

# Performance Appraisal in Service Sector-A Comparative Study of Public and Private Sector Banks

## Prof. P.K. Yadav

Head & Dean, Department of Management  
M.J.P. Rohilkhand University, Bareilly

## Dr. Sanjay Mishra

Senior Lecturer, Dept. of Management  
M.J.P. Rohilkhand University, Bareilly

## Shubra Singh

Guest Faculty & Research Scholar  
Dept. of Management, M.J.P. Rohilkhand  
University, Bareilly

### Abstract

Performance Management is a critical H.R. function which holds great importance in service sector like banking. The real power of organization are it's people who are the drivers of corporate performance and competitiveness. The current challenge before the organization is to create that will to perform or work culture, where people and groups start thinking and performing themselves in tandem with the organizational goal. The current study was undertaken to study performance appraisal practices at public and private sector banks in Rohilkhand region (N=140). The banks undertaken for study are ICICI, HDFC, Yes and Axis Banks in private sector and State Bank of India, Union Bank of India, Bank of Baroda and Andhra Bank in public sector.

### Keywords:

Service sector, Performance appraisal, Banks, Rohilkhand region.

### Introduction

According to Dale Yoder, "Performance appraisal includes all journal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decision on employees" It has been greatly realized that any organization success depends upon its people who helps to attain competitive edge for the organization. It is through people that goals are set and objectives realized. Thus it can be concluded that performance of an organization is dependent upon the sum total of the performance of its members.

Therefore performance approval is a critical H.R. function especially in service industry like banking. It serves various functions like providing basis for promotion/transfer/termination, enhancing employees effectiveness, identifying employees training and development needs. Aiding in designing training and development programmes, removing work alienation, removing discontent, developing inter-personal relationship, aiding wage administration, exercising control and improving communication.

After the banking sector reforms, this sector has become more competitive. Thus the performance Appraisal as an H R tool has assumed great importance as it helps to identify employees strength and weaknesses. It not only provides feedback about employees performance but also helps in their development. It works as a tool for retention of quality workforce which is very essential in todays dynamic and competitive environment.

### Review of Literature

After the reforms of 1991, numerous changes have taken place in banking sector and many research studies have been conducted to study the changes in

public and private sector banks. Shri Vepa Kamesam (Chairman IDBBI, Hyderabad) at the meet of General Managers in charge of HRD and Training at JNIBD, Hyderabad on Feb 7, 2004 stated that few important changes which are vital for banks success is to right size the workforce, adjusting to the changing profile and needs of today's employees and ensuring emphasis on customer-service attitude and behavior throughout the organization.

K.C. Chakraborty (Deputy Governor of the Reserve Bank of India) in inaugural address at the HR conference of public sector banks, Mumbai, 1 June 2012 stated that a fair, transparent and objective mechanism for performance management is a must for all banks because an effective performance management system is the key to talent management and succession planning. Talent management will be a major challenge in coming times, as the workforce will get complex and there will be a need to juggle a wide variety of people with varied needs and preferences resulting in an array of relationship between the organization and those who work for it.

A. Shrivastava and P. Purang (2011) in the study titled as "employees perception of performance appraisals: a comparative study on Indian banks." Indicated that private sector banks employees perceive greater fairness and satisfaction with their performance appraisal system as compared to public sector bank employees.

In the research paper by Bi change Orina Evans Dr. Akash SB and Dr. Benard Oyagi (2012) titled as "Training and Development policies of public and private banks- A case study of some selected bank in Karnataka" it was revealed that policies like performance appraisal underline the progress of the banking sector and its human resources. Performance appraisal undertaken by the banking industry had a poor response from the respondents 72.4%

of total respondents opined that the current performance appraisal did not work.

Dr. Krishna A. Goya and Vijay Joshi (2012) in their paper titled "Indian Banking Industry: Challenges and Opportunities has revealed that there is intense competition to retain key employees and an effective performance appraisal system can help in employee retention.

Zahid Hussain Bhat (2014) in his paper "Impact of Training on employee performance: A study of retail banking sector in India finds out that training has positive impact on employees performance in banking industry Training and Development is a H.R. Practice which is closely linked with the performance appraisal system of an organization. In the paper titled "Efficacy of performance management system: An empirical study at ICICI Bank" research study was conducted by Anu Gupta and Devina Upadhyay (2014). The study was undertaken in ICICI bank Ahmedabad to identify the factors contributing to efficacy of performance management system. These factors were clarity of goals, clean job description, measurable goals, broad mapping of the performance rather than only job. The study recommended the future scope for comparative analysis between public and private sector banks.

