



# PERFORMANCE APPRAISAL SYSTEM AND ITS INFLUENCE ON SATISFACTION OF EMPLOYEES OF SELECT PRIVATE SECTOR BANKS IN COIMBATORE

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## ABSTRACT

Human resources are considered as capital for any commercial / business related activity beneficial in economic realization. Hence, there is a need to maintain appropriate plans to increase the value of this resource. The banking sector plays a significant role for smooth as well as efficient functioning of an economy. The banking industry contributes 19% (\$407 billion) of the Indian GDP (Gross Domestic Product). Among these, private sector banks in India contribute significantly to the GDP. Performance appraisal sounds simple but researches tell us that it is commonly used in performance feedback and identify individual employee's strengths and weaknesses (Ruddin, 2005). The use of performance appraisal system by business and industry has been counted between 74 to 89 percent (Murphy & Cleveland, 1991). In this regard, it is important to know that how far the employee perceives the effectiveness of performance appraisal system exists in the select private sector banks and it has any influence on their satisfaction levels? Simple random sampling method was adopted to collect the data from the select private sector banks located in and around Coimbatore District Nadu. The total sample identified for the study is 180 employees. Statistical tools used are Simple Percentage method, Garrett Ranking Method, Correlation and Regression Analysis. Result shows positive significant relationship exists between Goals and Performance Appraisal Satisfaction which means, a unit increase in goals increases the satisfaction of employees by 0.198 units. Likewise significant positive relationship found between Criteria and Performance Appraisal Satisfaction signifies, a unit increase in Criteria increases the satisfaction of employees by 0.258 units. Finally, significant positive relationship observed between Feedback and Performance Appraisal Satisfaction signifies, a unit increase in Feedback increases the satisfaction of employees by 0.180 units. It is concluded that the management shall consider promoting additional activities that includes play area, game centre, mini-theatre and few other recreational supporting activities that helps employees to release their stress to an extent in their workplace.

**Key words:** Human Resources, Employees, Private Banks, Performance Appraisal, Satisfaction, etc..

## **1. INTRODUCTION**

Human resources are considered as capital for any commercial / business related activity beneficial in economic realization. Hence, there is a need to maintain appropriate plans to increase the value of this resource.

Increased competition, growing customer demands, prompt customer services, time pressure, target and role conflicts are the main factors of discomfort among bank employees. The 1990s saw radical policy changes with regarding the fiscal deficit and structural changes in India, so as to prepare to cope with new economic order. The advent of technological changes especially extensive use of computers in the sector has changed the work patterns of bank employees that has increased expectancy in performance effectiveness also made inevitable to downsize the workforce sector. In the present scenario, organizations are increasingly tend to being customer focused and presenting products and services that are difficult to be copied. Developments have caused a change in the unappeasable and hierarchical traditional organisation structures. Organisations have turned out to be flexible structures which are not interconnected. This change makes it impossible to do without team work.

The banking sector plays a significant role for smooth as well as efficient functioning of an economy. The banking system in India comprises 27 public, 22 private, 44 foreign, and 56 regional rural banks. Apart from these, there are 1,589 urban cooperative banks and 93,550 rural cooperative banks, along with cooperative credit institutions. The banking industry contributes 19% (\$407 billion) of the Indian GDP (Gross Domestic Product).

Among these, private sector banks in India contribute significantly to the GDP.

Private sector banks see a larger share of equity held by private entities as opposed to the public- sector banks which have higher stock holding by the governments. These banks have seen a rapid growth, hugely attributed to liberalization, and their proactive adoption of technology, constant innovation, and deploying efficient monetary tools and techniques. The present worldwide scenario has brought about a paradigm shift in the functions and operations of the Indian commercial banks which have made them look beyond the traditional banking activities. These developments have a greater bearing on the psychology of the employees to adapt to the changing needs of the business and satisfying the high expectations of the customers and the banking institutions. This ultimately results in the performance aspects and how far it impacts the employee turnover intention as well as their perception towards benefits also satisfaction towards rewards and recognition also influencing their turnover intention.

