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Effective Performance Management System: A Quintessential Boost to Business Growth for Deposit Money Banks in Rivers State, Nigeria

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ABSTRACT: This study investigates how performance management systems (PMS) affect business growth in Nigerian Deposit Money Banks operating in Rivers State. This is accomplished by disaggregating PMS, the predictor variable, into three operational dimensions (goal-setting, performance evaluation, and communication/feedback), and linking each of these to three objective growth outcomes (return on investment, profitability, operational efficiency) adopted as proxies of the criterion variable. Using a cross-sectional survey of managerial and supervisory staff drawn from 20 licensed banks (target n ≈ 300) and analyzing the data with PLS-SEM (SmartPLS), the study validates measurement properties, estimates structural paths, and tests nine direct hypotheses. Results show that all three PMS dimensions have positive and statistically significant effects on ROI, profitability and operational efficiency. The structural model explains a large share of variance in outcomes ($R^2 \approx 0.787$ for ROI, 0.897 for profitability, and 0.843 for operational efficiency). Effect sizes and bootstrapped path coefficients indicate robust relationships, suggesting that cascaded SMART goals, rigorous appraisal, and timely two-way feedback collectively strengthen banks' capacity to convert managerial effort into measurable financial gains. The study concludes by calling for local validation of measurement tools and phased piloting of reforms in addition to other practical recommendations like institutionalizing goal alignment, frequent performance evaluation, and actionable communication.

KEYWORDS: Performance management system, Deposit money banks, Business growth, Goal-setting, Return on investment, Operational efficiency.

1.0 INTRODUCTION

Business growth broadly understood as the expansion of a firm's scale of operations, market share, or profitability represents a central performance outcome for enterprises. In the context of banking, growth typically manifests through higher loans and deposits, branch expansion, or increased earnings. It is widely regarded as a positive signal of organizational health (Azebi, 2025). Growth in banks is crucial because it underpins long-term viability as expanded business implies more robust balance sheets, improved economies of scale, and stronger contributions to the real economy. In Nigeria, for example, Deposit Money Banks (DMBs) by mobilizing credit "fund business growth, support SMEs, and facilitate trade" (Azebi, 2025). Thus, when banks grow by serving more customers or financing more projects, they tend to generate wider economic benefits and sustain shareholder value. This makes business growth a key dependent variable in banking studies: as Mansikkamäki (2023) note in the entrepreneurship literature, firm growth is generally seen as a positive performance outcome and a hallmark of success. Equally, the importance of banking-sector growth for the economy is clear. A mature and efficient banking sector fuels productivity by channeling savings into investment, which "promotes sustainable economic growth" (Osuma, 2021).

Performance management systems (PMS) are deliberate frameworks that align individual efforts with organizational goals. Iorkpen (2022) defines PMS as "an assemblage of methodologies for managing behaviour, processes, and results to ensure that goals and objectives are achieved". In practice, PMS integrates goal-setting, ongoing feedback, performance appraisal, and development activities (Arimie & Ihensekhien, 2023). Indeed, effective appraisal processes "promote organizational performance" and help identify employees' strengths and developmental needs. A robust PMS thus fosters a performance culture: it rewards high contributors, targets training to fill skill gaps, and uses performance data to drive improvements (Onwuchekwa & Okolocha, 2024). Ugoani (2019) emphasizes that PMS "ensures that the contributions of organizational members are directed toward growth and profitability," and indeed found a positive correlation between PMS and bank profitability. Orga et al. (2018) demonstrated that effective performance appraisal systems significantly increased bank income, sales volumes, and overall market value – key indicators of business growth. Likewise, Galadanchi and Saulawa (2024), Adewoye and Olugbenga (2019), Ezekiel and Isyaka (2025) all observed that rigorous HRM practices (including performance appraisal) were highly effective in Nigerian banks and positively correlated with employee satisfaction, which underpins productivity and growth. In short, well-implemented PMS practices translate into better financial results and expansion in the banking sector.

Despite substantial evidence linking performance management systems to firm outcomes, there is a clear gap in region-specific, component-level research for deposit money banks in Rivers State: existing studies largely treat PMS as a single bundle and rely on cross-sectional designs or self-reported performance, rarely using objective financial indicators such as audited ROI, profitability ratios, or operational-efficiency metrics; moreover, commonly used scales for goal-setting, appraisal, and feedback originate in Western contexts. Hence, this study addresses this gap by disaggregating PMS into goal-setting (Locke & Latham, 2002), performance evaluation (DeNisi & Pritchard, 2006), and communication/feedback (Kluger & DeNisi, 1996), validating measures locally, and examining their effects on objective business-growth outcomes in Rivers State.

1.1 Problem Statement

Nigerian banks today face notable problems in efficiency and return. Despite considerable reforms and capital injections in recent years, many Deposit Money Banks still struggle with high operating costs and underwhelming profit margins. Empirical reports indicate that the sector's CAMELS (Capital, Asset quality, Management, Earnings, Liquidity, Sensitivity) ratings have not translated into a "thriving" performance. In other words, banks remain highly vulnerable to shocks and systemic risk. High cost-to-income ratios and capital inefficiencies continue to drag on returns. These symptoms stagnating loan growth, flat or declining ROEs, and sluggish expansion indicate that organizational problems like poor performance alignment and motivation may be present. If such problems persist, the consequences are serious: banks will generate lower returns on investment, fail to expand their market presence, and potentially weaken the broader financial system. In sum, operational inefficiency, weak ROI, and subpar profitability are pressing issues for Nigerian banks. The knowledge gap identified above suggests these problems could be ameliorated by better performance management. Therefore, the present study departs from previous research by investigating PMS as a strategic tool to improve operational efficiency and drive growth in Nigeria's banking sector.

