

## “Key Aspects of Digital Technology and Its Impact on Bank Employee Performance”

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### **Abstract:**

**Purpose:** The purpose of this study is to analyse and understand the scope of digitalization and its impact on employee performance in banking sector.

**Method:** The paper is based on a qualitative approach and structure was designed based on semi-structured interviews conducted via telephonic calls with employees from select banks to enable connections between theories and pragmatic findings.

**Findings:** After analyzing the data very efficiently, found that digitalization has significantly impacted the employee performance in the banking sector. It has become a facilitator by being a platform for the employees to perform their tasks efficiently. Further, as digitalization develops, managers have been using strategies like advanced support systems, fast and transparent communication methods, and different digital tools to bring up employees' performance at work. Therefore, digitalization positively affects employee performance in most instances, but managers can not overlook the possibilities of negative implications too.

**Key Words:** Bank, Digitalization, Employee Performance, Technological Advancement, Technology in Banking Sector.

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### **I. Introduction:**

During the last decades, with the growth of digitalization, technology adoption by organizations has made major impacts by speeding up processes (Heikkilä, 2013). Aiming to keep up with the evolution of technologies and responding to the market changes, organizations are adapting to become more productive and cost-efficient (Dixit, 2017). "Digitalization" refers to "a process of moving into digital business" ("Digitalization", 2020). An organization may change its strategy, structure, behaviour, and eventually, its performance by making the different elements of the organization work more effectively under the new digital circumstances (Csedo et al., 2017). Among different industries, organizations have recognized the massive challenges that digitalization raises, especially on their business models (Schmidt et al., 2017).

For the banking industry, digital technologies imply meliorating their services to obtain business superiority and to gain competitive advantage (Næss-Schmidt et al., 2019). Digitalization has come into play in the service sector, becoming one of the influential factors affecting the workforce (Poruban, 2018). Digital innovations and advancements in the banking industry have reduced the cost of financial intermediation, and paved the way for a digital ecosystem for bank employees to render better service and to attract new customers (Forcadell et al., 2020). Service delivery can be defined as "a firm's capability to create finished components and deliver services/products to the customers" (Arshad & Su, 2015, p.2). Organizations capable of innovating and delivering better services are in a better position to gain customers' attention (Arshad & Su, 2015).

Employee performance is one of the drivers of businesses and organizations, and is often seen as crucial for the organization's success and competitiveness (Schaufeli & Salanova, 2007). According to Robinson et al. (2004), employee performance can be described as "a positive attitude held by the employees towards the organization and its value. An engaged employee is aware of business context and works with colleagues to improve performance within the job for the benefit of the organization" (p. 9). Furthermore, employee performance has been extensively researched as it becomes fundamental in a business context, being directly connected to organizational performance (Sorenson, 2013). Engaged employees have demonstrated to offer a better service delivery, which in turn increases customer satisfaction generating higher revenues (Vance, 2006).

Digitalization is playing a vital role in shaping India's banking scenario. Digital transformation is directly influenced by the availability of Smartphone's and the wide availability of 3G and 4G networks. The effort of digitalization on the banking sector creates a furore among the workforce in both public and private sector banks. The target of this study is to analyze weather digital transformation of bank enhance the opportunity in banking sector or trim down the bank employment among banking workforce.

### **Major Gaps:**

- Various Technology Disruption in Indian Banking System has not been identified appropriately.
- Workforces challenges pertain to technology disruption in Indian banking system have not been identified.
- Assessment of Subjective workforce challenges derived from technological disruptions, of Indian banks has not been done so far.
- Lack of an appropriate mitigation framework for identified technology disrupted workforce challenges.

### **Employee Performance:**

The concept of employee performance is relatively new to human resource management literature (Fleetwood & Hesketh, 2010). Several scholars have contributed with many definitions, however, the term "employee performance" was introduced in the academic literature by Kahn (1990), who uses it to refer to how employees express themselves physically, emotionally, and mentally while performing at work. Other researchers suggest that employee performance relates to being involved, committed, and satisfied with work (Harter et al., 2002). Employee performance relates to employee motivation and is attributed to the level of employee's dedication, vigor, and absorption at work (Schaufeli et al., 2002). "The term employee performance refers to the individual's involvement and satisfaction with as well as enthusiasm for work" (Harter et al., 2002, p.269). Despite differences, definitions share the idea that employee performance is "a desirable condition; having positive impacts on organizational efficacy and connotes involvement, commitment, passion, enthusiasm, focused effort and energy" (Jaupi & Llaci, 2015, p.192).

