



EMPLOYEE PERCEPTION TOWARDS PERFORMANCE APPRAISAL IN PUBLIC AND PRIVATE SECTOR BANKS

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Abstract: Performance appraisal (PA) is one of the most essential and critical as well function performed by human resource department in any organization. It is primarily designed for the overall growth and development of employees as well as organizations. The objective of PA is to evaluate the performance of employees at various levels in the organization. The employees are assigned a set of job and management in the organization expect the employees to perform and meet the pre-defined level of performance standards. Then the employees are evaluated if they have met the performance standard or not. The information on each employee is generated using a formal system which help the HR department to decide if the employee had been able to meet the expectations or not. Also, the information generated through appraisal system help management in implementing certain administrative and development decision which may affect the growth of employee as well as organization. The development decision related to employee are like promotion, rewards, salary hike, termination, new responsibility assignment etc. The decision regarding organization include recruitment and selection procedure, and transfer policies etc. PAS process enables an organization to rise above the others and be a resourceful organization capable of solving the problem and grow in different and difficult situations. This paper intended to measure the status of Performance Appraisal in public and private sector banks. Standardized instrument was used to measure the perception of employees towards various components of performance appraisal.

Key word: Performance appraisal, human resource, promotion, Public sector, Private sector.

Introduction

Performance appraisal is one of the most important human resource development function in any organization. Performance appraisal is process of assessing an individual's performance in a systematic way. Implementing an effective performance appraisal system (PAS) in any organization is greatest challenge (Taylor et.al., 1995). Performance appraisal is an objective assessment of an individual's performance against well-defined bench marks. The performance is being measured in terms of achievement of given target or task, quality and quantity of output, initiative, leadership abilities, supervision, dependability, versatility. The basis of performance is not merely past performance but the ability to perform in future too. The performance appraisal system (PAS) in an organization help the management to take decision regarding promotion, placement, rewards, training and development programs designs, and even termination. A PAS in an organization provides management with sufficient set of information that helps management to identify

the potential employees (Spriegel and Mumma, 1961). An effective PAS provide employees with their performance and progress at work (Banks and Murphy, 1985). Also, employees can also assess their own capabilities. The end means of PAS in an organization is to make it rich in human resource through retaining the potential employees and recruiting new employees (Roberts, 1995; Mufeed, 1998). According to Britton and Gold (2003), performance appraisal is most contentious and least popular activities performed by HR managers in an organization.

Performance Appraisal System in Indian Banks

Both public and private sector banks have different appraisal systems employed. Public sector are generally more employee oriented while private sector are more growth oriented. In public sector banks, there is no single appraisal system adopted by all the banks. The appraisal system adopted by SBI and its associate banks is not followed by the other public sector banks in the same way. The differences

are observed between the appraisal systems of different public sector banks.

Performance appraisal involves recording the performance of employees on timely basis. The employees are assessed on criterion of conceptual, technical and human skills. Different criteria are defined for different categories of employees. Different appraisal forms are used for different categories of employees. SBI has adopted an open system of appraisal which is also adopted by their associate banks. Many of the public sector banks have adopted self-appraisal system in which employees would appraise their performance and communicate their achievements to the organization. Allahabad banks has adopted a system in which employees identify their strengths and weaknesses and bank encourage them to overcome their weaknesses. In other public sector banks like UCO bank, Dena Bank, CBI, UBI, and Bank of Baroda have almost similar type of self-appraisal system in which different categories of employees are assessed on different criteria. The human, technical and conceptual skills are assessed on five point likert scale. In Punjab National Bank, appraisal system is very cumbersome and around 10 forms are used to assess different categories of employees. But the system is said to be development oriented and very successful in increasing the effectiveness of the organization. The appraisal system is cornerstone in the success of Punjab National Bank.

In private sector banks, each bank has its own appraisal system and quite different from each other. The appraisal in private banks starts immediately as soon as new recruit enters the organization. New recruit is sent to training for few days which vary from bank to bank. Immediately after completion of training, the appraisal of employee starts. After the employee join the job, the appraisal on continuous basis is done. The basis of appraisal is direct and indirect functions. Direct functions include job related aspects like general banking, treasury and credit management skills etc. While indirect functions include dress up,

punctuality, mannerism, dealing with colleagues and customers and knowledge about organization's system and procedures, knowledge of hierarchy in the organization, etc. The employees are rated on above criterion and promotion and salary increments are based on the performance on the criterion prescribed for each category. For higher rank employees, the criterion is different and varies from bank to bank.

Objectives or Purpose of study

The study was conducted to achieve the following objectives –

To examine the state of performance appraisal system in public and private sector banks of India.