## **2. PERFORMANCE APPRAISAL SYSTEM**

There has been large number of researchs in past several decades on performance appraisal (Bretz, Milkovich & Read, 1992; Fisher, 1989). Performance appraisal sounds simple but researches tell us that it is commonly used in performance feedback and identify individual employee's strengths and weaknesses (Ruddin, 2005). The use of performance appraisal system by business and industry has been counted between 74 to 89 percent (Murphy & Cleveland, 1991). Performance appraisal

systems are used for different purposes in which include Human resource decisions, evaluation and feedback (Cleveland, Murphy & Williams, 1989).

### 3. REVIEW OF LITERATURE

**Ochoti, George Ndemo, et.al. (2012)**, examined the “Factors Influencing Employee Performance Appraisal System: A Case of the Ministry of State for Provincial Administration & Internal Security, Kenya” performed regression analysis on 5 variables i.e. the implementation process, psychometric rater accuracy, rater and ratee interpersonal relationship, informational factors and employee attitudes. It was found that all the variants analyzed in the study influence the PAS (Performance Appraisal System). Rating in PAS is given by the rater which again marks the importance of harmony between the rater and the employee.

**Pradhan, et al., (2012)**, conducted “A Survey on Employee Performance Management and Its Implication to their Retention OCL Limited” examined the implications of “employee performance management” on employee retention in OCL India Ltd. On the basis of analysis of primary data collected from the sample size of 170 respondents, the study concluded that effective performance appraisal and remediation of the problems faced by the employees act as a binding force between the employee and the management and helps to retain the valuable employees in the organizations.

**Mishra, Lalita (2013)**, conducted “A Research Study on Employee Appraisal System Case of Hong Kong and Shanghai Banking Corporation” and defined employee satisfaction as the major growth

factor of a company which marks the importance of appraisal system for employees. Human resource aspects are of vital importance in banking & service sector for team development to achieve growth in the competitive world. Thus, evaluation of the performance of the employees is required for growth in the banking sector.

### 4. STATEMENT OF THE PROBLEM

Globalization and privatization led policies necessitated the banking sector to reform and adjust to develop a competitive edge to cope with this competitive environment. The researcher tried to identify the advantages or disadvantages of certain circumstances in predicting the performance appraisal system existing in the select private sector banks In this regard, it is important to know that how far the employee perceive the effectiveness of performance appraisal system exists in the select private sector banks and it has any influence on their satisfaction levels?

### 5. OBJECTIVE OF THE STUDY

1. To evaluate the perception of employees towards performance appraisal system and their satisfaction on appraisal in the select private sector banks.

### 6. METHODOLOGY

The study is exploratory in nature and depends upon primary data. In the present study, extensive use of primary data was collected systematically. With the help of five point Likert Scale, descriptive research design has been adopted. The survey questionnaire was circulated among the sample private bank employees of the specific banks were asked to examine each item and determinants contributing towards appraisal system and satisfaction in their

organization. Simple random sampling method was adopted to collect the data from the select private sector banks located in and around Coimbatore District Nadu. The total sample identified for the study is 180 employees. Statistical tools used are Simple Percentage method, Garrett Ranking Method, Correlation and Regression Analysis.

## 7. ANALYSIS AND RESULTS

### 7.1. Demographic and Job Variables

Demography and job factors of the select bank employees classified into six groups viz. Gender, Age, Marital Status, Educational background, Designation and Monthly income was computed using Percentage method.

**Table 1: Demography of the Respondents**

Demography	Frequency (180)	Percent (100%)
<b>Gender</b>		
Male	100	55.6
Female	80	44.4
<b>Age</b>		
Upto 30 years	24	13.3
31 to 40 years	58	32.2
41 to 50 years	53	29.4
More than 50 years	45	25.0
<b>Marital Status</b>		
Married	108	60.0
Not Married	72	40.0
<b>Education</b>		
Under Graduate	112	62.2
Post Graduate	33	18.3
Others (ITI / Diploma etc.)	35	19.4
<b>Designation</b>		
Marketing Executives	49	27.2
Administration Dept.	51	28.3
Executive Officer	45	25.0
Asst. Manager / Manager	35	19.4
<b>Monthly Income</b>		
Upto Rs.20000	39	21.7
Rs.20001 to 30000	37	20.6
Rs.30001 to 40000	62	34.4
More than Rs.40000	42	23.3

Table 1 shows

- More than half (55.6%) of the employees belong to male category and 44.4% are female employees.
- Nearly one third (32.2%) of the employees belong to the age group of 31 to 40 years, 29.4% belong to the between 41

and 50 years, 25% of the employees belong to the age group of more than 50 years and the remaining 13.3% of the employees are upto 30 years age category.