The current study was undertaken for comparative analysis between public and private sectors banks with reference to performance appraisal system.

**Data Analysis**

The data has been analysed for three research questions

TABLE: The data for the research question in as follows:

**Q. Does the performance appraisal system in your bank distinguishes between performer and non-performer.**

AGE:

Age	< 25		25- 35		36 – 45		45>	
	Public	Private	Public	Private	Public	Private	Public	Private
YES	5	14	20	52	5	3	23	
NO	1	1	4	2			3	

EXPERIENCE

Experience	< 5		5- 15		16 – 25		25>	
	Public	Private	Public	Private	Public	Private	Public	Private
YES	18	35	11	34	6		18	
NO	5	2		1	1		2	

**Analysis**

The analysis of the responses revealed the following regarding the perception of the employees.

- Overall approx. 92% of the employees feel that their bank distinguishes between performer and non-performer is performers are recognized.
- A data of the public and private sector banks taken separately shows that approx. 96% of private sector bank employees are satisfied whereas percentage in case of public sector bank employees is approx. 87%.
- A look at the data on the basis of age, reveals that approx.

90% of employees who are less than 25 yrs of age feels that their organization distinguishes between performer and non-performer. In case of private sector bank the percentage of employees who feels that performance is recognized is approx. 94% which is substantially more than percentage of public sector bank employees where it is 83%.

- An analysis of employees between age group 25-35 reveals that overall approx. 92% of employees feels that their bank distinguishes between performer and non-performer. The said percentage in case of private sector bank employees in approx. 96% which is substantially

more than public sector bank employees where it is approx. 83%.

- When the same analysis is done for employees between age group 35 and above. It is found that approx. 91% of employees accept that their bank recognizes the performers. Out of which the satisfaction level is 100% in private sector banks whereas in public sector banks, it is found to be approx. 90%.
- Thus, it can be concluded that private sector bank employees are more satisfied with the performance appraisal system of their banks.
- On the basis of experience, data revealed that for

experience group of less than 5 yrs overall approx. 83% of employees are satisfied. The satisfied level of employees is approx. 94% for private sector bank employees and approx. 78% for public sector bank employees.

- Analysis done for employees with experience between 5-15 yrs shows that overall approx. 98% of employees are satisfied. Out of which the satisfaction level is approx. 97% for private sector bank employees and it is 100% for public sector bank employees.
- The same analysis done for experience group of more than 15 yrs shows that overall satisfied employees is 90%.

#### TABLE:

The data for the research question is as follows:

**Q. Are you satisfied with the weightages given against each parameter which is rated in performance appraisal system?**

AGE:

Age	< 25		25- 35		36 – 45		45>	
	Public	Private	Public	Private	Public	Private	Public	Private
YES	3	12	20	42	4	3	22	
NO	1	5	5	11			5	

EXPERIENCE

Experience	< 5		5- 15		16 – 25		25>	
	Public	Private	Public	Private	Public	Private	Public	Private
YES	16	30	10	27	6		17	
NO	6	8		8	2		3	

#### Analysis

The following facts are revealed from analysis of data:

- 78% employees are satisfied in private sector banks. Out of which maximum satisfied employees remain in age group 25-35 yrs which is 79%.
- In public sector bank approx. 82% employees are satisfied out of which maximum satisfied employees remain in age group 35 yrs and above which is approx. 43%.
- Again the percentage of employees who are not satisfied in private sector banks is 22% out of which maximum unsatisfied employees lie in age group 25-35 yrs in which is 15%.
- In public sector bank approx. 18% employees are not satisfied out of which maximum unsatisfied employees are found in age group 35 yrs and above which is 8% .and 25-35yrs which is also approx. 8%
- By looking at data on the basis of experience, we can say that maximum satisfied employees in private sector bank

lie in experience group <5 yrs.

