THINK INDIA (Quarterly Journal)

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

A Study on Performance Appraisal Rating of Select Public and Private Sector Banks in Chennai District

Sikhakolli Sai Lakshmi Mounika Gayatri
MBA, Department of Management Studies
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
Bharath Institute of Higher Education and Research

ABSTRACT

Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems (PAS). Since banks play an active role in the economic development of a country, their ability to make a positive contribution in igniting the process of growth depends on the effective utilization of human resources. In this case, the performance appraisal helps as a tool to gear up with changing trends. As there is heavy competition between public and private sector banks in India, the performance of the employees and their evaluation plays a crucial role. In this context, a comprehensive evaluation of performance appraisal rating to rewards is required and hence the present study is needed. The study concludes that both the public and private sector banks shall make use of appraisals effectively and shall link the results to rewards comprehensively which in turn enhances the employees' satisfaction.

Keyword: Performance Appraisal, Sector, Employee

1. INTRODUCTION

Banking in India is the lifeline of the nation and its people. It has helped in developing the vital sectors of the economy and usher in a new dawn of progress on the Indian horizon. The sector has translated the hopes and aspirations of millions of people into reality. But the banking industry has undergone numerous changes over the past few years to be on par with international banking norms and standards. Thus the performance of the banks depends largely on the effective utilization of their human resources. In this case, the performance appraisal helps as a tool to gear up with changing trends. As banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems (PAS), several public and private sector banks have changed their PAS or are in the process of changing them.

2. NEED FOR THE STUDY

Banking sector is a rapid growing sector of India. Due to the quick expansion in the number of branches and the new tasks assigned to them, banks are beginning to feel pressure on their organizational abilities, that is, 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. Appraisal is one of the key factors of organizational ability which is the focus of this study. Since there is a serious competition between public and private sector banks in India, the performance of the employees and their evaluation plays a crucial role. In this context, a comprehensive evaluation of linkage of performance appraisal rating to rewards is required and hence the present study is needed.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

3. OBJECTIVE OF THE STUDY

- The study analyses the performance appraisal of select public and private banks in India.

4. HYPOTHESES OF THE STUDY

- There is no significant difference between the public and private sector bank respondents of appraisal ratings to decide annual increments;
- There is no significant difference between the public and private sector bank respondents in respect of opinion on promotion decisions based on appraisal ratings; and

SAMPLE DESIGN

The researcher was taken 12 public banks (Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Canara Bank, Central Bank of India, Corporation Bank, Indian Bank, Punjab National Bank, Punjab-Sindh Bank, Syndicate Bank and Union Bank of India) operating in India out of which two banks (Andhra bank and Canara Bank) were selected randomly. There were six private banks operating (Catholic Syrian Bank, City Union Bank, Karnataka Bank, KarurVysya Bank, Nainital Bank and Tamilnadu Mercantile Bank) in India out of which two banks (City Union Bank and Karnataka Bank) were selected randomly.

NUMBER OF OFFICERS

The researcher was taken Stratified Random Sampling method has been adopted for collecting the data from both public and private sector banks which consists of four banks, viz., Andhra Bank and Canara Bank from public sector and City Union Bank and Karnataka Bank from private sector. Since each bank has homogeneous performance appraisal methods throughout all its branches, 200 officers from each bank were randomly selected irrespective of the number of the officers.

DATA SOURCES

The study is based on both primary and secondary data. The primary data was collected by the researcher through a structured questionnaire from 200 samples each from the public sector banks of Andhra Bank (AB), Canara Bank (CB) and private sector banks of City Union Bank (CUB) and Karnataka Bank (KB) totaling to the sample size of 250. The secondary data was gathered from journals, books, and records of the selected banks of the study. A few websites were also browsed to gather relevant information.

5. LIMITATIONS OF THE STUDY

The study is limited to two public and two private sector banks in India. The appraisals of officers of scale 4 to scale 6 are highly confidential and hence such categories of employees are not included. Further, in other category of employees, that is, in clerical cadre, the appraisal does not take place and hence they are also not included.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

APPRAISAL RATINGS TO DECIDE ANNUAL INCREMENTS

APPRAISAL TOTAL RATINGS TO DECIDE ANNUAL INCREMENTS	PUBLIC BANK		TOTAL
	INDIAN BANK	STATE BANK	
Always	4	3	7
Frequency	6	5	11
some time	10	18	28
Occasionally	15	15	30
Never	22	36	58
Total	58	77	135

TABLE NO 1

Based on table 1, it can be concluded that majority of the respondents (50.125%) opined that occasionally the appraisal ratings in bank are strictly lined to decide annual increment percentage and of them, majority belong to private sector banks. It is clearly evident from the table that both the public and private sector banks have failed to decide annual increments based on the appraisal ratings on a regular basis. It's no secret that the key to retain top performing employees is recognizing and compensating them appropriately.

