

## **PERFORMANCE APPRAISAL PRACTICES AS A TOOL TO IMPROVE EMPLOYEE EFFICIENCIES IN BANKING SECTOR**

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### **Abstract**

The role of HR Manager in an Organization is many. One of the responsibilities of the HR Manager is the Performance Measurement. It is one of the important human management functions for any organization. Consequently, various tools and methods are used to measure the performance. Currently performance appraisal not only considers the rating technique of motivation but also stretched away from that. Measuring the performance is one of the most discussed topics in performance management. It is purely depend on environmental characteristics which help in achieving organizational objective. Notwithstanding anything employees' job performance can control their way of doing any job. Additionally, this paper found that employees are interested to fulfil their personal objective effectively so as to not only can achieve their individual goal but also serve loyalty towards organizational objectives.

**Key words:** Performance, Appraisal, Employee, Techniques, Banks, System

### **Introduction**

Employees form the basis of any Organization. Although the organizational goals are set by the top management but their attainment depends on the overall contributions made by the employees as a whole. Thus the total attainment of the organizational objective is the sum total of the performance of its employees. The performance of an employee can be measured and evaluated by measuring his contribution to the task. In order to measure the Performance one has to take into consideration the factors like quantity, quality and cost. An effective Performance Appraisal System helps the management of an Organization to get feedback regarding the qualities and skills of a new employee, it helps to find out the improvement in the skill of an existing employee and the requirement and addition of new skill to perform the job better. Performance Appraisal can be viewed in a number of ways. Although basically it acts as a feedback process it also acts as an organizational intervention process.

Not only Performance appraisal plays a vital role to in measuring the employee's performance and helps in his career advancement it also acts as a yardstick to check the progress of the organization towards the attainment of desired goals and objectives. Hence performance appraisal can be seen as a strategic tool for coordinating the human resource functions with the business policies. Performance Appraisal can be used as a broad measurement tool which encompasses various activities like measuring the employees performance, improving their abilities and allocation of rewards based on the measurement. Performance appraisal helps in aligning the individual goals and objectives with that of the organization. The system engages, motivates employees and thereby directs them toward achieving the strategic goals of the organization.

In order to achieve a good overall satisfactory organizational performance it is necessary that the employees contribute to their optimum capacity. The history of performance appraisal dates back to the early 20th century. The Time and Motion Study pioneered by F.W. Taylor is the early system associated with the

measurement of the employee performance. The performance appraisal system was used mainly in the 1940s to measure the employee's performance when merit rating was used for the first time as a method of justifying an employee's Wages.

### **Objectives Of Performance Appraisal**

The following are some of the objectives of performance appraisal system:

- i. Helping the employees to overcome their weaknesses and improve upon their strengths.
- ii. Generating adequate feedback from the supervisors and improving upon in the required direction.
- iii. Contributing to the growth and development of employees through realizing required goals;
- iv. Helping the organization in identifying training and development needs in employees and motivating them; and
- v. Generating relevant and required information about the employees.

The assumptions behind an appraisal system are that the employees can continuously grow and develop behaviourally, professionally, and technically. Organizations can provide opportunities and create conditions for development.

### **Types Of Performance Appraisal**

Employee's appraisal techniques in banking system follows mainly three methods like confidential or secret method, open method and partially open method. On the other hand, Mamoria (1995) and Ryars and Rue (1979) acknowledged 2 sorts of evaluation. Those are confidential and open method of measurement.

**A. Confidential Appraisal:** In confidential appraisal, Murthy (1989) mentioned that the individuals are not included in the assessment metrics as the evaluation consequence is by no means conveyed to the employee being considered. In quintessence, the person's strengths and weaknesses are not communicated to him or her. An Obisi (1996) complement that several managers do not consider sporadic counselling after an event has occurred.

**B. Open Appraisal:** In this method all the drawbacks of employees has been measured and directly informed during the counselling session. As per Mukundan (1989) open method raises self-awareness where an employee evaluate and analyse own performance. It makes the employees more weighty, encourage him to achieve his goal and makes future plans for his holistic growth and development.

### **Methods of Performance Appraisal Systems Used In Indian Banks**

Banking service is highly depending on employee's performance and their quality of dealings with the customers. Considering this aspect we can say that effective personnel policy is a must to make the employees energetic and skilful. But sadly it the most neglected practice in the banking system of India. There is a misconception going on in Indian banking system that one person can do all banking activities irrespective of service quality. Current competitive system needs professionalization of banking activities.

With the execution of endorsements of Pillai Committee a debate was vacillating amid bankers whether or not Personnel Management has a specific purpose. In the nonappearance of logical workforce practices being established in the banking industry, an unhappy labour force materialized which reinforced the trade union crusade in banking industry.

