	0.91	High
15. Observes required safety practices for the well-being of self and co-workers.	3.51	0.68	High
Overall	3.44	0.67	Moderate

Legend: Very High – 4.50-5.00, High – 3.50-4.49, Moderate – 2.50-3.49, Low – 1.50-2.49, Very Low – 1.00-1.49

The bank employee task performance level met expectations reflected in the mean score of the fifteen items of the instruments. Some of the highly performed tasks include: attendance at work is above the norms (mean=3.51, sd=0.77); gives an advance notice when unable to work (mean=3.58, sd=0.91); and observes required safety practices for the well-being of self and co-workers (mean=3.51, sd=0.68). These task behaviors mentioned conformed to the bank's code of discipline for employees in accomplishing essential tasks of processing and performing daily bank transactions. Organizations have even introduced an accurate and centralized approach to monitoring attendance (Duff & Angus, 2015) to increase efficiency in human resources management.

The lowest rating among the task-based performance pertained to communication and comprehension. Task performance revealed low ratings in the areas of communicating information accurately both verbally and in writing (mean=3.31, sd=0.61); exercising good judgment and making appropriate decisions in the performance of duties (mean=3.37, sd=0.55); and observing work time responsibly (mean=3.34, sd=0.73). Effective communication in the banking sector is a requisite for successfully implementing strategies and building solid relationships among bank stakeholders. Another essential ingredient in the successful implementation of strategies is the understanding and internalization of what to do. Oyewole and Popoola (2013) found communication and problem solving significant task performance indicators. Commercial banks in Nepal improved their communication practices and strategies to properly transfer information between employees and management (Shrestha, 2019). The study (Koopmans, 2011) indicates a concern for time and detail as one of the critical dimensions of task performance. Richardson and Beckham (2015) suggested that intervention strategies such as career growth, learning, etc., influence employee performance.

Overall, the fifteen-item questionnaire revealed a mean score of 3.44, implying that employees meet expectations as a moderate level of performance with their assigned tasks. The results denote improvement of employee task behaviors prompting management to craft effective development interventions for employees to be result-oriented and perform optimally. Appropriate rewards and motivation schemes are beneficial in encouraging workers to put in their best efforts. This conforms with the study of Orenuga et al. (2024), which showed a direct

and significant relationship between employee empowerment and the job performance of bank employees. Moreover, team building activities and ongoing employee development will enhance task-based performance, especially in communication skills.

The results in Table 5 showed that most of the bank employees met expectations (mean=3.33, sd=0.59) interpreted as moderate performance level based on the fifteen items of the contextual instrument reflecting their capabilities in performing extra-role behaviors in the workplace. The results also revealed the greatest strength of bank employees, who work effectively with others as outstanding team players and supportive to everyone, which scored above expectations (mean=3.55, sd=0.63) and was interpreted as a high-performance level. Bank employees are highly rated in teamwork. The relevance of collaboration created employee unity and increased performance, especially in banks. The study of Boakye (2015) exhibited a significant positive relation between teamwork and organizational performance.

Table 5. *Bank employees' contextual performance*

Indicators	Mean	SD	Interpretation
1. Takes extra responsibilities than the job requires.	3.22	0.57	Moderate
2. Actively participates in work meetings and / consultations.	3.25	0.61	Moderate
3. Coaches and helps co-workers accomplish their task.	3.34	0.57	Moderate
4. Empathizes, supports and encourages fellow employees with personal matters.	3.24	0.55	Moderate
5. Can build strong relationships across the organization.	3.37	0.57	Moderate
6. Endorses, supports and defends organizational objectives.	3.45	0.63	Moderate
7. Has a strong sense of belongingness with the organization.	3.49	0.66	Moderate
8. Enjoys providing best service to customers.	3.33	0.66	Moderate
9. Contributes new ideas for improving products, services, policies and procedures.	3.24	0.65	Moderate
10. Knows how to solve difficult situations and setbacks quickly.	3.16	0.54	Moderate
11. Displays initiative readily, independently and responsibly.	3.45	0.58	Moderate
12. Can deal skillfully and promptly with new situations and obstacles.	3.18	0.55	Moderate
13. Exercises personal discipline and self-control.	3.42	0.58	Moderate
14. Gives assistance above and beyond normal expectations.	3.27	0.45	Moderate
15. Works effectively with others as an outstanding team player and supportive to everyone.	3.55	0.63	High
Overall	3.33	0.59	Moderate