ASSOCIATION BETWEEN APPRAISAL RATING AND ANNUAL INCREMENTS

	VALUE	DF	ASYMP. SIG. (2-SIDED)
Pearson Chi-Square	3.820[a]	5	.576
Likelihood Ratio	4.178	5	.524
Linear-by-Linear	.717	1	.397
N of Valid Cases	135		

TABLE NO 2

In fact, many organizations actually lose money by over-compensating the poor performers. Hence, due care shall be taken in this regard. Since $\chi 2$ – calculated value is greater than the table value, it can be concluded that there is a significant difference between the public and private sector bank respondents in respect of opinion on linkage of appraisal ratings to decide annual increments.

REWARDS TO POOR PERFORMERS

If poor performers are rewarded, eventually the top performers will be de-motivated. If organization wants to encourage and keep its top performers it has to focus on such programmes that satisfy their expectations to certain extent. But, sometimes the poor performers are also awarded equally. Whether such phenomenon prevails in the selected banks is analyzed and the results are shown in table - 3

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

REWARDS TO POOR PERFORMERS

REWARDS TO POOR PERFORMERS	PUBLIC SECTORS BANK			PRIVATE SECTORS BANK		TOTAL
	IB	SBI	TOTAL	CUB	KVB	
Always	2	3	5	0	7	7
Frequency	4	4	8	3	8	11
Sometime	4	3	7	9	12	21
Occasionally	4	4	8	10	15	25
Never	2	7	9	8	26	34
	16	21	37	30	68	98

Primary data

TABLE NO 3

Table 3 shows that more than 46 per cent of the respondents opined that frequently poor performers also equally get rewarded in the bank and majority of the respondents belong to public sector banks. Almost in both the banks the poor performers are rewarded considerably.

ASSOCIATION BETWEEN REWARDS AND POOR PERFORMERS

	VALUE	DF	ASYMP. SIG. (2-SIDED)
Pearson Chi-Square	12.593[a]	12	.399
Likelihood Ratio	15.246	12	.228
Linear-by-Linear	3.150	1	.076
N of Valid Cases	135		

TABLE NO 4

It normally happens when the payments are fixed as per policy rather than on performance. Therefore, the poor performers can hide behind their inefficiency and can get their remuneration as usual. This tendency is clearly visible here as well. Since $\chi 2$ – calculated value is less than the table value, it can be concluded that there is no significant difference between the public and private sector bank respondents in respect of opinion on rewarding poor performers.

PROMOTION DECISIONS BASED ON APPRAISAL RATINGS

A significant part of managing employee performance involves recognizing and rewarding good performance. It is important to recognize those who meet and exceed their performance objectives, and reinforce this positive behavior. Reward and recognition can be in the form of increments, bonus, promotions and providing training and development opportunities. Thus, it is tried to know whether all promotion decisions in the selected banks are strictly based on appraisal ratings and the results are presented in the table 5.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

PROMOTION DECISIONS BASED ON APPRAISAL RATINGS

	PUBLIC SECTOR BANK			PRIVATE SECTOR BANK			G. TOTAL
	IB	SBI	TOTAL	ICICI	CUB	T	A+B
Always	0	4	4	3	4	5	11
Frequency	1	1	2	2	3	5	7
Sometime	1	4	5	11	9	20	25
Occasionally	0	10	10	14	7	21	31
Never	1	12	13	25	23	48	61
Total	3	31	34	55	46	101	135

Primary data

TABLE NO 5

Above all, it is concluded that more than 51 per cent of the respondents opined that frequently all promotion decisions are strictly based on appraisal ratings and many of the respondents (54.8%) belong to public sector banks. Performance data are often used for staffing decisions like, promotion, transfer, discharge, layoffs, and this is where the public-sector banks are good enough as compared against private sector banks. Good performance appraisal system shall always reinforce with promotion to the better performers.

ASSOCIATION BETWEEN PROMOTION DECISIONS AND APPRAISAL RATINGS

	VALUE	DF	ASYMP. SIG. (2-SIDED)
P Chi-Square	6.200[a]	12	.906
Likelihood Ratio	6.813	12	.870
Linear-by-Linear	.057	1	.811
N of Valid Cases	135		

Primary data

TABLE NO 6

Since $\chi 2$ – calculated value is less than the table value, it can be concluded that there is no significant difference between the public and private sector bank respondents in respect of opinion on promotion decisions based on appraisal ratings.

