

Examination of Employees Satisfaction on Performance Appraisal System in Public and Private Banks: A Comparative Study

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ABSTRACT

Performance Management is a multi step process of aligning employee's work behaviours with the strategy and goals of the organization. Banking sector is a fast growing sector of India. With swift expansion in the number of branches and the new functions assigned to them, banks are beginning to feel a new pressure on their organizational abilities i.e. the processes of recruitment, placement, training, promotion and appraisal, in order to ensure that the right number of staff with the right capacities are available at the right time and for the right places. The present study is focused on the employee's perception towards performance appraisal methods in public and private banks in Hyderabad city. The study found that there is a difference between public and private banks employees perception in respect of performance appraisal.

Key Words: Performance Appraisal, Banking Sectors, Employees satisfaction

INTRODUCTION

The human resource management [1-3] is a blend of managerial and operative functions. The operative functions are concerned with clear actions of procuring, developing, compensating and maintaining a proficient work force. In order to make proper implementation of development functions the role of human resource development is of key importance as it is the process of improving the skills, aptitudes and value of employees so that they can perform the current and future jobs more efficiently. The development function comprises the activities of performance appraisal, training, and career

planning. To initiate the human resource development process, techniques like performance appraisal, training, counselling and organization development are used. In enhancing the competencies, motivation, and effectiveness of the work force, human resource development possesses the highlighting role.

Performance appraisal includes all formal procedures used to evaluate personalities, contributions & potentials of group members in a working organization [5]. It is a continuous process to secure information necessary for making correct and objective decisions on employees. In simple words, performance appraisal is the systematic evaluation of the individual with respect to his performance on the job and his potential for development. Managing employee performance is the bigger challenge that the managers face today. Bringing out the best from each and every employee is the ultimate goal of human resource management. Performance of employees in banking sector, one of the core sectors in Indian economy, not only contributes for economic development but for better and evaluating service to its customer. This paper studies the opinion of employee towards their existing PMS [7], analyzing its strength and weakness and the ways for impressing the existing system [9].

Performance management system is tool to measure and improve the performance of employees and organization. Measuring employee performance provides a plan to

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identify the competency and skill set of existing employees. Performance management system is the systematic approach of setting mission and vision, equipping and guiding employees to achieve the same. Before measuring the performance each and every one has a set of goals to perform in the working environment. Performance management system [11] is the systematic approach and a platform to achieve employee goals, in turn achieving organization goal.

CONCEPTUAL FRAMEWORK OF PERFORMANCE APPRAISAL

Performance appraisal is the process of assessing the performance and progress of an employee or of a group of employees on a given job and his/her potential for future development. It is an objective study. Its main purpose is to secure necessary information for making objective and correct decisions on employees [13]. Being the process of determining the performance of the employees on the job it helps in communicating to them the scope for improvement if any with a proper plan of action which leads to enhancement of performance along with building good relations amongst superior and subordinates. It also plays an important role in the managers to take the administrative decisions effectively relating to promotions, fringes, payoffs and merit pay. So, performance appraisal is a must for all organizations.

IMPORTANCE OF PERFORMANCE APPRAISAL

Performance appraisal is a significant element of the information and control system of the organisation. It can be put to several uses concerning the entire spectrum of "smart resource management functions. Some common applications of performance appraisal are given below:

- Performance appraisal provides valuable information for personnel decisions such as pay Increases, promotions, demotions, transfers and terminations. Thus, performance appraisal serves as the basis of suitable personnel policies.
- It helps to judge the effectiveness of recruitment, selection, placement and orientation systems of the organisation.

- It is useful in analysing training and development needs. These needs can be assessed because performance appraisal reveals people who require further training to remove their weaknesses. It also identifies individuals with high potential who can be groomed up for higher positions.
- Performance appraisal can be used to improve performance through appropriate feedback to employees. It serves as a pathway for the superior for conveying a subordinate about how he or she is performing on the work assigned and suggesting necessary changes if any with respect to developing field knowledge, improving behavioural aspects and attitudinal levels [15].

PERFORMANCE APPRAISAL PROCESS

Performance appraisal is a systematic process in which employee's job performance is evaluated in relation to the projects on which employee has worked and his contribution to the organisation. It is also known as an annual review or performance review.

