PERFORMANCE APPRAISAL PRACTICES IN INDIAN BANKS

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Abstract

Banking sector is a fast growing sector of India. With swift expansion in the number of branches and the new functions assigned to them, banks are beginning to feel a new pressure on their organizational abilities i.e. 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 also the focus of this study. In simple words we can say that performance appraisal is an analysis of employee's recent successes and failures, personal strengths and weaknesses, and suitability for promotion or further training.

Keywords: Performance Appraisal, Banking Sectors, Employees feedback.

1. Introduction:

1.1 Performance Appraisal: Performance appraisal includes all formal procedures used to evaluate personalities, contributions & potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions on employees. In simple words, performance appraisal is the systematic evaluation of the individual with respect to his performance on the job and his potential for development.

1.2 The essentials of an effective performance system are as follows:

• Documentation: Means continuous noting and documenting the performance. It also helps the evaluators to give a proof and the basis of their ratings.

• Standards / Goals: The standards set should be clear, easy to understand, achievable, motivating, time bound and measurable.

• Practical and simple format: - The appraisal format should be simple, clear, fair and objective. Long and complicated formats are time consuming, difficult to understand, and do not elicit much useful information.

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1.3 Purposes of Performance Appraisal:

1.3.1 What Should A Performance System Be?

Performance system should be correlated with the organization’s philosophies and mission, cover assessment of performance as well as potential for development, look after the needs of both the individual and the organization, help create a clean environment, rewards linked to achievements, generate information for personnel development and career planning, suggesting appropriate person-task matching etc.

1.3.2 How Can The “PERFORMANCE APPRAISAL” System Help?

Performance appraisal system helps to promote better understanding of an employee’s role and clarity about his or her functions, give a better understanding of personal strengths and weaknesses in relation to expected roles and functions, identify development needs of an employee, establish common ground between the employee and the supervisor, increase communication, provide an employee with the opportunity for self-reflection and individual goal setting, help an employee internalize the culture, norms and values of the organization. This helps develop an identity with and commitment to the organization and prepares an employee for higher-level positions in the hierarchy and also assist in a variety of personnel decisions.

2. Literature Review:

The objective of this literature review is to establish the basis for this research. Performance appraisal is one of the most widely used methods for measuring the value of employee performance. The success of performance appraisal depends on how effectively it is implemented. It also depends on how well the employees have understood the performance appraisal system and how positively they are oriented towards their system.
2.1 Performance Appraisal:

Eichel and Bender (1984) stated that performance appraisal can also be called as the Achilles heel of management. Although leaders of many public organizations strive to be employee focused or employee centered, a lack of emphasis is given to a process intended to assist the employee in achieving both personal and organizational goals.

Cascio (1998) defined performance appraisal as a process to improve employee’s work performance by helping them realize and use their full potential in carrying out the organization’s missions and to provide information to employees and managers for use in making work related decisions. He goes on to define effective performance appraisal system as an exercise in observation and judgment, a feedback process and an organizational intervention. It is a measurement process as well as an intensely emotional process. Above all, Cascio stated, it is an inexact, human process that is utilized differently in almost every organization regardless of industry.

2.2 Performance Appraisal in Indian Banks:

Dr. Shambhu Nath Chowdhury (2008) suggested that in Chinese state-owned banking industry, employees’ perception of justice has a positive relationship to their overall satisfaction with both the performance appraisal process and its outcomes. However, statistically significant differences were found in relation to whether employees had received training in performance appraisal or not.

Ekta Bhatia (2010) The performance appraisal or review is essentially an opportunity for the individual and those concerned with their performance in the bank, most usually their line manager - to get together to engage in a dialogue about the individual’s performance, development and the support required from the manager. It should not be a top down process or an opportunity for one person to ask questions and the other to reply. It should be a free flowing conversation in which a range of views are exchanged.

A. Shrivastava and P. Purang (2011) studied the differences between public and private sector banks with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction. Perception of fairness of the performance appraisal system has been studied through nine factors. The study used independent samples t-test and qualitative analysis to study the mean differences between the two banks. Results indicated that private sector bank employees perceive greater fairness and satisfaction with their performance appraisal system as compared to public sector bank employees.
3. Objectives of the study:

1. To study the performance appraisal practices in different Indian banks.
2. To understand the role of performance appraisal as one of the key factors for enhancing organizational ability.

4. Research Methodology:

In depth literature review and available secondary data from various sources has been used to develop this paper.

5. “Performance Appraisal” In Banking Sector:

“Performance Appraisal” is a vehicle to (1) validate and refine organizational actions (e.g. selection, training); and (2) provide feedback to employees with an eye on improving future performance.

