Employee competencies as predictors of organisational performance: Evidence from the Indian private banking sector

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Abstract

In the evolving landscape of Indian banking, private sector banks are under increasing pressure to maintain high levels of performance and competitiveness. Competency mapping, a systematic approach for identifying and nurturing employees' key skills and behaviours, has emerged as a vital human resource management tool. This study empirically investigates the relationship between employee competencies and organisational performance within Indian private banks. Drawing on data collected from 350 employees across five leading private sector banks, the study employs a quantitative, cross-sectional research design using structured questionnaires and statistical analyses, including regression and correlation. Results indicate a significant positive relationship between core competencies-such as self-competence, team competence, and social competence-and organisational performance metrics like customer satisfaction, innovation, and productivity. The findings suggest that robust competency frameworks can serve as strategic levers for performance enhancement in the sector. The paper concludes by discussing implications for banking practitioners and human resource policymakers, advocating for the integration of competency mapping in talent management and training programmes. Limitations and avenues for future research are also highlighted.

Keywords: Employee competencies, competency mapping, organisational performance, private banks, India, human resource management, empirical analysis

Introduction
The Indian banking sector has undergone significant transformation over the last three decades, especially with the rise of private sector banks that have redefined service standards, innovation, and operational efficiency (Bhasin, 2017; Biswas, 2016) [1, 6]. The liberalisation policies of the 1990s fostered a competitive banking environment, encouraging both public and private banks to pursue new strategies for sustainable growth. In this context, human capital has been increasingly recognised as a critical driver of organisational performance (Jain & Dutta, 2019) [2].
Competency mapping, which involves systematically identifying the skills, knowledge, and attributes required for effective job performance, is gaining momentum in Indian private banks (Sanghi, 2016) [23]. Competency frameworks allow organisations to align employee capabilities with business objectives, facilitate targeted recruitment, enable more effective training, and foster a culture of continuous improvement (Sharma & Bhatnagar, 2015) [26]. Despite the growing adoption of competency mapping in Indian

banking, there remains a need for robust empirical research to quantify its impact on organisational performance, particularly within the context of private banks, which face distinct competitive pressures and operational challenges compared to their public sector counterparts (Gupta & Kumar, 2014) [12].
This paper seeks to address this research gap by empirically examining the relationship between employee competencies and organisational performance in leading private banks in India. The primary objectives are: (a) to identify which competencies most strongly predict organisational outcomes, and (b) to provide actionable recommendations for bank managers and HR professionals seeking to optimise performance through competency-based management. The study is grounded in the broader literature on strategic human resource management and is informed by recent empirical work in both Indian and international banking contexts (Salman *et al*., 2020; Jeevarekha & Hariharan, 2018) [24, 13].

Literature Review
Competency Mapping in Organisational Contexts
Competency mapping is defined as the process of identifying the specific competencies-knowledge, skills, abilities, and behaviours-that are critical for the effective performance of employees in an organisation (Sanghi, 2016) [23]. In the context of human resource management, competency frameworks serve as foundational tools for recruitment, selection, training, appraisal, and career development (Sharma & Bhatnagar, 2015) [26]. Globally, studies have shown that effective competency mapping can improve both individual and organisational outcomes (Boyatzis, 2008; Spencer & Spencer, 1993) [7, 27].

Employee Competencies and Organisational Performance: Research in the Indian banking sector suggests that competencies such as adaptability, teamwork, customer orientation, and leadership are positively associated with organisational performance (Salman *et al.*, 2020; Rao & Varghese, 2009) [24, 21]. In particular, private sector banks have been more proactive than their public counterparts in deploying competency-based HR systems to drive innovation and service quality (Bhasin, 2017) [1]. Studies by Jeevarekha and Hariharan (2018) [13] and Khandelwal (2014) [15] indicate that well-defined competency models correlate with higher job satisfaction, customer retention, and financial outcomes.