- Most (60%) of the employees belong to married category and 40% of the employees belong to unmarried category.
- Most (62.2%) of the employees possess under graduate qualification, 18.3% are qualified with post graduation and the remaining 19.4% have other qualifications such as ITI, Diploma, etc..
- Maximum (28.3%) of the employees are engaged in Administration department, 27.2% are working in marketing department, 25% are working as executive officers in the select banks and the remaining 19.4% of the employees are either Asst. Manager or Managers of the select private sector banks.
- More than one third (34.4%) of the employees are earning between Rs.30001 and Rs.40000 per month, while 23.3% of the employees having income more than

Rs.40000, 21.7% of the respondents are earning upto Rs.20000 and the remaining 20.6% of the employees are having income of Rs.20001 to Rs.30000 per month.

## 7.2. Garrett Ranking Method

Rating of the bank employees towards six attributes such as An award ceremony, Announcement of praise, Tickets to show, Gift Coupon for dining at Restaurant, Gift Voucher for Holiday Stay, Displaying appreciation in Notice board based on types of Rewards and Recognition offered by the select private sector banks. Based on the rating, Garrett Score, Garrett Mean and Garrett Rank are computed. Considering the rating on types of rewards and recognition programs offered by the select private sector banks Garrett Ranking Method was adopted to compute the attributes by its score, mean rank. Keeping in mind the highest score and mean, rank was presented from ascending to descending order.

**Table 2: Rating on types of Rewards and Recognition offered by the select private sector banks**

Attributes	R1	R2	R3	R4	R5	R6	Garrett Score	Garrett Mean	Garrett Rank
An award ceremony	83	64	12	2	16	3	11824	65.69	1
Announcement of praise	31	34	35	7	36	37	8924	49.58	2
Tickets to show	9	25	48	23	23	52	7965	44.25	6
Gift Coupon for dining at Restaurant	23	18	28	26	42	43	8156	45.31	5
Gift Voucher for Holiday Stay	29	36	25	20	34	36	8857	49.21	3
Displaying appreciation in Notice board	5	3	32	102	29	9	8274	45.97	4

First rank was for An award ceremony (Score=11824, Mean=65.69), followed by 2<sup>nd</sup> rank for Announcement of praise (Score=8924, Mean=49.58) 3<sup>rd</sup> rank was towards Gift Voucher for Holiday Stay (Score=8857, Mean=49.21), 4<sup>th</sup> rank for Displaying appreciation in Notice board (Score=8274, Mean=45.97); 5<sup>th</sup> Rank for Gift Coupon for dining at Restaurant (Score=8156, Mean=45.31) finally, last (6<sup>th</sup>) rank for Tickets to show (Score=7965, Mean=45.25).

## CORRELATION AND REGRESSION ANALYSIS

### 7.3. Correlation

Considering Satisfaction as outcome predicted by five dimensions of Performance Appraisal in the select private sector banks that includes, Goals, Criteria, Standards, Sources and Feedback. To find the relationships, correlation followed by regression analysis was used.

**Table 3: Impact of Performance Appraisal System on Satisfaction of Bank Employees**

Dependent	Independent	Mean	SD	'r'	Sig.	Relationship
	Goals	13.41	3.499	.575	.000	Exist
	Criteria	13.63	4.010	.619	.000	Exist
	Standards	9.50	2.916	.429	.000	Exist
	Sources	10.59	2.555	.232	.001	Exist
	Feedback	13.41	3.195	.509	.000	Exist
Satisfaction	--	11.05	2.602	1.000	--	--

A positive significant correlation found between Performance Appraisal (PA) constructs and Performance Appraisal Satisfaction (PAS).