- Similarly in public sector maximum satisfied employees lie in experience group 25> yrs.
- The most unsatisfied employees in private sector is found to lie in experience group <15 yrs.
- The most unsatisfied employees in public sector in found to lie in experience group less than 5 yrs.
- It comes out from the data that 28% of dissatisfied employees are less than 25 yrs of age this percentage gets decreased to 20% for the age group 25-35 and for the age group 35 and above, it is virtually approx. 14%
- Thus, it can be concluded that with increase in age, satisfaction level of employees increases.
- In case of public sector bank also, the data reveals that the satisfaction level of employees increases with the increase in age, in case of new entrants with less than 25 yrs of age, the percentage of dissatisfied people with the appraisal system is 25% and it gets reduced to 16% for employees who are above 35yrs of age.

TABLE

The data for the following research question is as follows:

AGE:

Age	< 25		25- 35		36 - 45		45>	
	Public	Private	Public	Private	Public	Private	Public	Private
Employees are not involved	3	8	11	34	1	3	6	
Supervisor is biased	3	11	14	35	1	0	13	
No punishment/reward	1	5	9	16	1	2	11	
No feedbacks	3	4	5	21	4	1	7	

EXPERIENCE

Experience	< 5		5- 15		16 – 25		25>	
	Public	Private	Public	Private	Public	Private	Public	Private
Employees are not involved	10	17	5	28	1		6	
Supervisor is biased	13	26	6	20	0		0	
No punishment/reward	6	9	5	14	3		8	
No feedback	8	14	2	12	2		7	

**Analysis:** The following findings have been revealed after the analysis of above research question:

- 51.16% of employees feel that the reason for failure of performance appraisal system is non-involvement of employees.
- 60% of employees feel that reason for failure of performance appraisal system is biasness of supervisor. This is the main reason given by majority of employees.
- 34.88% of employees feel that no outcome of performance appraisal system in form of reward or punishment is the reason for its failure.
- 34.88 % of employees feel that absence of feedback is the reason for its failure.
- It is further revealed that maximum percentage of employees 73.68% below age 25 yrs feel that biasness of supervisor is the reason for failure of performance appraisal system followed by non-involvement of employees.
- For the age group 25-35 yrs maximum percentage of employees 62.82 % also feels the same i.e. biasness of

supervisor followed by non-involvement of employees is the main reason for failure of system.

- Looking at data on basis of experience, it is found that out of total approx.52% of employees feel that non-involvement of employees is the reason for failure of performance appraisal system.
- 50.38% of employees feel that biasness of supervisor is the reason for failure of performance appraisal system.
- 34.88% of employees feel that no outcome of appraisal system in the form of reward or punishment is the reason for its failure.
- 34.88% of employees feel that no feedback is the reason for failure.
- For the experience group less than 5 yrs maximum percentage 66.% feel that biasness of supervisor is the reason for failure of appraisal system followed by noninvolvement of employees which is 46%.
- For experience group 15 yrs and above, maximum percentage of employees 44% feel that

TABLE:

The research Q1. when analysed on the basis of officer and clerk yields following data

AGE:

Age	< 25		25- 35		36 – 45		45>	
	Officer	Clerk	Officer	Clerk	Officer	Clerk	Officer	Clerk
YES	16	3	63	9	8	1	12	10
NO	1	1	5	1			2	1

EXPERIENCE

Experience	< 5		5- 15		16 – 25		25>	
	Officer	Clerk	Officer	Clerk	Officer	Clerk	Officer	Clerk
YES	44	9	41	4	3	3	11	7
NO	5	2	1		1		1	1

**Analysis:** The analysis of data done on basis of officer and clerk has given following facts:

→ Out of total respondent, 91% feel that their banks differentiate between performance and non-performance and again approx. 81% of which are officers.

TABLE: The research Q.2 on basis of officer and clerk yield following data

AGE:

Age	< 25		25- 35		36 - 45		45>	
	Officer	Clerk	Officer	Clerk	Officer	Clerk	Officer	Clerk
YES	14	1	53	9	7	1	11	10
NO	5	1	15	1			3	2

EXPERIENCE

Experience	< 5		5- 15		16 - 25		25>	
	Officer	Clerk	Officer	Clerk	Officer	Clerk	Officer	Clerk
YES	39	7	33	4	4	2	9	8
NO	12	2	8			2	3	

**Analysis:** The data has given following facts:

appraisal system.

→ Out of total approx. 82% employees feel satisfied with the assignment of weightages to different parameters in

→ 80% of such employees are officers.

