

Pp. 48-52

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Recent Trends In Performance Appraisal System In Private & Public Sector Banks In India

ABSTRACT

This paper deals with the prevailing Performance Appraisal System in Indian Banking Industry. This survey conducted in some public and private sector bank. Today latest mantra as being followed by organizations across the world is- "Pay for the performance". Banking sector is also paying more attention to performance management system, especially to individual performance. Performance appraisal is an important function of the HR department. Its function is to formulate policies related to assessing the performance of the employees and identifying potential for taking up the higher responsibilities. Performance Appraisal is an ongoing exercise not a "one shot" function which is concerned with developing a potential of the employees in order to provide maximum satisfaction to all the employees. It provides employees with the training and developmental opportunity to perform better, helping them to keep up with the changes at the workplace. Now a days, with increase competition, organizations face many challenges. So, organizations must understand the importance of human resource and constantly focus on improving its performance, which will result in the overall improvement in the organizations performance.

1. INTRODUCTION

This paper deals with the prevailing Performance Appraisal System in Indian Banking Industry. This survey conducted in some public and private sector bank. Today latest mantra as being followed by organizations across the world is- "Pay for the performance". Banking sector is also paying more attention to performance management system, especially to individual performance. Performance appraisal is an important function of the HR department. Its function is to formulate policies related to assessing the performance of the employees and identifying potential for taking up the higher responsibilities. Currently it is becoming important to analyze the competencies, skills and abilities of the employee and recognize them. Everybody knows that the people run organizations. The performance of an organization depends upon the sum total of the performance of its employees.

Performance management is an entire work system that begins when a job is defined as needed and ends when an employee leaves the organization.

2. OBJECTIVES OF THE STUDY

- The objectives of performance appraisal are to assessing the performance at each level:
- To study about the prevailing trends of performance appraisal in banking sector.
- To assessing the strengths and weakness of every employee.
- To decide on promotion, reward, counseling etc.

3. LITERATURE REVIEW

Performance appraisal system is at the center of all business's operational and bottom line success but still many companies are not sure about the objectivity of the system and does not able to reduce the subjectivity by making the meaningful improvement in their performance management systems. Mercer, a worldwide consultant has conducted the performance management practices survey in 2008. They have covered around 350 leading US companies and confirmed the finding of 2002 Mercer study that executive commitment and the ability to differentiate performance are still the critical drivers of overall performance management success.

While there are no “silver bullets” for creating a performance culture, the findings suggest that there are key elements that companies should focus on first to make meaningful improvements to this critical HR program. The key findings of the survey are:

Success drivers: Mercer’s new study indicates that four key drivers determine the success in the performance

Management System

- Executive commitment to the process (deemed more relevant in for profit organization).
- Calibration meeting to ensure that managers use the same “yard stick” to evaluate performance.
- Strong manager capability (specifically ensuring that evaluations are “fair” and “equitable” and holding formal performance evaluation discussion with employees.
- Use of technology (deemed more relevant in nonprofit organization).

Differentiation: To ensure differentiation of performance ratings, the majority of companies (57%) conduct a next level manager review. To a lesser extent, companies hold informal (22%) or mandatory (11%) calibration meetings – one of the key drivers of overall success.

Primary purpose: While most companies (48%) “Primary purpose” for having a performance management system in place is to provide performance feedback to employees. 56% of companies participated in survey has indicated that their feedback process “needs work”. In addition, the majority indicates that managers are only “managerially skilled” at linking performance to “actionable” development planning (51%) and providing career development coaching (67%). Just 19% of respondents indicated that the primary is to make pay decisions.

Opportunities for improvement: While the majority of companies indicated that one or more areas of their performance management

systems “need work”, the most common elements in need of improvement is the link to other HR processes. For example:- Compensation or Succession planning’ is closely followed by improving the performance planning process (63% to 60% of respondents respectively).

Technology: 40% of the companies surveyed have performance management technology in place of companies without technology, 65% plan to purchase an external system and 14% plan to build during the next two years.