1.2 Aim and Objectives of the Study

The core aim of this study is to investigate the association between performance management system and business growth of deposit money banks in Rivers State. The specific objectives are to:

i. Examine the relationship between Goal-setting and Return on Investment of DMBs in Rivers State.
ii. Evaluate the link between Goal-setting and profitability of DMBs in Rivers State.
iii. Examine how Goal-setting relates to Operational efficiency of DMBs in Rivers State.
iv. Examine the relationship between Performance evaluation and Return on Investment of DMBs in Rivers State
v. Evaluate the link between Performance evaluation and profitability of DMBs in Rivers State.
vi. Evaluate the link between Performance evaluation and Operational performance of DMBs in Rivers State.
vii. Examine the relationship between Feedback and Communication and Return on Investment of DMBs in Rivers State
viii. Examine the relationship between Feedback and Communication and Profitability Investment of DMBs in Rivers State
ix. Evaluate the relationship between Feedback and Communication and Operational efficiency of DMBs in Rivers State

1.3 Hypothesis

H_{01}: There is no relationship between Goal-setting and Return on Investment of DMBs in Rivers State.
H_{02}: There is no link between Goal-setting and profitability of DMBs in Rivers State.
H_{03}: There is no relationship between Goal-setting relates to Operational efficiency of DMBs in Rivers State.
H_{04}: There is no relationship between Performance evaluation and Return on Investment of DMBs in Rivers State
H_{05}: There is no link between Performance evaluation and profitability of DMBs in Rivers State.
H_{06}: There is no link between Performance evaluation and Operational performance of DMBs in Rivers State.
H_{07}: There is no relationship between Feedback and Communication and Return on Investment of DMBs in Rivers State
H_{08}: There is no relationship between Feedback and Communication and Profitability Investment of DMBs in Rivers State
H_{09}: There is no relationship between Feedback and Communication and Operational efficiency of DMBs in Rivers State

2. 0 LITERATURE REVIEW

1.1 Conceptual Review

Performance Management System

Performance management systems (PMS) are widely conceptualized as strategic tools for aligning individual performance with organizational objectives through continuous evaluation and feedback. Fatile (2014) defines a PMS as "a systematic effort to improve performance through an ongoing process of establishing desired outcomes, setting performance standards… to improve performance and productivity". In principle, effective PMS frameworks integrate goal-setting, monitoring, appraisal, and reward processes to guide employee behavior and build organizational capability. The literature highlights the potential value of PMS in optimizing employee potential and organizational value-add (Jean, 2018). However, scholars caution that PMS must be carefully adapted to local conditions and embedded in broader human resource strategies to be effective.

Recent African scholarship underscores that PMS is still nascent in regional practice. In Nigeria's public sector, for instance, Esu and Inyang (2009) observe that longstanding inefficiencies are often due to weak management, and they propose PMS as a tool to refocus agencies on clearly defined performance goals. However, they note that PMS is a relatively new concept in Nigeria's public HRM lexicon and awareness is limited. Empirical studies in Nigeria's banking industry suggest substantial benefits: Ugoani (2019) finds that robust PMS practice correlates positively with bank profitability. Broader reviews of African public management report that, while performance contracts and appraisal systems have been introduced in some governments, their use has been uneven. One analysis note that PMS has been introduced with the intention of monitoring and rewarding performance, but that many African organizations only recently began to implement such systems. Overall, the literature suggests that interest in PMS is growing in Nigeria and elsewhere in Africa, but comprehensive institutionalization of performance management remains uneven and underdeveloped.

Goal - Setting

Organizational goal-setting is widely regarded as a core element of any robust performance management system. In line with classical goal-setting theory, clear, challenging goals direct attention and energize effort toward desired outcomes. Indeed, Nigerian researchers observe that setting concrete targets "motivates [employees] to strive towards achieving these goals" (Fatile,, 2014), and that performance planning should define explicit responsibilities and regular feedback on progress toward those goals. Siraj and Hagen (2023) recommend that managers establish "clear job responsibilities defined through performance planning" and then provide "regular feedback about progress made towards goals set during the planning stage". These practices mirror Locke and Latham's (1990) prescription that specific, difficult goals yield higher performance than vague directives. In sum, both international theory and recent African research underscore that goal-setting in performance systems must translate high-level strategy into measurable individual objectives (Eneanya, 2018; Siraj & Hagen, 2023)

In the African context, however, studies note that goal articulation often remains weak, especially in the public sector. A recent survey of Nigerian civil servants found that formal targets were often missing from organizational plans – indeed "goals are hardly set in public service in Nigeria" – and the authors conclude that "appreciable and attainable goals should be set for organizations and individuals" as the basis for assessment (Ogochukwu, 2024). Eneanya (2018) similarly defines performance management as the strategic alignment of individual work to corporate objectives, stressing that expectations must be "clearly defined and agreed". Evidence from Nigeria's private sector – notably the banking industry – similarly highlights the importance of well-structured goal-setting. Empirical studies report that banks which adopt formal, participative goal-setting regimes (such as management-by-objectives systems) tend to see better outcomes. For example, Enemuo et al. (2021) found a "significant relationship between MBO and employees' commitment," concluding that Nigerian deposit-money banks recognize MBO practices (i.e. joint goal-setting) as beneficial and should "apply MBO for improved performance"

Performance Evaluation

Performance evaluation (often termed performance appraisal) is a systematic process through which employees' job performance is formally measured against established criteria (Oshode, Alade, & Arogundade, 2014). In practice this typically occurs annually or biannually, employing clearly defined performance dimensions or targets. Such evaluations serve multiple purposes: they provide structured feedback to workers, inform reward and promotion decisions, and align individual work with the bank's strategic objectives. As Oshode et al. (2014) explain, performance management is a broad process aimed at improving employee performance, with formal appraisal acting as one input in this cycle. The ultimate goal is to boost performance at both the individual and organizational levels, thereby advancing bank goals. In Nigerian banks, well-implemented appraisals are intended to support national economic development by leveraging human resources effectivel. For example, one study notes that performance appraisal provides feedback on employee work and helps management "to make decisions about rewards and sanctions", underscoring the role of evaluation in mobilizing staff to meet corporate goals.

Empirical studies from Nigeria consistently show a strong link between evaluation practices and bank outcomes. Oshode et al. (2014) found that "a very strong and positive relationship exists between performance appraisal and employee productivity" in Nigerian bank branches. Similarly, a survey of money-deposit banks in South East Nigeria concluded that effective appraisal systems significantly raise bank income, product sales and overall value. In quantitative terms, Orga, Ekechukwu, and Mbah (2018) report that appraisal had a "significant positive effect on income…product sales…and bank value," noting that when appraisals are used effectively, "employees and managers established goals…and [it] is a good instrument for mobilizing employee to achieve the strategic goals".

Akinbowale, Jinabhai, and Lourens (2013) report that GTBank employees who participated actively in appraisals saw increased job satisfaction and performance.