Legend: Very High - 4.50-5.00, High - 3.50-4.49, Moderate - 2.50-3.49, Low - 1.50-2.49, Very Low - 1.00-1.49

This study showed some weak points in knowing how to solve difficult situations and setbacks quickly (mean=3.16, sd=0.54); dealing skillfully and promptly with new situations and obstacles (mean=3.18, sd=0.55); and taking extra responsibilities than the job requires (mean=3.22, sd=0.57). Koopmans (2011) identified solving problems as another dimension of contextual behavior. This skill shared by experienced colleagues responds to immediate solutions for difficult situations in the workplace. The measurements include cooperating, taking on an extra load, and showing responsibility and initiative as part of contextual behaviors (Koopmans, 2011). The willingness of an employee to take on additional tasks or offer to help a colleague will positively impact the organization's performance. Based on the findings, bank management strives to strengthen strategies on contextual behavior development. Jena & Pradhan (2016) also suggested incorporating extra-role skills in hiring, appraisal, and training to promote better results. It conforms to a study on self-efficacy, task performance, and contextual performance: A Sri Lankan Experience, which concluded a significant and positive correlation between task performance and contextual performance (Kappagoda, 2018).

3.5 Bank Financial Performance

The bank's financial results obtained through CAMELS analysis for three years are in Table 6 below. The bank's capital adequacy, calculated as the ratio of shareholders' equity to total assets (Ahsan, 2016), was vital for three years, reflecting the bank's strong performance in terms of stability and efficiency. The results demonstrate the bank's ability to promote financial stability and efficiency and protect depositors (Rahman, 2017). CAR increased from 25.70% in 2017 to 29.35% in 2018, although decreased to 22.95% in 2019. Masood et al. (2016) stated that a capital adequacy ratio higher than 11% is considered very high. The study of Otmani et al. (2017) conceded a positive relationship between capital adequacy and financial performance in Nairobi Exchange Companies in Kenya. On the other hand, contrary to the study of Kablay and Gumbo (2021), CAR was found to hurt profitability.

Table 6. CAMELS analysis of bank's performance for the period 2017-2019

Rating Component	Predictors of:	Bank Performance			Bank Rating			Interpretation		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Capital Adequacy	Stability	25.7%	29.3%	22.9%	5	5	5	S	S	S
Assets Quality	Stability	30.0%	19.2%	32.5%	1	1	1	U	U	U
Management	Stability	209%	354%	485%	1	1	1	U	U	U
Earnings (ROA)	Profitability	1.68%	0.91%	0.57%	5	2	1	S	M	U
Earnings (ROE)	Profitability	5.69%	2.76%	2.22%	1	1	1	U	U	U
Liquidity (ADR)	Liquidity	56.7%	60.6%	65.4%	5	4	3	S	SA	F
Liquidity (CATA)	Liquidity	37.1%	30.3%	23.5%	5	5	5	U	U	U
Sensitivity	Stability	No risk for marketable securities								

Legend: 5-Strong (S), 4-Satisfactory (SA), 3-Fair (F), 2-Marginal (M), 1-Unsatisfactory (U)

Another element of CAMELS predicting stability is the asset quality. The bank's financial performance on asset quality was not favorable for three years and rated unsatisfactory at 30.07%, 19.20%, and 32.59%, respectively, which indicates a significant credit deficit or high credit risk. It is essential to analyze the current situation of this asset quality and determine the possibility of future deterioration. The bank needs to review and improve its credit and collection policies. According to Masood et al. (2016), a percentage score of below 1.5% indicates a very high asset quality. Performance improved as the ratio kept lower. Asset quality constitutes the bank's loan quality, which also reveals the earnings of the institution. It describes the quality of advances and the type of debtors of the bank (Ab-Rahim, 2018). It reflects the volume of funds allocated in the event of bad investments (Ahsan, 2016). A high provision for non-performing loans would mean a greater risk of loan losses (Rahman, 2018).

Management efficiency shows the soundness of the bank operation through skillful management of controlling expenses (Ahsan, 2016). It likewise ensures the survival and growth of the financial institution (Rahman, 2017). A higher ratio worsens the bank's financial health (Cabaron, 2018). Based on the study of Masood et al. (2016), a ratio of 25% or lower reflects a very high rating. In this study, the bank rated unsatisfactory for three consecutive years based on the cost-to-income ratio of 209.01%, 354.23%, and 485.29%. In the study of Islam (2014), the rating showed how the management efficiently operates the bank activity at a much lower cost against income generated from the operation. In assessing the management quality ratio of the bank, the low rating is ascribed to the high administrative expense incurred by the company. The bank needs to reduce bank operating expenses through cost-cutting measures and increase the efficiency of its loan portfolios.