5.1 Validating and refining organizational action or banks action:

Employee selection, training and just about any cultural or management practice—such as the introduction of a new pruning method or an incentive pay program—may be evaluated in part by obtaining worker performance data.

The evaluation or appraisal may provide ideas for refining established practices or instituting new ones. For instance, appraisal data may show that a firm supervisor has had a number of interpersonal conflicts with other managers and employees. Some options include:

(1) Paying more attention to interpersonal skills when selecting new supervisors, or
(2) Encouraging present supervisors to attend communication or conflict management classes at the local community college, or
(3) Providing the supervisor one-on-one counseling, or
(4) Plan for long-term staffing and worker development, or
(5) Give pay raises or other rewards, or
(6) Set up an employee counseling session, or
(7) Institute discipline or discharge procedures.

For validation purposes, it is easier to evaluate performance data when large numbers of workers are involved such as in banks. Useful performance data may still be collected when employees are evaluated singly, but it may take years to obtain significant data trends.

5.2 Employee need for feedback:

Although employees vary in their desire for improvement, generally workers want to know how well they are performing. People need positive feedback and validation on a regular basis. Once an employee has been selected, few management actions can have as positive an effect on worker performance as encouraging affirmation. These are, in effect, good-will deposits, without
which withdrawals cannot be made. This does not mean you should gloss over areas needing improvement. When presented in a constructive fashion, workers will often be grateful for information on how to improve shortcomings. Such constructive feedback, however, “can happen only within the context of listening to and caring about the person.” In general, supervisors who tend to look for worker’s positive behaviors—and do so in a sincere, non-manipulative way—will have less difficulty giving constructive feedback or suggestions. Furthermore, in the negotiated approach, the burden for performance analysis does not fall on the supervisor alone, but requires introspection on the part of the individual being evaluated.

Feedback may be qualitative or quantitative. Qualitative comments are descriptive, such as telling the shop mechanic you appreciate the timeliness and quality of his/her repairs. In contrast, quantitative feedback is based on numerical figures, such as the percentage of plant grafts that have taken. Some researchers feel feedback is particularly useful when workers have an achievement objective. By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management’s interest in the progress of the employees.

6. Performance Appraisal Systems in Indian Banks:

Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) have changed their PAS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal. Its associate banks are likely to follow the same after detailed experiences of State Bank of India are available. Several banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of communication of achievements.

Looking into this, Allahabad Bank has introduced a system that aims in helping officers to identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail.

Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraisee officers on technical skills, human skills and conceptual skills. All these are defined for different categories of roles and the assessment has to be made on a five-point scale. Corporation Bank, UCO Bank, Central Bank of India, Dena Bank and Bank of Baroda has introduced similar self-appraisal formats.

Punjab National Bank has, primarily, a development-oriented appraisal form. There are ten different formats available for ten different categories of employees. The bank started the system with a self-appraisal by the appraisee. Studies of the operating system of the successful organizations, in general, reveal that a good PAS is the corner stone to navigate an organization successfully in this globalize
environment of uncertainty and continuous change. They have, therefore, developed and employed such system and harnessing maximum benefits. But, like many fields of organizational development, the PSBs are lagging behind in this area too. Most of the PSBs have an Annual Appraisal System that is historic in nature and documents the past activities. It is a one time annual affair only. Study of the format of annual appraisal of many of the PSBs reveal that they are basically uniform in character with emphasis in historical events and little or no importance for future growth. In comparison with the new generation banks and progressive organizations, the appraisal system in PSBs, thus, is basically dysfunctional. The PAS, as an important component of Performance Management System, is yet to be conceived and made operational. But developing and implementing a PAS seems overdue and vitally important.

7. **Followings should keep in the mind for effective “Performance Appraisal” in a bank:**

   During effective Performance appraisal in banking sectors following steps should kept in the mind:
   1. Select what performance data to collect
   2. Determine who conducts the appraisal
   3. Decide on a rating philosophy
   4. Overcome rating deficiencies
   5. Create a rating instrument
   6. Deliver useful information to employees

   The “Performance Appraisal” or review is essentially an opportunity for the individual and those concerned with their performance in the bank, most usually their line manager - to get together to engage in a dialogue about the individual’s performance, development and the support required from the manager. It should not be a top down process or an opportunity for one person to ask questions and the other to reply. It should be a free flowing conversation in which a range of views are exchanged.

8. **Conclusion:**

   Performance Appraisal usually reviews past behavior and so provides an opportunity to reflect on past performance of the bank employees. But to be successful they should also be used as a basis for making development and improvement plans and reaching agreement about what should be done in the future to enhance the bank’s effect and effectiveness.

   Performance Appraisal is often the central pillar of performance management in the bank to keep the motivation of the employees high.

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