Communication and Feedback

Communication is the lifeblood of any performance management system. In banking, clear transmission of goals, expectations and performance standards to staff is critical. Organizational communication both downward (from management to employees) and upward ensures that everyone understands targets and policies. In the context of performance management, this means articulating the bank's strategic objectives in concrete terms, and keeping employees informed of changes or priorities. Nwata et al. (2021) demonstrate that effective communication "creates mutual understanding between management and employees," allowing managers to convey "policies, goals, objectives and… their prompt communication to employees," thereby enhancing performance.

Nwata et al. (2021) find statistically significant positive relationships between both downward and upward communication and employee productivity and service quality in Nigerian deposit banks. In surveys of multiple banks, employees who reported receiving timely updates on goals and organizational developments also reported higher productivity. Similarly, a Kenyan study observed that project teams in banks succeeded largely because "communication is an essential aspect of all projects," enabling stakeholders to "operate in sync," and noting that continuous feedback loops were fundamental to meeting project deliverables (Odhiambo, Ouko, & Muhoho, 2020).

Business Growth

Business growth within the banking sector is conceptualized in the literature as a multifaceted phenomenon encompassing expansion in balance-sheet size, diversification of income streams, penetration of new customer segments, and improvements in operational efficiency that together sustain profitability and market share. Contemporary empirical studies focused on Nigeria and the broader African context emphasize that growth cannot be reduced to asset or deposit expansion alone; rather, it must be understood as the outcome of interacting bank-specific capabilities (managerial efficiency, capital adequacy, risk management), industry structure (market concentration, competition), and macroeconomic conditions (GDP growth, inflation, regulatory regimes) that jointly determine performance trajectories (Bolarinwa, Obembe, & Olaniyi, 2019). Bolarinwa et al. (2019) re-examine the determinants of bank profitability in Nigeria and highlight managerial cost efficiency and capital structure as central drivers; their analysis underscores that growth measured by profitability indicators (ROA, ROE, NIM) is sensitive to internal efficiency and to the regulatory-capital environment, thereby situating firm-level strategy and regulatory policy as co-constitutive influences on banking-sector growth (Bolarinwa et al., 2019).

A growing strand of Nigerian scholarship foregrounds the credit channel and innovation-driven inclusion as proximate mechanisms through which banks influence broader business growth in the economy. Empirical investigations demonstrate that credit supply—particularly changes that are abnormal or episodic—has complex effects on aggregate growth outcomes, with implications for the quality of growth and for per-capita income during periods of financial stress (Ozili, Oladipo, & Iorember, 2023). Ozili and colleagues (2023) find that abrupt credit expansions can stimulate headline GDP growth in the short run but may reduce GDP per capita under crisis conditions, signaling that sustainable business growth depends on disciplined credit intermediation and attention to credit quality. Complementing this line of inquiry, recent analyses of banking innovation and financial inclusion in Nigeria reveal that payments innovations (POS, ATM, mobile banking) and the attendant extension of financial services to previously excluded populations materially strengthen the banking sector's capacity to mobilize savings, allocate capital, and support enterprise scaling processes that underpin durable business growth across sectors (Oyadeyi, 2024). These studies collectively suggest that growth in banks and, by extension, the firms they finance is a function both of prudent credit provision and of innovation-enabled inclusion that broadens the productive base of the economy.

Return on Investment

Return on investment (ROI) is an accounting-based measure of how effectively capital is deployed to generate earnings; in banking this concept is commonly proxied by return-on-assets (ROA) and return-on-equity (ROE). Lesáková (2007) explains that profitability and return ratios reveal an entity's capacity to earn and thereby reflect the effectiveness of invested capital (Lesáková, 2007).

Practically, ROI indicates whether funds used for activities such as branch openings, IT platforms or lending portfolios generate sufficient incremental earnings to justify their cost. From a managerial perspective, strong ROA or ROE signals efficient asset and equity utilization and supports decisions to reinvest profits into growth initiatives; conversely, persistently low returns constrain internal financing for expansion and may indicate the need for strategic reallocation of capital (Abdulraheem, 2022).

Within the Nigerian banking sector, ROA and ROE operate as the principal financial proxies for ROI and are closely monitored by managers, regulators and investors. Empirical reviews of post-consolidation Nigerian banking show that periods with higher ROA/ROE correlate with improved capacity to expand lending and absorb regulatory shocks (Abdulraheem, 2022). Recent studies of Nigerian banks emphasize that banks achieving above-average ROA/ROE are able to attract cheaper funding and grow market share more quickly (Akarogbe, Chukwunwike, & Ozor, 2024). In short, ROI metrics support both external valuation and internal capital-budgeting decisions: credible, sustained returns provide the financial means and investor confidence necessary for measured growth.

Profitability

Profitability measured in accounting terms as net income after expenses, and expressed through ratios such as net profit margin, ROA and ROE is a primary indicator of a bank's ability to generate resources for growth. The NDIC and other Nigerian commentators note that profitability is complex to conceptualize but remains the central measure of financial performance because it captures the residual returns that can be re-invested (Abdulraheem, 2022). Profitability ratios therefore serve as immediate gauges of whether revenue generation, interest spreads and fee income sufficiently cover operating costs and credit losses; they also guide strategic choices about pricing, product mix and risk appetite.

Empirical research in Nigeria demonstrates the link between bank profitability and broader economic and institutional outcomes. For example, Adekola (2016) finds that bank profitability contributes to national economic growth by enabling banks to expand credit to productive sectors, while studies of Nigerian banks have repeatedly flagged non-performing loans and expense control as core drivers of profitability (Ayunku, 2017; Okwuise & Ukwandi, 2019). Akarogbe et al. (2024) show that well-capitalised banks with effective expense management record higher profitability, which in turn underpins their capacity to finance growth initiatives without diluting equity. Consequently, profitability is not only a bottom-line metric but a determinant of strategic flexibility for bank expansion.

Operational Efficiency

Operational efficiency refers to how productively a bank converts inputs (labour, capital, technology) into outputs (loans, deposits, fee income) and is commonly measured by metrics such as the cost-to-income ratio (CIR). Bratton and Garrido (2016) define CIR as operating costs divided by operating income and note that it is a widely used benchmark for banking productivity

In the Nigerian context, operational efficiency has been a strategic priority following consolidation and the wave of digital transformation. Recent analyses show that top Nigerian deposit banks achieving CIR thresholds (commonly cited industry targets below c. 60–65%) maintained stronger earnings and market valuations during stress periods (Akinleye & Olatunji, 2025). Empirical results for Nigerian banks indicate that improvements in efficiency via branch rationalization, digital channels, or process automation yield measurable gains in both profitability and market value (Akinleye & Olatunji, 2025; Okwuise & Ukwandi, 2019). These findings illustrate a direct link: efficiency gains expand the bank's capacity to invest in growth while protecting margins.