Key Competency Dimensions
Various models have been proposed to capture the core competencies required in the banking sector. Boyatzis (2008) [7] highlighted the importance of self-competence (such as emotional intelligence and self-regulation), team competence (collaboration and communication), and social competence (interpersonal skills and customer handling). Recent empirical work in India, such as Salman *et al.* (2020) [24], confirms that these three competency dimensions have the greatest impact on organisational performance indicators like productivity and customer loyalty.

Gaps in Indian Banking Research
While numerous qualitative studies and practitioner reports underscore the relevance of competency mapping in Indian banking, there is a paucity of large-scale, quantitative, sector-specific research, especially within private banks (Jain & Dutta, 2019) [2]. Most prior studies have focused on public sector banks or have relied on case studies, with limited generalisability. This study responds to the call for more rigorous, data-driven analysis by examining the strength of the relationship between competencies and organisational outcomes using robust statistical methods.

Hypotheses Development
Based on the above review, the following hypotheses are proposed:
- **H$_1$:** Employee self-competence is positively associated with organisational performance in private banks.
- **H$_2$:** Employee team competence positively predicts organisational performance in private banks.
- **H$_3$:** Employee social competence is positively associated with organisational performance in private banks.

These hypotheses guide the empirical analysis presented in the subsequent sections.

Materials and Methods
Research Design
This study adopts a cross-sectional, quantitative survey design to investigate the association between employee competencies and organisational performance in Indian private sector banks. The approach allows for the collection of standardised data across a large sample, facilitating statistical analysis and generalisability.

Sample and Data Collection
The study sample comprised 350 employees drawn from five leading private sector banks: HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank, and IndusInd Bank. Participants were selected using stratified random sampling to ensure representation across job roles, departments, and locations. Data were collected via structured questionnaires distributed electronically and in person over a three-month period in 2020.

Instruments
The research instrument included three validated scales:
1. **Employee Competency Scale:** Adapted from Boyatzis (2008) [7], measuring self-competence, team competence, and social competence, each with five items rated on a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree).
2. **Organisational Performance Scale:** Developed from the work of Delaney and Huselid (1996) [5], measuring perceived organisational performance across four dimensions: customer satisfaction, productivity, innovation, and financial performance.
3. **Demographic Questionnaire:** Capturing age, gender, job role, and years of experience.

Reliability and Validity
The instruments were pilot-tested on a sample of 30 employees for clarity and reliability. Cronbach's alpha values for all competency dimensions exceeded 0.80, indicating high internal consistency. Content validity was ensured through expert review.

Table 1: Reliability and Validity Statistics of Research Instruments

Scale	Dimension	Cronbach's Alpha	Content Validity Index (CVI)
Employee Competency Scale	Self-Competence	0.84	0.89
Employee Competency Scale	Team Competence	0.87	0.90
Employee Competency Scale	Social Competence	0.82	0.88
Organisational Performance	All Dimensions	0.85	0.91

Data Analysis
Data were analysed using SPSS v26. Descriptive statistics summarised sample characteristics. Pearson's correlation and multiple regression analyses tested the research hypotheses.

Results and Analysis
Descriptive Statistics
The dataset comprised responses from 350 employees across five major private sector banks in India. The demographic characteristics are summarised below.

Table 2: Demographic Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	185	52.9
	Female	165	47.1
Age (years)	21–30	115	32.9
	31–40	168	48.0
	41–50	48	13.7
	>50	19	5.4
Experience (years)	<5	102	29.1
	5–10	157	44.9
	11–20	66	18.9
	>20	25	7.1
Department	Operations	114	32.6
	Customer Service	79	22.6
	Sales & Marketing	96	27.4
	Other	61	17.4

The data show a diverse sample, with almost equal gender representation and a concentration of respondents in the 31–40 age group and with 5–10 years of experience.

Descriptive Scores for Competencies and Performance

Table 3: Means and Standard Deviations of Key Variables

Variable	Mean	SD	Minimum	Maximum
Self-Competence	3.87	0.76	2.10	5.00
Team Competence	4.01	0.68	2.30	5.00
Social Competence	3.95	0.71	2.00	5.00
Organisational Performance	3.92	0.74	2.20	5.00

Respondents generally reported moderate to high levels of core competencies and perceived organisational performance.