Considering the problem, Allahabad Bank has instilled a structure where officers were encouraged to evaluate themselves on note of their skills and weaknesses and pushed to rectify their flaws. Indian Overseas Bank follows an evaluation path where manager in the branches are liable to give details on branch performance like customers relationship management, employees performance, administration, requirement for training, etc. in Union Bank the officer who is reporting the employees performance, must measure bank managers skills and efficiency in terms of technology and administration. To do all these measurement five scale techniques of assessment is followed. Central Bank of India, UCO Bank, Corporation, Dena Bank and Bank of Baroda and even Cooperatives has followed same procedure of performance appraisal. PNB is following a development based appraisal system. Ten different formats have been introduced to study the employee's performance. In this method appraisee himself appraises by following self-appraisal system.

Performance Appraisal, a tool of performance measurement and it is the combination of both formal and informal techniques to assess the individual employee's performance and also provide measures to make the flaws right. This includes a follow of system among employee, employer, and the representative of employee. It is a dynamic isometrics for cultivating the throughput of the employee and business together. It is a process, normally done by a manager to an employee, intended to support employees to comprehend their duties, responsibilities, goals, expectations and move towards organizational success.

Performance appraisal is a mode where senior officer retains certain intermittent goal to his subordinates dissipates the anticipated role and elucidates his performance by his current performance with pre-determined standard. The performance appraisal all the time takes up that the employees implicit what his/her performance standards were and their manager provide them feedbacks and suggestions to improve the performance by eliminating the loopholes.

Now a day proper management of human resource practices is essential to adopt new modern techniques which can beat the competitive business forces. It is feasible only by following strategic development aspects of human capital in the organization. Hence human resource development notion demands a complete holistic development of employees so that they can stay stable in their skills in this dynamic business forces. It is need of the hour to implement and vividly understand human resource philosophy, practice and their impact in the banking system by following a vibrant HRD system and policies.

### **Need of The Study**

Practically all the Indian banks are reasonably hopeful to turn out to be top-notch in their service quality and delivery of different banks schemes. To stand as a global giant in banking services value based product delivery to its customers is their prime importance. In depth understanding and expertise is a must to derive strategic competitive advantages. Here comes the role of an effective Performance Management System. This study took a look at the whole process of performance appraisal or development of employees of Bank.

### **Objectives of the Present Study**

1. To make an analysis of the concept and effective process of Performance Appraisal.
2. To study the role and importance of Performance Appraisal process to enhance efficiency of the employee.
3. To examine the extent of institutionalization of the Performance Appraisal System in Banking sector.

### **Methodology of the Study**

This paper is relied upon both primary and secondary sources. To find out quantitative view of the result, statistical tools have been used. All the data that are collected is concurrent and valid for analysis. In order to obtain the Primary Data relevant for the purpose of our study a self-designed structured questionnaire was put

forth to a total of 125 respondents. The respondents were selected from different branches of public and private sector Bank located in the twin city of Cuttack and Bhubaneswar.

### Data Analysis

**Table -1 Demographical profile of employees**

Factors		Public sector		Private sector		Total
Gender	Male	53	75.71	47	85.45	100
	Female	17	24.29	8	14.55	25
	Total	70	100	55	100	125
Chi-square Value = 13.90451, D F= 1 (P < 0.001) Results = Highly Significance						
Age	Bellow 30	14	20	19	34.55	33
	30-45	32	45.71	28	50.91	60
	45 and above	24	34.29	8	14.54	32
	Total	70	100	55	100	125
Chi-square Value = 7.329791, D F= 2 (P < 0.001) Results = Highly Significance						
Experience (Yrs)	Up to 5	26	37.14	23	41.82	49
	05-10 yrs	29	41.43	29	52.73	58
	10 above	15	21.43	3	5.45	18
	total	70	100	55	100	125
Chi-square Value = 6.476941, D F= 2 (P < 0.001) Results = Highly Significance						
Designation	Manager	8	11.43	11	20	19
	Accountants	26	37.14	29	52.73	55
	Operational Staffs	36	51.43	15	27.27	51
	Total	70	100	55	100	125
Chi-square Value = 7.593729, D F= 2 (P < 0.001) Results = Highly Significance						

Table-1 shown above presents the demographical profile of the respondents. The table shows that out of a total of 125 respondents 75 respondents are from public sector banks and 55 respondents are from private bank employees. This table indicates that, majority 75.71 percent and 85.45 per cent are male in both public and private sector banks. Like this majority 45.71 percent and 50.91 percent of respondents are from middle age group i.e., 30-45 years. In case of experience of employees, the highest 41.43 percent and 52.73 percent of respondents above 05- to 10 year job experience in both public and private sector banks. Similarly out of 125 respondent majorities of respondents are Accountants and Operational Staffs of both public and private sector banks in this study.

This fact is tested statistically by applying Chi-square Test and result come out to be highly significant. Thus Chi-square test's result is conforming there are a significant relationship between demographical profile of the employees and public & private sector banks.