Operational efficiency is therefore a core objective of performance management systems. Banks set KPIs such as CIR, operating expense per customer and transaction-processing time within scorecards and tie managerial incentives to progress on these measures. As the literature indicates, better cost management increases retained earnings and enhances competitive positioning by allowing firms to price services more competitively or invest savings in customer acquisition (Akinleye & Olatunji, 2025; Bratton & Garrido, 2016).

2.2 Theoretical Framework

Agency Theory

Agency theory conceptualizes organizations as a nexus of contracts between principals (owners/shareholders) and agents (managers) who are hired to control resources on the principals' behalf. Jensen and Meckling (1976) famously framed this as the "agency problem," noting that when ownership and control are separate, managers may pursue their own interests rather than maximizing shareholder value. The theory highlights information asymmetry (agents hold more firm-specific information than principals), leading agents to potentially shirk effort or misuse resources. As Onuora (2016) notes in the Nigerian context, without effective oversight managers may "indulge in perquisites" or select inputs that suit their own tastes, undermining firm value.

Conversely, well-designed performance appraisal and incentive schemes incentivize agents to act in the firm's interest. In Nigerian banks, Oyewo and Opoku (2025) note that corporate governance reforms often aim to curb self-serving behavior by instituting stronger oversight (independent boards, audit/risk committees) – practical mechanisms rooted in agency theory.

In Nigeria's banking sector, the agency perspective is particularly salient given historical governance challenges. Past bank failures (e.g. Oceanic, Intercontinental in 2009; Skye Bank, First Bank, Heritage Bank more recently) have often been linked to managerial excess and weak controls. Thus, applying agency theory suggests that strengthened performance oversight (e.g. balanced scorecards, financial covenants, board monitoring) will align managers' interests with expansion goals. In sum, agency theory justifies why performance management systems (PMS) and governance reforms are critical for sustainable growth in Nigerian banking, as they limit managerial self-interest and drive the bank toward shared profit objectives.

Goal-Setting Theory

Goal-setting theory (Locke & Latham) posits that clear, specific, and challenging goals greatly enhance individual performance. Goals act as performance standards that focus attention and effort on valued outcomes. Esu and Inyang (2009) argue that in performance management "goals are performance levels which individuals and organizations have agreed upon as performance standards," making goal-setting theory an ideal fit for PMS frameworks.

Akindoyin and Oladiji (2025) apply goal-setting theory to banking, underscoring that bank employees' performance hinges on the clarity of assigned targets. In short, goal-setting theory provides the motivational rationale for instituting measurable performance targets within banks. In practice, goal-setting theory informs how Nigerian banks manage growth through targets. Banks routinely set sales, lending, and operational targets for teams and branches, reflecting goal-setting principles. By linking employee bonuses and promotions to target attainment, banks harness the motivational power of goals. For instance, research on Nigerian banks indicates that performance targets influence bankers' effort; employees working under well-defined targets tend to have clearer performance expectations and may work harder to achieve them

Goal-setting theory justifies the use of ambitious performance targets in Nigerian banks: it explains why setting clear objectives (with feedback and rewards) can improve employee performance and thus contribute to the bank's expansion and profitability.

2.3 Empirical Review

Nwabuatu & Nnajiubah (2025) conducted a mixed-methods study in Anambra State, Nigeria, to assess the impact of SMART goal-setting on organizational performance. They surveyed 300 employees across various medium and large organizations, using a descriptive design and correlation/regression analysis. The study found that SMART goals significantly improve clarity, satisfaction and communication; specifically, the Specific and Measurable components of goals had the strongest positive effects. Importantly, SMART goal adoption was strongly positively correlated with performance metrics like operational efficiency, productivity and profitability.

Okeke et al. (2019) examined selected large organizations in South-East Nigeria (primarily in the banking industry) to see how performance management elements affect employee productivity. Using a descriptive survey of 366 employees (from a population of 2,081) and multiple regression analysis, the study tested the influence of 360° feedback, performance evaluation, self-assessment and performance review on productivity. Results showed that 360-degree feedback appraisal, performance evaluation, and performance review each had a statistically significant positive effect on employee productivity, whereas self-assessment alone had no significant impact.

Ugoani (2019) analyzed Nigerian commercial banks to link overall performance management to firm profitability. In this exploratory study, financial institutions were examined (using descriptive and regression methods) to see how performance-management practices (such as goal-setting, monitoring and appraisal) relate to profitability indicators like ROA and gross earnings. The author found a strong positive correlation between diligent performance management and bank profitability. The paper argued that banks which continuously monitor and manage performance for example through clear objectives and key performance indicators – achieve higher returns.

Ebegbetale et al. (2023) investigated Lagos State public sector staff to test the effect of appraisal feedback on work performance, with work motivation as a moderator. Surveying 231 civil servants (205 responses) and analyzing data via correlation and regression, they found that performance appraisal feedback has a significant positive effect on employees' work performance (and also boosts motivation). In other words, employees who received structured appraisal feedback performed better at their jobs. They also tested but found no moderating effect of motivation between feedback and performance.

Bankole & Faleye (2024) studied two telecom companies (MTN and Glo) in Edo State, Nigeria to see how four performance management indices (feedback, appraisal, training, reward) influence employee productivity. They used a descriptive survey of 334 staff and multiple regression analysis. The results showed that every aspect performance appraisal, feedback, training/development and reward system had a statistically significant positive effect on employee productivity. In particular, performance appraisal and training/development accounted for a large share of productivity gains.

Ajiteru et al (2023) examined public relations staff in Kogi State (Nigeria) to evaluate how effective communication affects organizational performance. Using a survey of 166 government workers and chi-square analysis, they found a significant positive relationship between communication quality and employee performance. The study concludes that "effective communication is the remedy to effective and efficient management performance", meaning better communication channels and information flow lead to higher employee and organizational performance.

Osuma et al (2021) applied data envelopment analysis (DEA) to 11 listed Nigerian banks to compare efficiency and profitability. They used both nonparametric DEA and regression with bank inputs (deposits, assets, expenses) and outputs (income, loans, gross earnings). The study found that some banks (e.g. UBA, Zenith) were profitable but not fully efficient, while others were efficient (under DEA) even with lower profits. It concluded that efficiency and profitability do not always coincide. Specifically, "efficiency is a better measure of performance than profitability" in this context, since some highly profitable banks were not operating efficiently.