Performance is considered essential and indispensable for modern companies to move forward, as engaged employees boost productivity, performance, and innovation (Schaufeli & Salanova, 2007). A study done by Harter et al. (2002) found out that indeed there is a direct relationship between employee performance and business results. Markos & Sridevi (2010) clarifies this by stating that higher performance levels can result in increased net profit margins and operating margins. Performance can be considered beneficial for both the employee and the organization (Markos & Sridevi, 2010). When the employees recognize that their contributions are important for the success of the organization, a feeling of fulfillment is created (Andrew & Sofian, 2012). It is not sufficient for an organization to have a workforce that is committed and engaged: firms must also pursue the maintenance of such levels. Some of the organization's efforts for improving employees' feeling appreciated and involved are key drivers in this regard. However, commitment and performance are distinct aspects. Commitment pertains to the first stage of the organization's efforts towards employees, whereas performance follows consequently (Robinson et al., 2004).

Imandin et al. (2014) further developed previous studies done in the literature to propose some methods for determining employees' performance. Their initial model was represented by 11 constructs but later narrowed down to 7 (Imandin et al., 2016). As drivers of employee performance, the constructs are:

1. Employee perceptions on management and an engaged leadership team where employers who can inspire employees for better performance contribute to their performance.
2. Behavioral performance referred to as the efforts of the employees in reaching the organization's objectives.
3. Change management and stress-free environment explained as the environment where the employee can be innovative, creative, and relaxed, which has impacts on the employee's performance.
4. Career growth opportunities which imply organizations giving employees the sufficient opportunities to grow within the workplace by meaningful training and support consequently contributing to employee performance.
5. Emotional performance referred to the resources, such as pride, trust and knowledge an employee can count on individually to invest in the level of performance.
6. Nature of my job referred to as levels of autonomy and participation where employees can feel more powerful and accountable for their tasks.
7. Feeling valued and involved is addressed to employees being involved in the practices of organizations where they can influence the decision-making process.

In the banking industry, services are provided in multiple forms, for example, the customer goes to the service provider and as a service that is accomplished through multiple channels (Lovelock, 1983). Chase (1981) introduced twelve characteristics of high contact services. Among these characteristics, the service providing workers is the main component of the service, which helps to determine the quality of the service delivered in the eyes of the customer (Chase, 1981). Hence, service personnel's role is critical in the service delivery process as there can be inseparability between service delivery and service quality (Rust & Oliver, 1994).

## II. Findings:

When employees were asked how digitalization impacts their jobs in general, they pointed out that their banks are digitalizing all the service-related activities.

- Employee opined that customer services as well as internal systems in the banks are highly digitalized now. Thanks to digitalization employees have the opportunity to be more flexible at work and "work more into the customer zone system" allowing the customers to adapt with digitalization so that they can get most of the work done at home by themselves without meeting the employees at the bank by using internet banking, BankID and other digital applications, saving time and energy of both the customer and the employee, as most of the competitors have adopted the same digital tools.
- Some viewed that most of the customer meetings are conducted via skype now and the mobile BankID has made their online meetings and services easier because it identifies the authenticity of the client even without the client physically being present at the moment.
- Further few pointed out that digitalizing activities like sending agreements to the customer, not only saves employees' time but also saves the environment by minimizing printing and paper waste.
- Further, it was evident that employees were much concerned about how customers perceive the changes that digitalization has made on the banking industry as some customers like this new trend while few still expect the traditional ways of banking.
- Few also reported that the organization highly encourage employees to use the digitalized tools in the service delivery process to assist them in the best way possible. Also, digitalization increases work efficiency by being a platform to send and receive information from different departments during the process of service delivery. Further, talking about the job uncertainty that comes with digitalization and also the high competition that can be expected in the banking industry with the emergence of small banks, challenging the typical large scale banks to become more digitalized in order to gain a competitive advantage.

## III. Conclusion:

The major contribution of this study is identifying the effects and interrelationships among the impact of technological innovation, satisfaction level of technological innovation, and employee productivity. Academically, this contributes to the ongoing debate of sources of sustainable competitive advantage relative to the effects of specific resources in an industry. For practitioners, this could be beneficial to managers of banking institutions. These managers are provided with more reliable and actionable insights to focus on and delve more deeply into innovation strategies to embark on innovation activities that would improve the competence, operational efficiency, and productivity of their employees. This in turn could result in service offering responsiveness and customer satisfaction.

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