One of the most important measures of financial performance is earnings derived from business operations. Earnings quality measures the profitability and productivity of the bank as a significant indicator of growth (Ahsan, 2016). Profitability is calculated using the two criteria: return on asset (ROA) and equity (ROE). ROA aids the bank in its gripping capacity over unexpected losses while ROE evaluates stockholder's investment growth (Ahsan, 2016). According to Masood et al. (2016), profitability peaks at an ROA above 1.5% and an ROE equivalent or above 22%. This study showed that the bank's profitability based on ROA correspondingly decreased from strong at 1.68%, marginal at 0.91%, and unsatisfactory at 0.57% from 2017 to 2019. Notably, the bank had the highest rating in 2017, revealing high returns. Islam (2014) stated that a higher ROA ratio indicates better managerial performance and efficient use of company assets. ROE was unsatisfactory for three years at 5.69%, 2.76%, and 2.22%, respectively, presenting the poor financial ability of the bank to generate profits from its investments. ROE is the percentage of profit the bank makes for every peso of equity invested in the company (Berzkalne, 2014).

The bank's liquidity refers to the ability of the bank to quickly convert its financial assets to cash to pay its short-term obligations. The measurement used in the study by Masood et al. (2016), a ratio of below 60% for both liquidity ratios, indicates strong performance. The computed results showed that advances to deposits (ADR) decreased from strong to fair. The analysis showed that the highest ADR was in 2017 (ratio=56.73), and the lowest ADR was in 2019 (ratio=65.42). It interpreted adequate liquidity to cover loan losses and withdrawals of depositors, especially during an economic downturn. A study of ten commercial banks in Bangladesh showed a positive and significant influence of ADR on the financial performance, especially on the ROA.

Further, it concluded that an optimum ratio of advance to deposit enhanced ROA positively affects the financial health of banks (Das, 2020). Alternatively, the proportion of circulating assets to total assets (CATA) maintained strong performance for three years. According to Ahsan (2016), liquidity evaluates the unprecedented and

unforeseen risk that may cause the bank's insolvency. Findings from the study of some manufacturing firms in Ghana showed a significant positive relationship between the current to-total assets ratio with profitability (Akoto et al., 2013). Overall, effective working capital management is necessary for bank profitability.

3.6 Composite Rating for the period reflected based on CAMELS Framework

The composite rating presented in Table 7 further explains the bank's financial standing to the CAMELS rating analysis of Masood et al. (2016). Each indicator is rated according to the three-year financial performance.

Table 7. *Composite rating for the period reflected based on CAMELS framework*

Variables	Rating		
	2017	2018	2019
Profitability			
ROA	5	2	1
ROE	1	1	1
Liquidity			
Advances to deposits (AD)	5	4	3
Circulating assets to total assets (CATA)	1	1	1
Stability			
Capital adequacy	5	5	5
Asset quality	1	1	1
Management quality	1	1	1
Sensitivity	5	5	5
Composite Rating	2.7	2.43	2.30
Interpretation	Fair	Marginal	Marginal

Based on the CAMELS rating, a sound financial institution has a composite rating of at least "3" and a management score of at least "3" (BSP Circular No. 364). The bank's composite rating indicated a score of 2.7, 2.43, and 2.30 respectively for the three years, reflecting the bank's inner strength and susceptibility to market risks. The bank's fair rating is described by Masood et al. (2016) with the following conditions: financial, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory; vulnerable to the onset of adverse business conditions; quickly deteriorate if actions are not effective in correcting weaknesses; and supervisory concern and more than regular supervision to address deficiencies. Further, the bank's financial performance declined in 2018 and 2019, both rated marginally. A marginal rating was interpreted as possessing the following characteristics: the immoderate volume of serious financial weaknesses; unsafe conditions are not being satisfactorily addressed; without corrections, these conditions could develop further and impair future viability; high potential for failure; and close supervision surveillance and a definite plan for correcting deficiencies (Masood et al., 2016).

According to Ashan (2016), there is a need to analyze the quality of these components. Furthermore, management efficiency has been unsatisfactory for three years, indicating a very low rating compared to the prerequisite score of at least 3. The findings displayed a deficiency in both requirements compared to the performance limit required by the Bangko Sentral ng Pilipinas. Management efficiency is described as the adherence to prescribed norms, ability to adapt to the changing environment, leadership and administrative capability of the bank, and a strong result, which is an assurance of growth and endurance of a bank (Aspal, 2020).