Mgbobi et al. (2024) examined Nigerian consumer goods manufacturers (2014–2023) to link working capital management ratios to operational performance. Using secondary data from annual reports of 40 firms and regression analysis, they tested how receivables, payables and inventory turnover affect net profit. They found a significant positive effect of working capital efficiency on profitability: in particular, inventory turnover had the strongest positive association with profit (correlation ≈0.85). Receivables and payables turnover also related positively to profit, though weakly.

Iwajomo et al (2025) investigated variance analysis as a cost control tool in 30 Nigerian manufacturing firms listed on the NS. They used ex-post data and feasible GLS regression to see how deviations in material, labour and overhead costs (variance analysis) affect return on assets (ROA) and profit margins. The findings show that unfavorable production-cost variances (material, labour, overhead) have significant negative impacts on ROA, while selling-price variances and firm leverage had positive effects on ROA. In other words, controlling cost variances (improving operational efficiency) is critical to preserving profitability.

Umoh (2024) analyzed how operational efficiency metrics affect financial performance in a Nigerian industrial firm (Guinness Nigeria, 2016–2023). Using an ex-post facto design with secondary data (inventory turnover, receivables, payables vs. ROA) and multiple regression, he found no statistically significant direct impact of these efficiency measures on ROA. Specifically, inventory turnover, receivables turnover and payables turnover did not significantly influence ROA, meaning conventional operating efficiency ratios did not correlate with profitability in this case.

Kurniasih & Akhmadi (2024) studying Indonesian Sharia-listed companies – found that operational efficiency affected financial performance indirectly through profitability. They applied regression and path analysis to 240 observations (2018–2022) and showed that operational efficiency alone did not have a direct effect on overall performance; instead, it increased profitability, which in turn drove performance.

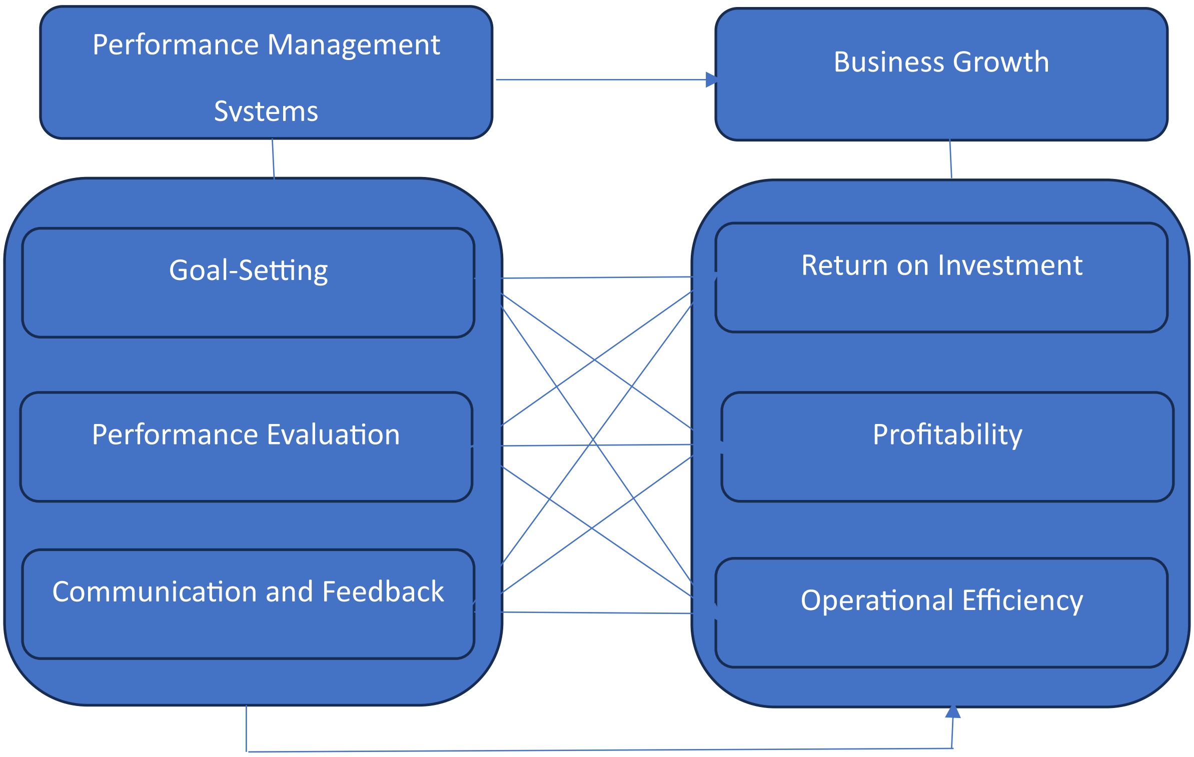

Fig 1.1 PMSBG MODEL showing the possible relationship

Source: Operationalized from Research Desk **(2025)**

3.0 METHODOLOGY

This study used a quantitative, cross-sectional survey to collect primary data from managerial and supervisory staff of all licensed Deposit Money Banks (DMBs) operating in Rivers State. A cross-sectional design is appropriate because the objective is to examine relationships among latent constructs (Hair et al., 2017). The study population comprised managerial and supervisory cadres in the 20 registered banks operating in Rivers State, drawn from the official lists of banks licensed by the Central Bank of Nigeria and recorded by the Nigeria Deposit Insurance Corporation. Sampling focused exclusively on managerial and supervisory staff through a purposive stratified approach to ensure respondents have oversight of performance processes and investment decisions. Within that managerial/supervisory stratum, simple random sampling was used to select respondents from eligible staff lists at randomly chosen branches; this combination of purposive stratification (to define the relevant cadre) and random selection (to reduce selection bias within strata) ensured both relevance and representativeness. The target sample size of 300 managerial/supervisory respondents was determined by following established Taro Yamen (Hair et al., 2017; Ringle et al., 2015).

To ensure consistent coverage across banks, the 300 sets of our questionnaire were allocated equally across the 20 banks, resulting in 15 instrument units per bank. Within each bank those 15 instruments were distributed among managerial and supervisory staff in approximately equal proportions, and respondents were selected by random draw from the bank's list of eligible managerial and supervisory employees across its Rivers State branches. This equal per-bank allocation preserves comparability across institutions while the within-bank random selection maintains internal representativeness.