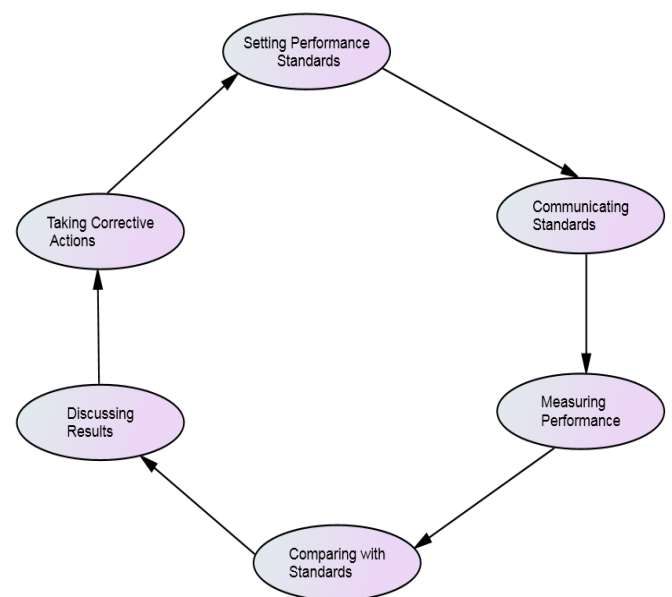


Fig. 1: Performance Appraisal Process

Model Source: Performance Appraisal Process by C.B. Gupta, 2006

PERFORMANCE APPRAISAL SYSTEMS IN INDIAN BANKS

Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) [2] have changed their PAS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal. Its associate banks are likely to follow the same after detailed experiences of State Bank of India are available. Several banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of a communication of achievements [4].

Allahabad Bank has introduced a system that aims in helping officers to identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraise officers on technical skills, human skills and conceptual skills.

All these are defined for different categories of roles and Allahabad Bank has introduced a system that aims in helping officers to identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraise officers on technical skills, human skills and conceptual skills.

All these are defined for different categories of roles and the assessment has to be made on a five-point scale.

Corporation Bank, UCO Bank, Central Bank of India, Dena Bank and Bank of Baroda has introduced similar self-appraisal formats [6].

REVIEW OF LITERATURE

Bach (2000), suggests that one of the underlying purposes of performance appraisal schemes is to elicit corporate compliance. Role ambiguity is addressed that performance appraisal can reduce role ambiguity. **Simmons (2002)**, draws together a range of sources, arguing that a robust, performance enhancing and equitable performance appraisal system, which gains the commitment of professionals, is a key factor in achieving a good return on an organisations “intellectual capital”. **Rees and Porter (2003)**, cite that a common problem is that schemes have too many objectives. The most obvious reason for appraising an individual is to secure its improvement and it follows that securing performance improvement for all individuals will enhance wider organization performance. **Fletcher (2006)**, takes a more balanced view, suggesting that for performance appraisal to be constructive and useful there needs to be some benefit in it for appraiser and appraisee. **Youngcourt, Leiva and Jones (2007)**, suggest that the common purpose of performance appraisal tends to be aimed at the measurement of individuals, again this focus is insufficient. From the organization perspective, successful performance management is the key to achievement of corporate goals. It is argued above that performance appraisal is the central component of performance management, and so it must be that for an organization. **Caruth and Humphreys (2008)**, add to this viewpoint by suggesting it is a business imperative that the performance appraisal system includes characteristics to meet the organizational needs and all of its stakeholders (including management and staff). The most common to almost all purposes of performance appraisal is the concept of improving performance and developing people. **Watson Wyatt (2009)**, survey of 113 Canadian organizations and 3,000 employees revealed that only 29% feel their companies do a good job of identifying and rewarding top performers, only 27% feel there is a clear link between performance and pay and only 24% feel their companies manage poor performers so their work improves. **Lalita Rani, Naveen Kumar and Sushil Kumar (2014)**, in their study come to the crux

that appraisal process is necessary as it staffs the very important purpose of improving the future performance. The study clarifies that most of the banks uses 360 Degree Appraisal Method and almost all of the employees settled on the grounds that performance appraisal helps in improving performance, achieving organization goals, helps in increasing motivation and satisfaction

NEED FOR THE STUDY

Banking sector is one sector where a great degree of attention is being paid to Performance Appraisal Systems (PAS). Several of the public sector banks (PSBs) have changed their PAS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal [8]. In the Banking industry appraisal system that meets individual as well as organizational goals is important. Hence the present study focuses on the employee’s perception with regard to performance appraisal in both public and private sector banks and their comparison.

OBJECTIVES OF THE STUDY

- To present the theoretical aspects of the Performance Appraisal System in Banking sector in India.
- To examine the employees perception on Performance Appraisal Criteria in ICICI Bank and State Bank of India.

HYPOTHESIS

- There is no significant difference between ICICI Bank and State Bank of India in respect of performance appraisal time period.
- There is no significant mean difference between employee’s designation in performance appraisal in both ICICI Bank and State Bank of India.

RESEARCH METHODOLOGY

The study is based on both primary and secondary data. The secondary data is collected from various journal, books and websites whereas the primary data is collected

from the employees of the ICICI and State Bank of India branches which are located in Hyderabad City using a structured questionnaire. The sample size of the study is 100 employees (50 respondents from ICICI bank and 50 respondents from SBI bank) and the study adopted the convenience sampling technique [10]. The data is tested using several statistical techniques like Chi-Square, ANOVA, etc. The results were presented using SPSS 20.0 version [12]. The Cronbach's Alpha value of the questionnaire instrument is .72 as given below.