APPRAISAL RATINGS FOR CAREER PLANNING

Career planning, essentially, means helping the employees to plan their career, keeping in mind their capacities and aspiration. The best way to develop career planning is through superior performance and consistent results. A proven record of accomplishment and the right attitude is a sure guarantee of future employment even in a different or unrelated career. Hence, the appraisal system shall provide a base for career planning and development. In this connection, the respondents' opinion on whether the appraisal ratings help in career planning has been elicited and presented in the table

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

APPRAISAL RATINGS FOR CAREER PLANNING

	PUBLIC SECTOR BANK		PRIVATE SECTORS BANK		TOTAL
	IOB	BOI	TMB	AB	
Always	0	2	1	1	4
Frequency	1	1	3	8	13
Sometime	1	2	2	3	8
Occasionally	3	7	11	17	38
Never	4	4	11	19	38
Total	0	6	7	21	34
Total		22	35	69	135

Primary data

TABLE NO 7

Above all, it is concluded that around 57 per cent of the respondents opined that the appraisal ratings frequently help in career planning. Moreover, majority of the respondents of private sector banks (63%) as compared to public sector banks (50.5%) opined that the appraisal ratings frequently helpful in career planning. Performance appraisal plays the role of the link between the organization and the employees' personal career goals. The appraisal system of private banks is able to identify the hidden talents and potential of individuals. Identifying these potential talents can help in preparing the individuals for higher responsibilities and positions in future. The private banks are reasonably successful in this respect and hence there is an earnest response from the respondents.

ASSOCIATION BETWEEN APPRAISAL RATINGS AND CAREER PLANNING

	VALUE	DF	ASYMP. SIG. (2-SIDED)
Pearson Chi Square	11.420[a]	15	.722
Likelihood Ratio	13.058	15	.598
Linear-by-Linear	1.496	1	.221
N of Valid Cases	135		

Primary data

TABLE NO 8

Since $\chi 2$ – calculated value is greater than the table value, it can be concluded that there is a significant difference between the public and private sector bank respondents in respect of opinion on the usefulness of appraisal ratings for career planning.

6. SUMMARY OF ANALYSIS

- Only half of the respondents opined that occasionally the appraisal ratings in bank are strictly lined to decide annual increment percentage and of them, majority belongs to private sector banks. The $\chi 2$ test result indicates that there is a significant difference between the public sector bank and private sector bank respondents in this case.
- Almost in both the banks the poor performers are rewarded considerably. As the payments are fixed as per policy rather than on performance, this response is slightly high in case of public sector bank respondents. This will de-motivate the better performers and results in poor productivity.

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

- Due to the competition in the banking sector, frequently all promotion decisions are strictly based on appraisal ratings in public sector banks as compared to private sector banks. The appraisal system of private sector banks is able to identify the hidden talents and potential of individuals. Further, to motivate the high performing employees, the private banks are able to follow appraisal ratings as a base for employee transfers. The $\chi 2$ test result suggests that there is a significant difference between the public-sector bank and private sector bank respondents in respect of opinion on the use of appraisal ratings for transfer decisions.
- Exactly half of the respondents stated that the linkage process of performance appraisal to rewards/career is good. This kind of response is more in case of private sector bank respondents.

7. SUGGESTIONS

The public sector banks shall revise their policies to strengthen the linkage process of appraisals to rewards as there is a tendency that the poor performers are also benefitted. Both public and private sector banks shall provide promotions in accordance with the performance of the job. It is suggested that employee potential should be evaluated based on objective assessment but not on favoritism. Transparency in evaluation and promotion policy is also suggested. Pay increases and promotions based on appraisal ratings send powerful messages to employees. If these messages don't match up with the appraisal results, employees are quick to dismiss the whole process as a farce. Efforts shall be made by both the public and private sector banks to provide fair increases and promotions to the employees or otherwise, it may lead to negative impression over the entire appraisal process. High performers should be appreciated for their efforts through verbal praise, letters of recognition, plaques of honor and certificates. Thus, it motivates employee commitment towards the organization. A transfer can be a great way for an employee to advance his career and undergo a significant growth experience. The public sector banks may think of providing transfers based on the appraisal ratings as many of the respondents are not satisfied in this regard.

8. CONCLUSION

Performance appraisals play a key role in several administrative areas such as promotions, job transfers, and legal protection. With the data generated from employee appraisals, the banks are better able to make good decisions about a wide range of matters that directly affect the employees and the organization at large. Therefore, both the public and private sector banks shall make use of appraisals effectively and shall link the results to rewards comprehensively, which in turn enhances the employees' satisfaction.

9. REFERENCE

[1] Shrivastava, A. and Purang, P. (2011) "Employee Perceptions of Performance Appraisals: A Comparative Study on Indian Banks", The International Journal of Human ResourceManagement, Volume 22, Issue 3, pp.632-647.
[2] Shubhangi Sharma, Shalini Singh, Priyanka Singh and Prathibha Singh (2012),"Performance Appraisal and Career Development", VSRD International Journal of Businessand Management Research, Volume 2, Number 1, pp.8-16.
[3] Vikas Mahalawat and Bharti Sharma (2012), "Indian Bank's Employees Perceptiontowards Performance appraisal: A Comparative Study", Research Journal of Social Scienceand Management, Volume 2, Number 4, pp. 26-31.
[4] Uday Kumar Haldar and Juthika Sarkar (2012), "Human Resource Management", NewDelhi, Oxford University Press, p.266