Primary data were collected using a self-administered structured questionnaire with reflective indicators measured on a four-point Likert scale (1 = Strongly Disagree to 4 = Strongly Agree). A pilot test involving 30–50 managerial/supervisory staff preceded the main survey to assess item clarity and reliability; items with low loadings were revised or removed in line with best practice. Data analysis followed a two-stage PLS-SEM procedure implemented in SmartPLS: the measurement model was first assessed (indicator loadings, composite reliability, average variance extracted, and discriminant validity using Fornell-Larcker and HTMT), and the structural model was then evaluated using bootstrapping (≥5,000 resamples) to estimate path coefficients, R^2, f^2, and Q^2 (Fornell & Larcker, 1981; Henseler et al., 2015; Ringle et al., 2015). Common method bias was addressed through procedural remedies and statistical diagnostics (for example, Harman's single-factor test), following recommended approaches (Podsakoff et al., 2003).

4.0 RESULT PRESENTATION AND DISCUSSION OF FINDINGS

Bivariate Analysis

As detailed previously, the study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) aided by SMARTPLS software for hypothesis testing within the bivariate analysis. This process unfolded in two phases: evaluating the measurement model and subsequently, the structural model. The detailed findings of each stage are presented in the following sections.

Measurement Model Assessment

This section focuses on appraising the study's proposed measurement model and research instrument. The central aim is to ascertain their reliability and validity for the intended purpose. To achieve this, the model/instrument was assessed for both reliability and convergent and discriminant validity. The hypothesized model is visually represented in Figure 1.

Examination of the model's indicator items and their corresponding factor loadings revealed initial shortcomings, with some falling below the recommended threshold of 0.700. Based on Hair et al.'s (2012, 2014, 2017) recommendations, these items were iteratively removed and the analysis repeated until a satisfactory model was obtained. This process resulted in the elimination of 21 items from the originally developed 49, leaving 28 items deemed suitable for further analysis. The removal process primarily targeted items with the lowest factor loadings and led to improvements not only in individual factor loadings but also in overall model metrics such as Cronbach's alpha (α), composite reliability (CR), and average variance extracted (AVE). The final measurement model results are presented in a table.

The Results of the Measurement Model with descriptive analysis and factor loading

Constr	**Item Scale**	**Mean**	**S.D**	**Loading**	**Cronbach Alpha**	**CR**	**AVE**	**Sq. R AVE**
GS	My unit has clear, measurable performance targets aligned with the bank's strategic objectives.	3.345	0.860	0.921	**0.893**	**0.919**	**0.699**	
	Performance targets are specific and time-bound for my	3.034	0.69	0.828				

	managerial responsibilities.		7					
	Managers are actively involved in setting performance goals for their teams.	3.345	0.860	0.921				
	Goals set for my unit are challenging yet attainable within our context.	3.436	0.677	0.737				
	Management reviews and communicates progress against strategic goals regularly.	3.463	0.672	0.753				
PE	Appraisal outcomes inform fair promotion and reward decisions at managerial levels.	2.916	1.158	0.795	**0.825**	**0.831**	**0.742**	
	The appraisal process in my bank is transparent and objective for managerial staff.	3.324	0.856	0.886				
	Performance evaluations include measurable indicators relevant to managerial duties.	3.314	0.873	0.9				
CF	I receive timely feedback on my managerial performance from my supervisors.	3.155	0.879	0.739	**0.833**	**0.842**	**0.603**	
	There are effective upward and downward communication channels for managers in my bank.	3.28	0.775	0.873				
	Feedback provided to managers is specific and helps improve team outcomes.	3.142	0.805	0.779				
	Important changes affecting managerial responsibilities are communicated promptly.	3.463	0.672	0.698				
	There are opportunities to discuss performance results with senior management.	2.676	1.057	0.782				
ROI	Investments made by our bank (e.g., new systems, branches) yield measurable financial benefits.	2.963	1.137	0.856	**0.924**	**0.930**	**0.725**	
	Capital deployed in our unit is used efficiently to generate earnings.	3.493	0.897	0.845				
	Management tracks ROI indicators (e.g., project payback, ROA) at the unit level.	2.943	1.112	0.898				
	Investment decisions involve managerial input and consider expected returns.	3.345	0.86	0.837				
	My managerial decisions support improved return-on-assets or return-on-equity.	3.507	0.874	0.862				
	Our branch/unit achieves expected returns on investments in new products or services.	3.010	0.728	0.804				
PROF	Revenue-generation activities within my remit are actively monitored and rewarded.	3.351	1.102	0.844	**0.906**	**0.914**	**0.729**	
	Cost containment measures in my unit support profit growth.	3.328	0.845	0.882				
	Pricing and fee strategies at my level support sustainable profits.	3.301	0.859	0.875				
	My unit contributes to improved net profit margins for the bank	3.345	0.921	0.766				
	Profitability metrics are included in managerial performance dashboards.	3.324	0.832	0.896				
OPE	Operational processes in my unit are regularly reviewed for managerial improvements.	3.395	0.891	0.827	**0.827**	**0.872**	**0.755**	
	Cost-to-income ratio targets are communicated and monitored at the managerial level.	3.395	0.931	0.793				

	Waste or duplication of managerial tasks is minimized through clear procedures.	3.334	0.662	0.921				
	Managers in my unit are trained to use systems that enhance team efficiency.	3.095	1.243	0.925				

Source: Researchers' Computation, 2025.

Descriptive Statistics and Convergent Validity

The above table presents the study's descriptive statistics and model assessment results. The descriptive statistics, represented by mean and standard deviation scores, were favorable. High mean scores on each indicator item suggest general agreement among respondents, while low standard deviations indicate minimal response dispersion (no values exceeding one).

Furthermore, it displays statistically significant factor loadings (> 0.7) for all model variables, exceeding the minimum threshold established by Tabachnick and Fidell (2007). Additionally, the Average Variance Extracted (AVE) values surpassed the 0.5 minimum threshold recommended by Hair et al. (2006, 2010). These findings imply satisfactory convergent validity for the model.

Internal Consistency and Discriminant Validity

The model assessment also evaluated reliability using Cronbach's Alpha (α) and Composite Reliability (CR) for each construct. As shown in table below, all constructs achieved favorable scores exceeding the recommended 0.70 threshold. This confirms the research instrument's satisfactory internal consistency, indicating that the model's variables are consistent with each other.