Table 1
Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.72	.701	20

Source: primary data

ANALYSIS

Period of Performance Appraisal

Table 2 shows the time period to appraise the employee’s performance in both the banks. According to the results it is identified that the ICICI Bank is conducting the performance appraisal very regularly where as SBI is frequently going to the employee’s performance appraisal.

Table 2
Period of Performance Appraisal

		Time period		Total
		Regularly	Frequently	
Performance Appraisal	ICICI	41	9	50
	SBI	18	32	50
Total		59	41	100

Source: primary data

Table 2 (a) shows the Chi-square results. It is observed that the calculated ‘p-value’ 0.020 is less than the value 0.05. If the calculated ‘p-value’ is greater than the value 0.05 at 5% level of significance, the null hypothesis would be accepted but here the ‘p-value’ is less than the

calculated value. Hence, the null hypothesis (H_{01}) is 'rejected' and it is observed that there is a difference between ICICI and SBI banks in respect of time period to appraise the employee's performance.

Table 2 (a)
Chi-square results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.000 ^a	1	0.020

Source: primary data

Methods of Performance Appraisal

Table 3 shows the methods of employee's performance appraisal in both the banks. According to the results it is identified that the ICICI Bank is using traditional methods in performance appraisal whereas SBI is using modern methods in the employee's performance appraisal.

Table 3
Methods of Performance Appraisal

		Methods		Total
		Traditional	Modern	
Methods of Performance Appraisal	ICICI	0	50	50
	SBI	14	36	50
Total		14	86	100

Source: primary data

Table 3 (a) shows the Chi-square results. It is observed that the calculated 'p-value' 0.000 is less than the value 0.05. If the calculated 'p-value' is greater than the value 0.05 at 5% level of significance, the null hypothesis would be accepted but here the 'p-value' is less than the calculated value 0.00. Hence, the null hypothesis (H_{02}) is 'rejected' and it is observed that there is a difference between ICICI and SBI banks in respect of using the performance appraisal methods.

Table 3 (a)
Chi-square results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.000 ^a	1	0.000

Source: primary data

Performance Appraisal and Designation

Table 4 shows the significant mean difference between employee's performance appraisal and designation of the employee in both the banks. It is observed that the calculated 'p-value' 0.00 is less than the value 0.05. If the calculated 'p-value' is greater than the value 0.05 at 5% level of significance, the null hypothesis would be accepted but here the 'p-value' is less than the calculated value 0.00. Hence, the null hypothesis (H_{02}) is 'rejected' and it is observed that there is a significant mean difference between employee's performance appraisal and designation. High designate employee's performance is regularly evaluating whereas middle and low level employees performance evaluation is at frequently.

Table 4
ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.000	1	.000	.000	1.000
Within Groups	23.560	98	.240		
Total	23.560	99			

Source: primary data

Employees Satisfaction on Performance Appraisal

Table 5 shows the employee's satisfaction in performance appraisal in both the banks. According to the results it is identified that the ICICI Bank employees were not satisfied with the performance appraisal methods. Because, ICICI bank has been using the modern performance appraisal methods which were quit difficult to the employees'. It is also observed that the SBI Bank employees were satisfied with the performance appraisal methods [14].

Table 5
Employees Satisfaction on Performance Appraisal

Bank	Satisfied	Not satisfied	Total
ICICI	11	39	50
SBI	37	13	50
Total	48	52	100

Source: primary data

Table 5 (a) shows the Chi-square results. It is observed that the calculated 'p-value' 0.000 is less than the value 0.05. If the calculated 'p-value' is greater than the value 0.05 at 5% level of significance, the null hypothesis would be accepted but here the 'p-value' is less than the calculated value 0.00. Hence, the null hypothesis (H_{02}) is '**rejected**' and it is observed that there is a difference between ICICI and SBI banks employees in respect of satisfaction on performance appraisal methods.

Table 2 (a)
Chi-square results

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.000 ^a	1	0.000

Source: primary data

FINDINGS AND CONCLUSIONS

Performance management system is tool to measure and improve the performance of employees and organization. Measuring employee performance provides a plan to identify the competency and skill set of existing employees. Performance management system is the systematic approach of setting mission and vision, equipping and guiding employees to achieve the same. Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) have changed their PAS or are in the process of changing them.

The results reveals that the ICICI Bank is conducting the performance appraisal very regularly where as SBI is frequently conducting the employee's performance appraisal. The study also found that the ICICI Bank is using traditional methods in the performance appraisal where as SBI is using modern methods in the employee's performance appraisal. Further, the study also found that the banks are using different performance methods in different designation. In this context, there is no difference between both the ICICI and SBI banks. From the fascinating results, it is concluded that there is a difference between ICICI and SBI banks employee's perceptions in respect of performance appraisal.

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