CEO involvement: Formal CEO evaluation (written evaluation plus discussion) is positively related to executive commitment, one of the four key drivers of performance management success.

Based on Mercer’s research and experience, companies have made strides over the past six years in increasing employee and manager access to performance management through technology and in linking performance management to other HR programs.

However, they still struggle with some of the “fundamental” of performance management such as performance planning, manager capability and ability to differentiate performance levels- that hinder overall system success. Even if a company has limited resources to devote to make wholesale changes to performance management, examining and addressing even one of the four key success drivers is a starting point and can produce noticeable improvement to this important HR program.

4. TRADITIONAL AND MODREN METHODS OF PERFORMANCE APPRAISAL APPROVED IN INDIAN BANKING SYSTEM

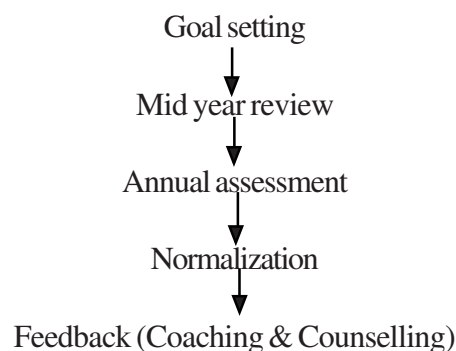
There are number of traditional and modern methods of performance appraisal system are used in Banks. Each organization has their own method of appraising the

performance of their employees. Some of the methods generally used in Indian banking sector are:

- 1) Confidential report
- 2) Ranking method
- 3) Rating method
- 4) Critical incident method
- 5) Graphic rating scale method
- 6) Behaviorally anchored rating scales
- 7) Psychological method
- 8) 360 degree appraisal method
- 9) Human resource accounting method
- 10) MBO

All appraisal methods have their own strengths and weaknesses. We should choose method or procedure according to our requirement or judgment.

Process of Performance Appraisal in Indian Banking: Performance Appraisal process includes setting goals, developing performance plans and acting upon the observation and feedback, identifying performance problems, and developing corrective course or action plans. It also involves evaluation and rewarding performance and taking administrative decisions. This process is broadly divided into various stages-



The success of an organization will depend on its ability to measure accurately the performance of its employees and use it objectively to optimize them as a vital resource. Once the employee is selected for a job, he has been trained to do the job effectively and efficiently and in the end of the year, his/ her performance is evaluated, improvement areas are identified and the

potential for taking up of next level responsibilities are evaluated. The important issues and points relating to performance appraisal in the present world are:

- a) The focus of performance appraisal is turning towards carrier development, selection, training and development.
- b) Performance measuring, rating and review systems have become more detailed, structured and specified then before to bring more and more subjectivity.
- c) Multi-rater feedback commonly used by the organization.
- d) Psychological testing are also used for appraising performance.

5. RESEARCH METHODOLOGY

Research in common parlance refers to search for knowledge. One can also define research as a scientific & systematic search for pertinent information on a specific topic. In fact, it is an art of scientific investigation. Research is not only concerned to the revision of the facts & building an upto date knowledge but also discover the new facts evolved through the process of dynamic changes in the society.

6. DATA COLLECTION, ANALYSIS & INTERPRETATION

Data is an important tool for the success of any project. Moreover it reduces the uncertainly in decision making process. In order to make meaningful reason a suitable methodology has to be adopted. The data collection methods are two types that is: Primary data & Secondary data This project is mainly based on primary data, but a little amount of secondary data is also used to complete the research project. The whole data is basically a primary data in nature collected by following ways:-

- a) Interview methods
 - b) Questionnaires methods
- Secondary data includes Reference books, magazines and some journal . Facts are collected by the survey method to analyze

the performance process of organization. To analyze the facts collected in the survey we can use different techniques available to us such as different statistical methods etc.

Sampling technique: Convenience sampling is used in the research paper. Sample size in 50 each in two major private and public sector bank.