- Goals have strong correlation with n Performance Appraisal Satisfaction (PAS) is statistically proved (r=0.575, Sig.0.000).
- Criteria have strong correlation with n Performance Appraisal Satisfaction (PAS) is statistically proved (r=0.619, Sig.0.000).
- Standards have moderate correlation with n Performance Appraisal Satisfaction (PAS) is statistically proved (r=0.429, Sig.0.000).

- Sources have weak correlation with n Performance Appraisal Satisfaction (PAS) is statistically proved (r=0.232, Sig.0.001).
- Feedback have strong correlation with n Performance Appraisal Satisfaction (PAS) is statistically proved (r=0.501, Sig.0.000).

### 7.4. Regression Analysis

Correlation reveals positive significant relationship between Performance appraisal factors (IV) and Performance Appraisal Satisfaction (DV). Regression analysis conducted to determine the power of explanatory variables on outcome in the model.

**Table 4: Model predicting Performance Appraisal Satisfaction**

R	R <sup>2</sup>	Adj.R <sup>2</sup>	SE
.708 <sup>a</sup>	.501	.487	1.864

Predictors: (Constant), Feedback, Sources,

Standards, Goals, Criteria

Five predictor variables explaining the Performance Appraisal Satisfaction through a Model shows strong correlation ( $r=0.708$ ) exists between Performance appraisal factors (predictor) and Performance Appraisal Satisfaction (outcome) perceived by the select private

sector bank employees. All five predictor variables (Goals, Criteria, Standards, Sources and Feedback) explains 50.1% ( $R^2$ ) of variance (adjusted  $R^2$  at 48.7%). Therefore, approximately 50% of variance explained by outcome variables viz. Goals, Criteria, Standards, Sources and Feedback.

**Table 5: ANOVA explains the adequacy of the predictors**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	607.864	5	121.573	34.983	.000
Residual	604.686	174	3.475		
Total	1212.550	179			

Predictors: (Constant), Feedback, Sources, Standards, Goals, Criteria  
Dependent Variable: Satisfaction

ANOVA  $F(5,174)=34.983$ , Sig.0.000 explains the adequacy of predictors in explaining the outcome (Performance Appraisal Satisfaction) is statistically proved significant. Since all constructs (independent and dependent) reveal positive statements, hypothesis framed are

### Hypotheses

Positive significant relationship expected between

H1: Goals and Performance Appraisal Satisfaction  
H2: Criteria and Performance Appraisal Satisfaction  
H3: Standards and Performance Appraisal Satisfaction  
H4: Sources and Performance Appraisal Satisfaction  
H5: Feedback and Performance Appraisal Satisfaction

**Table 6: Relationship between Performance Appraisal Factors and Performance Appraisal Satisfaction**

Constructs	Unstd. Coeff.		Std. Coeff	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.433	.814		4.216	.000
Goals	.198	.054	.266	3.667	.000
Criteria	.258	.051	.398	5.062	.000
Standards	.037	.060	.041	.614	.540
Sources	-.126	.067	-.123	-1.885	.061
Feedback	.180	.052	.222	3.502	.001

Dependent Variable: Satisfaction  
Result shows the first predictor (Goals) recorded beta coefficient ( $\beta=0.198$ ,  $t=3.667$ , sig.0.000) indicated positive significant relationship proving the

declared hypothesis (H1) is true. While, the second predictor (Criteria) recorded beta coefficient ( $\beta=0.258$ ,  $t=5.062$ , sig.0.000) also indicated positive significant relationship proving the declared

hypothesis (H2) is true. Whereas, the third predictor (Standards) recorded beta coefficient ( $\beta=0.037$ ,  $t=0.614$ ,  $\text{sig}.0.540$ ) though indicated positive relationship, significance was not achieved, therefore, the declared hypothesis (H3) is proved false. Likewise, the fourth predictor (Sources) recorded beta coefficient ( $\beta=-0.126$ ,  $t=-1.885$ ,  $\text{sig}.0.061$ ) indicated negative relationship, however, significance was not achieved, therefore, the declared hypothesis (H4) is proved false. Finally, the fifth predictor (Feedback) recorded beta coefficient ( $\beta=0.222$ ,  $t=3.502$ ,  $\text{sig}.0.001$ ) indicated positive significant relationship proving the declared hypothesis (H5) is true.