Sampling and data collection

The data were collected from employees of banks under study. For the purpose of study, two leading banks from private sector and two leading banks from public sector banks were identified. 100 respondents from each bank participated in the survey. The structured questionnaire was used to collect the data. Respondents were chosen randomly based on their willingness to participate in the survey. Data was collected either at their workplace or home, or questionnaire was e-mailed and responses were received through-mail. In total 400 responses were collected carefully selecting 100 respondents from each bank. Data was collected from three regions of North India – Punjab, Chandigarh, and Uttrakhand.

Measurement instrument

Performance Appraisal System (PAS) – PAS is used to evaluate whether the employees at various levels in the organization perform their assigned job as per the expectations of the organization or supervisor. In the present study, the employee perception towards PAS was measured using standardized instrument used in various studies before (*Rao, 1990; Srinivasan, 1994; Mufeed, 1995; Nazir, 2007; Showkat, 2013*). The instrument was used to measure the employee perception towards various components of employee performance appraisal system. The instrument

consisted of 49 statements measured on 5 point likert scale from *Strongly disagree to Strongly agree* and it studied the four components of employee performance appraisal system i.e. Design component, Process component, Outcome component, and organizational content component of PAS.

Design component measure the clarity of performance objectives, performance planning, employee acceptance, grievance redressal, and score for superior-subordinate communication in the bank. The design component of PAS is measured using 15 statements. The process component intend to measure the processes related to PAS in the banks. It consist of 11 statements and cover PAS implementation, goal setting, and objectivity,

participation, and feedback system in the banks. Outcome component measure development and administrative values of PAS using 8 statements. Organization content refer to the performance, reward, structure, superior-subordinate relationship and communication in the banks and is measured using 15 statements.

Data Analysis and Interpretation

Table 1 exhibits the cronbach’s alpha of four components of performance appraisal system and items associated with it. The lowest reliability reported is 0.69 was Outcome component which was just below the minimum threshold of 0.7 as recommended. Highest cronbach’s alpha reported was 0.83 for organizational content component having 15 statement.

Table 1: Cronbach’s alpha of components of performance appraisal system

Component	Number of Statements	Cronbach’s Alpha
Design/Content component	15	0.78
Process Component	11	0.72
Outcome Component	8	0.69
Organizational Content Component	15	0.83

• Table 2 exhibits descriptive statistics for four components of performance appraisal system for public and private sector banks. The design components consisted of statements measuring various design related aspects of performance appraisal system - measure the clarity of performance objective, scope for superior-subordinate relationship or communication, employee acceptance, performance planning, and employee grievance redressal. The overall mean score of design component (3.414, SD=1.04) was average suggesting scope of major improvements in the design component of performance appraisal system. The mean score of private sector banks was (3.572, SD=0.97) was significantly higher than mean score of public sector banks (3.256, SD=1.03) as t-test was found to be highly significant $t = 3.159, p = 0.002$ suggesting that although the mean score of private sector banks was average but significantly higher than that of public sector banks. The

scope of improvement was more in public sector banks than in public sector banks.

• Process component measures the system of implementation, feedback, participation, goal setting, and objectivity of the performance appraisal system in the banks. The overall mean score of banks (3.119, SD = 1.05) was below average suggesting massive scope of improvement in the performance appraisal systems in the banks. The mean score of process component variables for private sector banks (3.303, SD = 0.94) was significantly higher than mean scores of public sector bank (2.938, SD = 1.06) as results of t-test was found to be highly significant $t = 3.643, p = 0.000$ suggesting that mean score of private sector banks was significantly higher than mean score of public sector banks. The mean scores of private sector banks was found to be poor and had very large scope of improvement. Results are exhibited in table 29.

- The outcome variable measures developmental and administrative values of banks. The overall mean score of outcome component was average (3.673, SD = 1.02) suggesting lots of scope of improvement in it. The mean score of private sector banks (3.912, SD = 0.92) was significantly higher than mean score of public sector banks (3.433, SD = 0.97) as results of t-test was found to be highly significant $t = 5.067, p = 0.000$ suggesting that there is high scope of improvement in performance appraisal system of public sector banks. The mean score of private sector was moderate but still chances of improvements were there.
- The organizational content variable measures structure, reward system, support, performance standards, and superior subordinate communication relationship in the banks. The overall mean score of organizational content component was average (3.533, SD = 1.02) was average suggesting lots of scope of improvement in it. The mean score of private sector banks (3.467, SD = 0.93) was not significantly lower than mean score of public sector banks (3.629, SD = 0.98) as results of t-test was found to be non-significant $t = 1.696, p = 0.091$ suggesting that mean scores of public and private sectors were not significantly different. But the score of improvement was significant in both sector of banks.