Correlation Analysis
Pearson's correlation coefficients were calculated to test associations between competency dimensions and organisational performance.

Table 4: Correlation Matrix among Core Variables

Variable	1	2	3	4
1. Self-Competence	1			
2. Team Competence	.62**	1		
3. Social Competence	.55**	.58**	1	
4. Org. Performance	.59**	.61**	.57**	1

Note: **$p < .01$

All three competency dimensions showed significant positive correlations with perceived organisational performance. Team competence ($r = .61$, $p<.01$) exhibited the strongest correlation, followed by self-competence ($r = .59$, $p<.01$) and social competence ($r = .57$, $p<.01$).

Multiple Regression Analysis
To determine the predictive power of the competencies, a standard multiple regression was performed with organisational performance as the dependent variable and self-, team-, and social competence as independent variables.

Table 5: Regression analysis predicting organisational performance

Predictor	B	SE B	Beta	t	p
Constant	1.18	0.21	—	5.62	<.001
Self-Competence	0.23	0.07	0.25	3.29	.001
Team Competence	0.36	0.09	0.32	4.00	<.001
Social Competence	0.29	0.08	0.27	3.63	<.001

Model Statistics: $R^2 = 0.49$, Adjusted $R^2 = 0.48$, $F(3, 346) = 108.7$, $p<.001$

The overall model explained 49% of the variance in organisational performance. All three competencies were significant predictors, with team competence showing the highest beta value, indicating it is the most influential predictor in the model.

Additional Analysis: Differences by Experience and Department
To explore whether competency levels differed by years of experience or department, ANOVA tests were performed.

Table 6: ANOVA-Team Competence by Experience Level

Source	SS	df	MS	F	p
Between	3.41	3	1.14	2.58	.054
Within	150.62	346	0.44		
Total	154.03	349			

The results approached statistical significance ($p = .054$), suggesting that team competence may increase with experience, but the difference is not statistically robust in this sample.

Summary of Hypothesis Testing

Table 7: Hypothesis Testing Summary

Hypothesis	Supported by Data?
H1: Self-competence positively associated with organisational performance	Yes
H2: Team competence positively predicts organisational performance	Yes
H3: Social competence positively associated with organisational performance	Yes

All hypotheses are supported by the empirical findings, confirming that the three dimensions of employee competence significantly and positively predict organisational performance in Indian private sector banks.

Discussion
This study provides empirical support for the central role of employee competencies in driving organisational performance in the Indian private banking sector. The significant positive relationships identified between self-, team-, and social competencies and organisational performance are consistent with the broader literature on strategic human resource management (Sanghi, 2016; Salman *et al*., 2020; Boyatzis, 2008) [23, 24, 7].

Interpretation of Key Findings

Among the three competency dimensions, team competence was the strongest predictor of organisational performance. This finding underlines the importance of collaboration and collective problem-solving in contemporary banking, where teamwork is critical for customer service delivery, innovation, and compliance (Gupta & Kumar, 2014; Biswas, 2016) [12, 6]. Self-competence, encompassing self-awareness, initiative, and adaptability, also significantly contributed to performance, highlighting the need for resilient and proactive employees in a sector exposed to constant change and regulatory demands (Jeevarekha & Hariharan, 2018) [13].

Social competence-the ability to engage with colleagues, clients, and external stakeholders-was likewise a significant predictor. In a service-driven industry like banking, strong interpersonal skills not only enhance customer satisfaction but also promote internal cohesion and organisational culture (Rao & Varghese, 2009) [21].

Implications for Practice

The findings have practical implications for HR managers and senior leaders in private sector banks. Investing in robust competency frameworks can provide a strategic advantage by ensuring that recruitment, training, and performance management processes are aligned with organisational goals (Sanghi, 2016; Sharma & Bhatnagar, 2015) [23, 26]. Training programmes should place particular emphasis on developing teamwork and interpersonal skills, as these have the most pronounced effects on overall performance. Furthermore, performance appraisal and promotion criteria should be re-examined to incorporate validated competency assessments.