TABLE:

AGE:

Age	< 25		25- 35		36 - 45		45>	
	Officer	Clerk	Officer	Clerk	Officer	Clerk	Officer	Clerk
Employees are not involved	10	1	42	3	4		3	3
Supervisor is biased	13	1	43	6	2		8	4
No punishment/reward	6		22	3	2	1	6	5
No feedbacks	6	1	23	3	4	1	6	1

EXPERIENCE

Experience	< 5		5- 15		16 - 25		25>	
	Officer	Clerk	Officer	Clerk	Officer	Clerk	Officer	Clerk
Employees are not involved	25	2	31	2			3	3
Supervisor is biased	34	5	24	2	1	2	7	2
No punishment/reward	14	1	16	3		3	6	2
No feedback	18	4	13	1	2		6	1

**Analysis:** The following facts have been revealed:

- Approx. 60% feel that biasness of supervisor is the prime reason for failure of appraisal system followed by non-involvement of employees in appraisal system.
- Out of this percentage of employees 86% are officers.
- Approx.89% of employees are officers who feel that non-involvement of employees in appraisal system is reason for failure of appraisal system.
- Analysis of data on basis of experience reveals the same percentage as above

**HYPOTHESIS TESTING**

Following four hypothesis were formulated and tested

H1: There is no relationship between age of employee and the satisfaction level regarding the weightage given to different parameter in performance appraisal system.

The table value of chisquare at 2degrees of freedom at 5% level of

significance is 5.99.The calculated value comes out to be 1.54.Since calculated value is less this hypothesis is accepted.

H2: There is no relationship between experience of employee and the satisfaction level regarding the weightage given to different parameters in performance appraisal system.

The calculated value is0.62 which is less than table value which is 1.54.This hypothesis is also accepted

H3: There is no relationship between the age of employee and the reasons cited for the failure of performance appraisal system.

The calculated value is 5.44 which is less than table value of chisquare at 6 degrees of freedom at 5% level of significance which is 12.6 Thus hypothesis is accepted.

H4: There is no relationship between the experience of employee and the reason cited for the failure of performance appraisal system.

The table value of chisquare at 6 degrees of freedom and 5% level of significance is 12.6 which is lesser than calculated value which

is 23. Hence this hypothesis is rejected. In other words there is relationship between experience of employees and reasons stated for failure of appraisal system.

### Conclusion

1. Private sector bank employees are more satisfied with the performance appraisal system of their bank.
2. From the data collected during the survey, it comes out that 10% of dissatisfied employees in private sector are less than 25 yrs of age and this percentage gets decreased to 8% for the age group 25-35 yrs and for the age group 35 and above it is virtually 9%.

So it can be easily concluded that as age increases, employees get accustomed to bank practices so their satisfaction level also increases with performance appraisal system.

In case of public sector bank also, the data reveals that the satisfaction level of employees increases with the increase in age. In case of new entrants who are less than 25 years of age, the percentage of dissatisfied employees with appraisal system is 34% and it gets reduced to 17% for employees who are above 35 yrs of age.

3. In both sectors employees are satisfied with the weightages given in performance appraisal system. So inference can be drawn that job description is well done, KRAs (key responsibility areas) are well defined and performance indicator are clearly stated to employees.
4. It is further concluded that majority of employees approx. 60% feel that biasness of supervisor is reason for failure of performance appraisal system. The second reason stated by substantially high percentage of employees approx. 51% is non-involvement of employees in appraisal system. Thus, it comes out from data that two main reason for failure of appraisal system can be attributed to biasness of supervisor and non-involvement of employees in the appraisal system.
5. All Respondents who have experience above 15 yrs lies in public sector feels that no outcome of appraisal in form of reward or punishment and absence of feedback are two major reasons for failure of appraisal system. But majority respondent in experience group <5 yrs feels that biasness of supervisor and non-involvement of employees are major reason for failure of system. Thus

there is relationship between experience of employees and reasons cited for failure of appraisal system.

6. Based on secondary data which is collected through personal interview, majority public sector bank employees states that they are not aware of when appraisal is actually taking place. There is no joint goal setting with the superior and the employees are also not provided with any feedback for them. It is a mere formality a routine, boring paperwork.
7. The public sector bank employees also feels that only time when the appraisal record of employees is used is when promotion opportunity arises. They are not aware of any development purpose for which appraisal is done.
8. Public sector bank employees feels no enthusiasm with the appraisal system. They lack trust in the process for them it is a non-participatory process as no communication is involved. They are totally unaware of their weaknesses and strengths.

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