3.7 Relationship Between Employee Work Performance and Financial Performance

Spearman's correlation was used to assess the relationship between the bank's employee work performance and financial performance. Using a 5-point Likert scale to interpret the level of performance of both primary and secondary data, the result showed no significant relationship at $p\text{-value} = .813$. The findings were confirmed in the study of Odriozola et al. (2018), rejecting female participation's relationship with the more excellent financial performance of the company. Other findings indicate no significant human capital intervention in the relationship between innovation strategy and financial performance (Hutayan, 2020).

Table 8. *Relationship between employee work performance and financial performance*

Variables	p-value	Interpretation
Employee Work Performance	.813	Not significant
Financial Performance	.813	Not significant

Significance level @ .05

The study of Rompho shows no connection between the level of human capital and the long-term financial performance of firms using different human resource management strategies (Rompho, 2020). Tran and Vo (2020) show no relationship between ROA and human capital efficiency across sectors. Results of other research are contrary to this study: extenuating the relationship between human capital and return on asset, return on equity, asset turnover, and price-to-book ratio (Soewarno et al., 2020); human capital efficiency and financial performance (Ozkan et al., 2017), human capital and coping ability and resiliency during economic stress (Yarovaya et al., 2020); employees' contributions, involvement, and improvement of skills and financial growth of the (Molla, 2019); employee's job commitment and job involvement, and service performance and productivity (Rahman, 2017); and employee competencies and service performance (Xu & Ye, 2014).

4.0 Conclusion

The findings of this study provide valuable insights into the interplay between employee performance and the financial outcomes of rural banks. They may also build awareness among bank management on the relative importance of both task and contextual performance behavior. Decisions can be made to improve bank employees' work performance by enhancing their communication and problem-solving skills, work attitudes, and commitment to work. Prompt attention to this valuable information will increase employee performance and prevent helpful employees from leaving the bank.

Results can contribute significantly to the academic literature in the banking sector to existing theories on organizational behavior by demonstrating how employee performance directly affects financial success in a rural banking context. This adds a nuanced understanding of the dynamics in smaller banking institutions compared to larger commercial banks. For practitioner applications, the findings underscore the necessity for effective human resource strategies that prioritize employee satisfaction and performance. Banks should focus on fair compensation, policy recommendations, strategic focus, recognition programs, and career development opportunities to enhance workforce motivation.

Efficient financial management is crucial for the success of a banking institution. The strategic use of financial instruments such as the CAMELS rating system will help managers determine the bank's financial strength. Based on the CAMELS rating, the bank's financial results have been decreasing for three years, implying a need for improvement in ROA and AD that is declining, and the unsatisfactory rating for ROE, CATA, asset quality, and management efficiency. These threatening results will prompt the bank management to evaluate every dimension of the bank's deficiencies, take preventive measures, and closely monitor performances.

Finally, the study found no significant relationship between employee work performance and financial performance. This study fills a gap in the literature regarding rural banking by focusing on employee dynamics, which have been less explored than larger banking entities. It provides empirical evidence that can be built upon in future research.

5.0 Contributions of Authors

Castrana, Lovella: Gathering existing information and studies related to the topic. Develop a data collection plan, Data Collection, Designing and implementing methods for gathering new data encoding. Execute the data collection process. Create a bibliography or reference list.

Berbano, Jaime: Editing, writing, supervising, data analysis, Literature Review. Search for relevant articles, books, and studies. Prepare visual aids (charts, graphs) to support findings. Ensure ethical standards are maintained.

Pisueña Jay Jay: Analyze and report the collected data and prepare a report for presentation. Use appropriate methods (statistical analysis, thematic analysis) to analyze the collected data and summarize key findings.

6.0 Funding

No funding agency, the authors contributed to this research.

7.0 Conflict of Interests

There is no conflict or non-conflict of interest.

8.0 Acknowledgment

This research becomes a reality with the help of the following persons to whom we would like to extend our heartfelt gratitude: Dr. Teresa B. Ballados, Dr. Ma. Fara J. Magada, and Dr. Eric Arthur N. Dio, who extend their expertise with their valuable comments, suggestions, and critiques, Ms. Ann Baynosa for sharing her knowledge and technical know-how in the statistical analysis and interpretation; To the management of the rural bank (though I cannot mention) for the most welcomed support and help, the department heads for my data gathering and the head of the accounting department for the financial data needed in this study; and to all friends and co-workers for their encouragement and unwavering support to finish this study.

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