Comparisons with Previous Studies

This research builds on and extends the work of Salman *et al*. (2020) [24] and Jeevarekha and Hariharan (2018) [13], who also identified competencies as drivers of performance in the Indian banking sector, but whose studies were more limited in scale and scope. The present study's use of a larger, multi-bank sample strengthens the generalisability of these findings. Internationally, these results are consistent with Boyatzis (2008) [7] and Spencer and Spencer (1993) [27], confirming the universal relevance of competency frameworks across sectors and geographies.

Limitations

Despite the strengths of this study, certain limitations must be acknowledged. The cross-sectional nature of the research precludes causal inference, and reliance on self-reported measures introduces potential for bias. The sample, although diverse, was limited to five private banks, which may restrict generalisability to other contexts, such as public sector banks or non-banking financial institutions. Future research could use longitudinal designs or objective performance data to enhance rigour.

Conclusion

This research paper has sought to analyse the empirical relationship between competency mapping and employee performance within private sector banking in India. Drawing on a robust sample and validated measurement instruments, the findings confirm that the core dimensions of employee competence-self-competence, team competence, and social competence-are all significantly and positively associated with organisational performance.

Most notably, team competence emerged as the strongest predictor, emphasising the modern bank's dependence on collaboration, synergy, and coordinated effort to achieve business objectives and maintain a competitive edge. This reflects the transformation of banking from a transactional, individual-focused profession to one defined by collective service delivery, compliance, and digital transformation. Self-competence and social competence also proved vital, aligning with global evidence that personal mastery and interpersonal skills are indispensable in dynamic, client-facing sectors.

The empirical model explained nearly half of the variance in perceived organisational performance ($R^2 = 0.49$), highlighting the real-world impact of HR strategies that prioritise competency frameworks. These findings are congruent with the theoretical perspectives of Boyatzis (2008) [7], Sanghi (2016) [23], and Salman *et al*. (2020) [24], and echo broader calls for the Indian banking sector to professionalise HR practices, embed competency-based assessments, and foster continuous learning.

Nonetheless, certain limitations must be acknowledged. The study's cross-sectional nature limits claims of causality, and potential biases associated with self-reporting may affect the objectivity of results. Additionally, while the sample covered several leading private banks, future research should broaden its reach to include public sector banks and other financial institutions to verify the transferability of findings.

Recommendations

1. **Institutionalise Competency Frameworks:** Private sector banks should design, implement, and regularly update competency mapping systems that reflect strategic goals, role-specific requirements, and evolving market trends.

2. **Prioritise Teamwork and Collaboration:** Training and development programmes must focus on enhancing team competence, including conflict resolution, collaborative problem-solving, and communication skills.

3. **Integrate Competency Assessments in HR Processes:** Recruitment, appraisal, promotion, and rewards should be tightly aligned with validated competency criteria rather than relying solely on tenure or traditional performance indicators.

4. **Foster Continuous Professional Development:** Provide opportunities for employees to develop self-competence (initiative, adaptability, learning agility) and social competence (networking, customer engagement) through structured learning modules and job rotation.

5. **Adopt Data-Driven HR Analytics:** Banks should invest in HR analytics platforms to systematically monitor competency levels, track performance outcomes, and identify areas for targeted intervention.

6. **Expand Research and Practice Beyond Private Sector:** Future studies should examine whether similar competency-performance relationships exist in public

sector and cooperative banks, and adapt frameworks to these contexts as needed.

7. **Promote a Culture of Feedback and Inclusion:** Encourage upward and peer feedback as part of performance reviews to provide a holistic view of employee competencies and foster an inclusive work environment.

8. **Regular Validation and Benchmarking:** Continually validate the competency models using external benchmarks and employee feedback to ensure ongoing relevance and effectiveness.

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