To ensure external coherence, discriminant validity was assessed by comparing constructs using the square root of AVEs and their correlations, as presented in table below (Hair et al., 2014).

Table 4.2 Discriminant Validity Latent Variables

Constructs	GS	PE	CF	ROI	CF	OPE
Goal-Setting	**0.836**					
Performance Evaluation	0.669	**0.861**				
Communication and Feedback	0.665	0.707	**0.777**			
Return on Investment	0.592	0.624	0.652	**0.852**		
Profitability	0.557	0.589	0.597	0.824	**0.854**	
Operational Efficiency	0.501	0.514	0.562	0.712	0.821	**0.869**

Source: Smart PLS 4.0 – Field survey

Table showed the assessment result for the discriminant validity of each of the identified latent construct in this study. The essence of discriminant validity according to Hair, et al (2010) is to measure the degree to which two conceptually similar constructs are distinct from each other. Examining the construct-to-construct correlations on the table revealed that the square roots of AVE along the diagonal of the correlation matrix being greater than all the off-diagonal correlation value on the row and columns proved that discriminant validity of the research instrument/model is acceptable (Hair et al., 2010).

Assessment of the Structural Path Model and Hypotheses Testing

This study was set out to examine performance management system and business growth of deposit money banks in Rivers State. However, the specific objectives of the study emanated to developing seven distinct hypotheses to guide the study. Each of these hypotheses were subjected to structural equation modeling and the result is depicted in the structural path model which is presented in three phases in accordance to the objectives of the study; the study examined the relationship between the dimensions of performance management system and measures of business growth. The result is presented below;

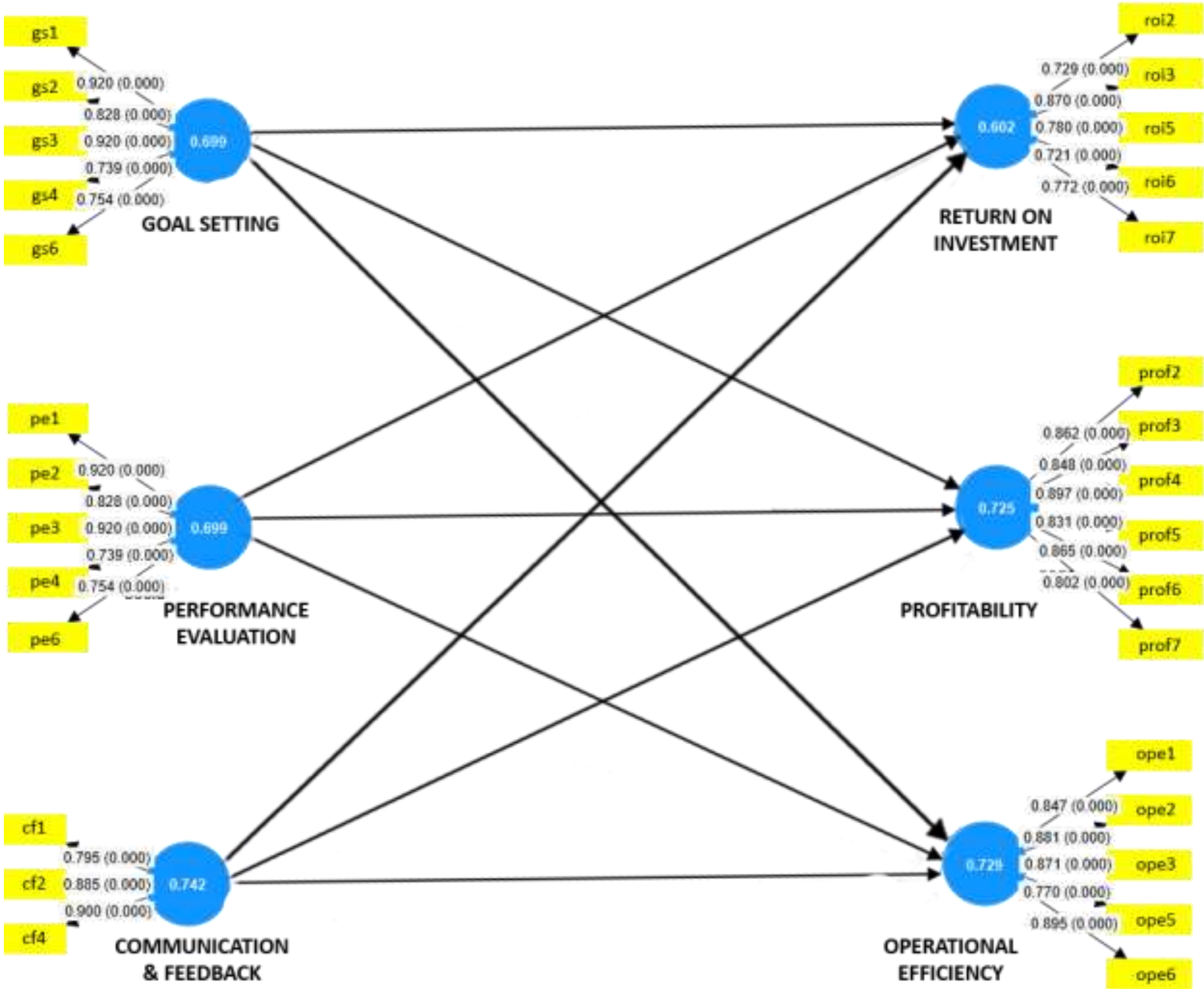

Fig. 4.1 Structural Path Model and Hypotheses Testing

Table 4.3 Path Analysis Result of The Direct Hypothesis Testing of Performance Management System and Business Growth

S/n	Hypothesized Path	P-Value	Standard	T - Value	Decisions	f-Squared	Effect size
1.	GS -> ROI	0.000	0.056	12.578	Not Supported	3.032	Large
2.	GS -> PROF	0.023	0.052	2.27	Not Supported	2.164	Large
3.	GS -> OPE	0.000	0.051	5.418	Not Supported	0.346	Large
4	PE -> ROI	0.000	0.059	3.532	Not Supported	4.002	Large
5	PE -> PROF	0.000	0.048	17.614	Not Supported	1.901	Large
6	PE -> OPE	0.000	0.048	14.000	Not Supported	2.876	Large
7	CF -> ROI	0.000	0.060	3.542	Not Supported	5.002	Large
8	CF -> PROF	0.000	0.049	18.615	Not Supported	1.901	Large
9	CF -> OPE	0.000	0.050	15.000	Not Supported	2.887	Large

*P<0.05

Source: The Researchers' Computation (2025).