Table 2: Descriptive statistics and independent sample t-test of components of performance appraisal system

Sr. No.	Component	Overall (N=400)		Public Sector (N=200)		Private sector (N=200)		T-stat	p-value
		Mean	SD	Mean	SD	Mean	SD		
1.	Design/Content component	3.414	1.04	3.256	1.03	3.572	0.97	3.159	0.002*
2.	Process Component	3.119	1.05	2.938	1.06	3.303	0.94	3.643	0.000*
3.	Outcome Component	3.673	1.01	3.433	0.97	3.912	0.92	5.067	0.000*
4.	Organizational Content Component	3.533	1.02	3.629	0.98	3.467	0.93	1.696	0.091***

Note: * = significant at $\alpha = .01$ level; ** = significant at $\alpha = .05$ level; *** = significant at $\alpha = .10$ level

Overall satisfaction with performance appraisal system adopted by the banks

The employees were asked to rate level of overall satisfaction with the performance appraisal system used by their respective banks on the scale of 1 to 5 where 1 = Highly dissatisfied; 2 = Dissatisfied; 3 = Neither satisfied nor dissatisfied; 4 = Satisfied; and 5 = Highly satisfied.

Table 3 shows the overall results combined of public and private sector bank employees. 24% employees were highly satisfied with the performance system

adopted by their bank respective bank. 26% were satisfied with it. In total 50% were satisfied with the performance appraisal system adopted by their respective bank. 29% were neither satisfied or nor dissatisfied or neutral on it. 10% were highly dissatisfied and another 11% were dissatisfied with the performance appraisal system of their bank. Overall mean (3.44, SD=1.07) suggest below average level of satisfaction. This also suggested that there is definite score of significant improvement in it.

Table 3: Frequencies and descriptive statistics of overall satisfaction of bank employees with performance system adopted by their respective banks

Highly dissatisfied	Dissatisfied	Neither satisfied nor dissatisfied	Satisfied	Highly satisfied	Mean	SD
39 10%	44 11%	116 29%	104 26%	97 24%	3.44	1.07

Table 4 exhibits the results of bank wise overall satisfaction scores of employees towards performance

appraisal system being adopted by public and private sector banks. 13% of private

sector employees were highly satisfied as compared to 11% of public sector bank highly satisfied employees. 18% of private sector employees were satisfied with the appraisal system of their bank in comparison to 9% satisfied employees of public sector employees. 10% of private sector employees were neutral or neither satisfied nor-dissatisfied in comparison to only 18% such employees of public sector banks. Around 6% of private sector employees expressed their dissatisfaction as compared to only 5% of public sector employees showed their dissatisfaction. 33% of private sector employees were highly dissatisfied in comparison to 7% highly dissatisfied employees of public sector banks.

The mean satisfaction score of private sector banks (3.65, SD=0.98) was significantly higher than mean satisfaction score of public sector banks (3.245, SD=1.17). The t-test was found to be highly significant $t=3.753$, $df=398$, $p=0.000$ suggesting that private sector bank employees were significantly more satisfied as compared to employees of public sector bank. The performance appraisal system adopted by private sector banks was much more in line with the requirements of bank employees as compared to performance appraisal system adopted by public sector banks.

Table 4: Frequencies, descriptive and t-test to compare the differences in the employee satisfaction with the performance appraisal system adopted by the banks

Bank Type	Highly Dissatisfied	Dissatisfied	Neither satisfied nor dissatisfied	Satisfied	Highly satisfied	Mean	SD	T-stat	Sig.
Private Sector Banks	12	23	41	71	53	3.65	0.98	3.753	0.000*
	3%	6%	10%	18%	13%				
Public Sector Banks	27	21	72	36	44	3.245	1.17		
	7%	5%	18%	9%	11%				

Note: *= significant at $\alpha=.01$ level

Findings and Conclusion of the study

Private Banks were found to have more clarity on the design component of performance appraisal system. There is need to bring in more clarity in the performance objective, scope for superior-subordinate relationship or communication, employee acceptance, performance planning, and employee grievance redressal in both public and private sector banks but specifically in public sector banks. Also, private sector banks were found to be better on process component of performance appraisal system, suggesting that public sector banks needed more attention towards implementation, feedback, employee participation, goal setting, and objectivity of the performance appraisal system in the banks. Also, it was found that both public and private sector banks needed to improve their

reward system, support system, performance standards, and superior subordinate communication. These few improvement in banking system would increase the efficiency and effectiveness of performance appraisal system of banks.

Further, it was found that overall there was moderate level of satisfaction among with the performance appraisal system in the banks. Although the employee of private sector banks were significantly more satisfied with the PAS implemented in their respective banks than their counterpart in the public sector banks. The performance appraisal system adopted by private sector banks was much more in line with the requirements of bank employees as compared to performance appraisal system adopted by public sector banks.

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