Considering the standardized beta coefficient it can be concluded that Criteria (0.398) achieved highest position in explaining performance appraisal satisfaction followed by Goals (0.266) and Feedback (0.222). While, the contribution of other two factors (Standards and Sources) were marginal.

## **8. SUMMARY OF RESULTS**

### **8.1. Demographic and Job Factors**

- 55.6% of the employees belong to male category and 44.4% are female employees. 32.2% of the employees belong to the age group of 31 to 40 years, 29.4% between 41 and 50 years, 25% more than 50 years and 13.3% are upto 30 years age category. 60% belong to married category and 40% belong to unmarried category. 62.2% possess under graduate qualification, 18.3% are post graduates and 19.4% have other qualifications. 28.3% are engaged in Administration department, 27.2% are working in marketing department, 25% are executive officers and

19.4% are either Asst. Manager or Managers of the select private sector banks. 34.4% of the employees are earning between Rs.30001 and Rs.40000 per month, 23.3% having income more than Rs.40000, 21.7% upto Rs.20000 and 20.6% are having income of Rs.20001 to Rs.30000 per month.

### **8.2. Garrett Ranking Method**

- Considering the rating on types of rewards and recognition programs offered by the select private sector banks 1<sup>st</sup> First rank was for An award ceremony, followed by Announcement of praise; Gift Voucher for Holiday Stay; Displaying appreciation in Notice board; Gift Coupon for dining at Restaurant finally, last rank for Tickets to show.

### **8.3. Correlation**

- Weak positive correlation observed between Sources and Performance Appraisal Satisfaction, while, moderate positive correlation found between Standards and Performance Appraisal Satisfaction whereas, strong correlation predicted by three constructs viz. Goals, Criteria and Feedback influencing Performance Appraisal Satisfaction among employees of select Private sector banks in Coimbatore. Further, to determine the power of the predictors on outcome, regression analysis was computed by adopting enter method.

### **8.4. Regression**

- Result shows positive significant relationship exists between Goals and Performance Appraisal Satisfaction which means, a unit increase in goals increases the satisfaction of employees by 0.198 units. Likewise significant positive relationship



found between Criteria and Performance Appraisal Satisfaction signifies, a unit increase in Criteria increases the satisfaction of employees by 0.258 units. Finally, significant positive relationship observed between Feedback and Performance Appraisal Satisfaction signifies, a unit increase in Feedback increases the satisfaction of employees by 0.180 units.

## 9. SUGGESTIONS

Bank employees perceived their goal expectation was reasonably aligned with their performance complying their organizational objectives. It is recommended that the management of the banks shall give more importance to the goal based Performance appraisal system, as this is an effective measure evaluating the set out goals achieved by the employees thus, supports them to eliminate the obstacles and challenges faced when performing their tasks.

To enhance the work objective, criteria plays a major role. It is recommended that banks shall adopt motivating employees by implementing the criteria based performance appraisal and focus the clear and measurable criteria, such as rewards and recognition, consistency, involvement of the employees and feedback by the organisation shall significantly motivate their performance and also have influence on their satisfaction thus, augmenting their overall performance.

Any employee in an organization expects feedback from their management based on the job they performed; either help them or motivate them for further achievement or

support them to identify the difference in their job and creates focus on those areas of improvement. Therefore, it is suggested that management of the banks shall consider feedback as one of the most important appraisal systems that can be more efficient in developing employee performance and satisfaction as well. Additionally, constructive feedback on areas for improvement, regular feedback on their performance, encouraging two way (employer-employee), communication, proper goal settings, follow-up with resource support, and supporting the employees through training to enhance their skill and knowledge.

## 10. CONCLUSION

Performance appraisal is an essential element in each company. It is an important tool of measuring the efficiency and potency of each employee for which several policies and plans are prepared by the management. The banking sector is also an important source of measuring performance of employees because of majority of work efficiency is managed by the human resources. The present research study has made an attempt to evaluate the role of performance appraisal system and its satisfaction among employees in select private sector banks in Coimbatore. All constructs evaluating performance appraisal have different level contribution in influencing the performance satisfaction perceived by the private sector bank employees. However, the management shall consider promoting additional activities that includes play area, game centre, mini-theatre and few other recreational supporting activities that helps employees to release their stress to an extent in their workplace.

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