7. PREVAILING PERFORMANCE APPRAISAL METHODS IN PUBLIC SECTOR BANKS:

Presently most of the public sector banks are using annual performance appraisal system for officers and mainly have uniform formats, Separate formats are being used in case of operational heads such as branch managers, Regional heads, Zonal heads, and Officers posted in branches and administrative offices. The appraisal format is divided into three parts i.e.

- Self-appraisal forms,
- Business dimensions, managerial and behavioral dimensions form and
- Form for assessment by reporting or reviewing authority.

The performance of the review is evaluated in terms of qualitative as well as quantitative dimensions. The qualitative aspects of performance include level of execution, excellence of accomplishment, outstanding jobs done etc. Performance appraisal has a linkages with goals, tasks and functions of certain positions which need to be realized and the end results will show how well or how badly the objective have been achieved.

Public sector banks evaluate performance of their employees on qualitative traits as well as quantitative parameters. The emphasis is laid on qualitative and quantitative output by identifying KPAs, which are most relevant in achieving the organizational goals. Annual targets are set for the employees in the form of KRAs and performance is judged

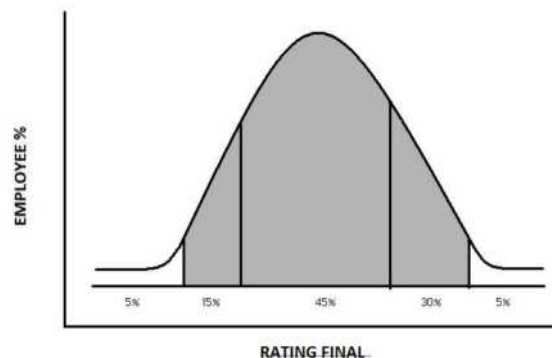
against these KRAs. Personality traits and competencies are also assessed in PSBs and this assessment is used only of taking corrective action. Thus, emphasis is more on measuring actual work performance in PSBs.

8. PERFORMANCE APPRAISAL PROCEDURE IN PRIVATE BANK

In private bank, they are having their own set of performance management system for performance appraisal. The procedure starts with the starting of financial year, with the online filling of goal sheet by all employee related to their target & achievement, and at the end of the financial year, the goal sheet is reviewed first by the appraisee in the form of Self-Appraisal then by immediate senior authority. Later, the next higher authority review that forms to make the system more transparent and unbiased. This is only for (M2 level, lower than M2 level employees).

For senior employees (CM1 level and above them), 360 Degree performance appraisal is used. In this appraisal system the peer, junior, senior assess the employee. As per the achievement of targets senior rate their subordinate and rank them based on rating and ranking. Based on set ranking and rating the HR department makes the bell curve for further proceedings.

The bell shape curve is form, for branch employees, first at the cluster level then at regional, zonal and national levels. On basis of bell curve, HR department



decides the grade, bonus and promotion of employees and uses talent exercise to map the competencies to decide whether the candidate is capable to take next higher role in the organization.

9. LIMITATIONS

- a) The survey is conducted only on the specific area.
- b) Sometimes the respondent doesn't give the exact / correct information due to some hesitation.

10. CONCLUSION

Performance Appraisal is an ongoing exercise not a "one shot" function which is concerned with developing a potential of the employees in order to provide maximum satisfaction to all the employees. It provides employees with the training and developmental opportunity to perform better,

- helping them to keep up with the changes at the workplace. Now a days, with increase competition, organizations face many challenges. So, organizations must understand the importance of human resource and constantly focus on improving its performance, which will result in the overall improvement in the organizations performance. It acts as the central pillar, which is directly related to the organizational performance and has a direct impact on it. It tells employees what they have to do and how they have to do it. With effective feedback, employees can see their progress, which motivates them to reach their performance goals successfully. So, performance appraisal is the strength, which effects, organizational performance and helps employees to overcome the problems faced while performing their tasks.

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