**Table -2 Performance appraisal systems is needed in banking organization.**

Response	Public sector	Percent	Private sector	Percent	total
Strongly Agree	26	37.14	20	36.36	46
Agree	31	44.29	28	50.91	59
Neutral	9	12.86	1	1.82	10

<b>Disagree</b>	3	4.29	3	5.45	6
<b>Strongly Disagree</b>	1	1.42	3	5.46	4
<b>Total</b>	70	100	55	100	125
Chi-square Value = <b>6.630632</b> , D F= 4 (P < 0.001) Results = Highly Significance					

Performance appraisal system is needed in public & private sector banking organization. Table-2 shows the details about need of performance appraisal system in the public & private sector bank. Out of 70 public and 55 private sector respondents, majority 44.29 percent of public and 50.91 percent of private sector respondents were agreed with the statement of need of performance appraisal system in the bank, followed by 44.29 percent of public and 50.91 percent of private sector respondents were to be found strongly agreed with the statement.

In order to test the fact through statistical methods Chi-square Test is applied and result which came out was to be highly significant (Chi-square Value = 6.630632, D F= 4, P < 0.001). Thus Chi-square test result confirms that there is a significant relationship between Performance appraisal systems used in Public and Private Sector banks and the employees Response on appraisal system.

**Table -3 The performance appraisal is helpful for improving personnel skill.**

<b>Response</b>	<b>Public sector</b>	<b>Percent</b>	<b>Private sector</b>	<b>Percent</b>	<b>Total</b>
<b>Strongly Agree</b>	32	45.71	20	36.36	52
<b>Agree</b>	26	37.14	18	32.73	44
<b>Neutral</b>	2	2.86	2	3.64	4
<b>Disagree</b>	6	8.57	9	16.36	15
<b>Strongly Disagree</b>	4	5.72	6	10.91	10
<b>Total</b>	<b>70</b>	<b>100</b>	<b>55</b>	<b>100</b>	<b>125</b>
Chi-square Value = <b>3.473799</b> , D F= 4 (P < 0.001) Results = Highly Significance					

The performance appraisal is helpful for improving the personal skill among the employee in the banking organization so that the statement was placed before them. Table 3 shows the response of respondents about the role of performance appraisal system used to improve the personal skill among the employees in the bank. Out of 70 public and 55 private sector respondents, majority 45.71 percent of public and 36.36 percent of private sector respondents were strongly agreed with the statement of need of performance appraisal system for improving personnel skill among the employees in the bank, followed by 37.14 percent of public and 32.73 percent of private sector respondents were to be found agreed with the statement.

To test the fact Chi-square Test was applied and the result that came out was highly significant (Chi-square Value = 3.473799, D F= 4, P < 0.001). Thus Chi-square test's result confirms that there exists a significant relationship between Performance appraisal system of Public Sector Banks & Private Sector Banks.

**Table -4 The performance appraisal Facilitates Employee Growth and Learning in banking organization**

<b>Response</b>	<b>Public sector</b>	<b>Percent</b>	<b>Private sector</b>	<b>Percent</b>	<b>total</b>
<b>Strongly Agree</b>	27	38.57	19	34.55	46
<b>Agree</b>	26	37.14	16	29.09	42
<b>Neutral</b>	1	1.43	1	1.82	2
<b>Disagree</b>	9	12.86	10	18.18	19
<b>Strongly Disagree</b>	7	10	9	16.36	16
<b>Total</b>	<b>70</b>	<b>100</b>	<b>55</b>	<b>100</b>	<b>125</b>

Chi-square Value = <b>2.308125</b> , D F= 4 (P < 0.001) Results = Highly Significance
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This table-4 shows the response of employees towards Performance appraisal system as a facilitator towards growth and learning of both junior level and senior level employees in the banking organization. Out of the 70 respondents of the public sector banks and 55 respondents of private sector banks, majority 38.57 percent of public and 34.55 percent of private sector respondents strongly agreed with the statement that Performance Appraisal facilitates growth and learning for both junior level and senior level employees in the banking organization. Similarly, 37.14 percent of public and 29.09 percent of private sector respondents agreed with the statement.

To test the fact Chi-square Test was applied and the result was found to be highly significant (Chi-square Value = **2.308125**, D F= 4, P < 0.001). Thus Chi-square test's result confirms that there exists a significant relationship between Performance appraisal systems of Public Sector Banks & Private Sector Banks.

### Conclusion and Findings

Each employee in the enterprise contributes toward efficiency and goodwill to the organization. Each person in an organization is an asset and wealth creator. It is needed for the organization to develop new tools and techniques for a better appraisal of employees. Both the public and private sector employer & employee must follow the new techniques of measurement in order to achieve organizational objective. Even employees are well versed with current measurement system and happy-go-lucky, emphasis must be made for new tools and techniques of performance measurement. Modern techniques are effective and can boost organizational efficiency. Indian banking system is now facing massive competition from world economy and searches efficient and effective skilful employees to meet the challenges coming to the system. In order to retain both internal and external employees banks are putting effort to instil vibrant human resource practices so as to derive better working environment with efficient human capitals. To mitigate the global competitive forces best human capital is the only way. In this paper it is seen that innovative human resources practices has already been started by Indian public and private sector banks especially in the field of performance measurement.

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