The above table showed the path analysis result for the relationship between performance management system and business growth of DMBs in Rivers State. Specifically, the result showed that there is a positive relationship between the dimensions of performance management system and business growth measures as follows;

The first structural path showed that there is a positive relationship between goal-setting (GS) and return on investment (ROI) of DMBs in Rivers State with P0.00 < 0.05 and T-Value 12.578 > 1.96. Thus, the null hypothesis was rejected.

The second structural path showed that there is a positive relationship between goal-setting (GS) and profitability (PROF) of DMBs in Rivers with P 0.023 < 0.05 and T-Value 2.27 > 1.96. Thus, the null hypothesis was rejected.

The third structural path showed that there is a positive relationship between goal-setting (GS) and operational efficiency (OPE) of DMBs in Rivers state with P 0.00 <0.05 and T-Value 5.418 > 1.96. Thus, the null hypothesis was rejected.

The fourth structural path showed that there is a positive relationship between Performance evaluation (PE) and return on investment of DMBs in Rivers State with P0.00 < 0.05 and T-Value 3.532 > 1.96. Thus, the null hypothesis was rejected.

The fifth structural path showed that there is a positive relationship between Performance evaluation (PE) and profitability (PROF) of DMBs in Rivers State with P-value of 0.00 < 0.05 and T-Value 17.614 > 1.96. Thus, the null hypothesis was rejected.

The sixth structural path showed that there is a positive relationship between Performance evaluation (PE) and operational efficiency (OPE) of DMBs with P-value of 0.00 < 0.05 and T-Value 14.000 > 1.96. Thus, the null hypothesis was rejected.

The seventh structural path showed that there is a positive relationship between communication and feedback (CF) and return on investment of DMBs in Rivers State with P0.00 < 0.05 and T-Value 3.542 > 1.96. Thus, the null hypothesis was rejected.

The eight structural paths showed that there is a positive relationship between communication and feedback (CF)and profitability (PROF) of DMBs in Rivers State with P-value of 0.00 < 0.05 and T-Value 18.615 > 1.96. Thus, the null hypothesis was rejected.

The ninth structural path showed that there is a positive relationship between communication and feedback (CF) and operational efficiency (OPE) of DMBs with P-value of 0.00 < 0.05 and T-Value 15.000 > 1.96. Thus, the null hypothesis was rejected.

Furthermore, high values of R^2 (0.787, 0.897, and 0.843) were recorded for ROI, PROF, and OPE, respectively (see appendix) showing that performance management system is a strong predictor of DMBs growth and in fact could predict hotel return on investment, profitability and operational efficiency to the magnitude of 78.7%, 89.7% and 84.3 & respectively.

5.0 DISCUSSION OF FINDINGS

The statistical pattern reported positive, significant effects of Goal-Setting, Performance Evaluation and Communication & Feedback on ROI, Profitability and Operational Efficiency, together with very high model R^2 values sits comfortably alongside the empirical literature. Nwabuatu and Nnajiubah's mixed-methods analysis of SMART goal adoption finds strong correlations between goal systems and improvements in operational efficiency, productivity and profitability, which directly supports the strong GS → ROI and GS → OPE paths in the model. Ugoani's work on Nigerian commercial banks similarly shows that systematic goal-setting, monitoring and appraisal are associated with higher returns, reinforcing the interpretation that well-constructed targets help reallocate resources toward higher investment returns.

The pattern for Performance Evaluation in the results is likewise mirrored in the empirical review. Okeke et al. (2019) report that 360° feedback, structured appraisal and performance review each produce significant productivity gains, and Bankole & Faleye (2024) find that appraisal and developmental processes account for a large share of employee productivity improvements in Nigerian telecom firms; both studies therefore corroborate the finding that PE is a potent proximal lever for profitability and operational efficiency. Ebegbetale et al. (2023) also document that appraisal feedback significantly raises work performance in the public sector, which supports the mechanism proposed that timely appraisal converts managerial attention into corrective action and better results.

Communication & Feedback emerges in the model as a strong amplifier of other management practices, and the literature cited in the empirical review supports this role. Ajiteru, Sulaiman and Abalaka (2023) show a clear positive relationship between communication quality and employee performance and argue that effective two-way communication is essential for efficient management, while Umoh's studies find that robust internal communication structures improve managerial performance; these findings align with CF → PROF and CF → OPE paths and with the interpretation that communication accelerates detection and correction of performance shortfalls.

6.0 CONCLUSION

The model-level concludes that internal performance systems explain an unusually large share of between-firm variation is consistent in spirit with several studies that attribute substantial performance differences to management practices (for example, Ugoani and others included in the review), but the literature also furnishes useful caveats. Osuma, Ikpefan and Omankhanlen (2021) show empirically that efficiency and profitability do not always move together in Nigerian banks (some banks are profitable but not efficient), and Umoh (2024) reports a case where conventional efficiency ratios did not predict ROI; these papers suggest the relationship between internal management systems and different financial metrics can be mediated by sectoral, market or firm-level factors, and warn against treating very high R^2 values as unconditional proof that management explains everything.

7.0 Recommendations

In the light of our findings, we recommend that deposit money banks should as part of their performance management strategy:

a. Adopt cascaded SMART goals as a core operating practice
b. Institutionalize rigorous, frequent performance evaluation systems that combine KPI monitoring, structured appraisals and 360° feedback, and use their outputs to trigger targeted corrective actions and development investments.
c. Strengthen two-way communication and actionable feedback as an amplifier of goals and appraisal
d. Roll out changes through phased pilots with built-in monitoring and robustness checks rather than sweeping, unmeasured mandates.

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APPENDIX 1

LIST OF BANKS CONSULTED

Access Bank Plc
Ecobank Nigeria Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
First City Monument Bank (FCMB)
Globus Bank Limited
Guaranty Trust Bank Plc (GTBank)
Premium Trust Bank
IBTC Bank Plc
Sterling Bank Plc
United Bank for Africa (UBA) Plc
Union Bank of Nigeria Plc
Wema Bank Plc
Zenith Bank Plc
Accion Microfinance Bank
Ahetou Microfinance Bank Limited
Aza Microfinance Bank Limited
CEN Microfinance Bank Limited
Golden Funds Microfinance Bank
Royal Microfinance Bank Limited