

## EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM IN PRIVATE SECTOR BANKS AT TAMILNADU

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### **ABSTRACT:**

Performance appraisal is done to improve the effectiveness of employees. The private sector banks in Tamilnadu are considered. The bank managers from selected sample included. A well structured questionnaire to measure perception on performance appraisal and its effectiveness mailed to respondents. It is found that there is high degree of relationship between the performance appraisal system at banks and the effectiveness in private sector banks at Tamilnadu.

**Key words: Performance Appraisal, System, Effectiveness, Private sector banks.**

### **INTRODUCTION**

One of the important steps to be followed in the performance management is the performance appraisal (Obisi, 2011). It plays a pivotal role in enhancing the employee's productivity (Hainess and Stonge, 2012). Performance appraisal is a process of assessing the performance and progress of an employee or a team on a given job (Kuvaas, 2011). The performance appraisal consists of finding, analyzing and recording information that surrounds the value of an employee in an organization (Igbal et al., 2015). One of the objectives of the performance appraisal in an organization is to identify the strengths and weakness that form the basis of action, recommendations to improve staff performance (Levy and William, 2004).

### **PERFORMANCE APPRAISAL SYSTEM**

The performance appraisal system consists of various methods of performance appraisal and the weightage given on the result of performance appraisal (Rao, 2007). The popular performance appraisal methods are 360 degree appraisals, Behaviorally Anchored Rating scale, Assessment centre, Psychological testing and staff compensation method. In the case of banking industry, the performance appraisal method/methods are adopted to evaluate the performance of the bank employees (Selvarajan and Cloninger, 2012). The performance appraisal system is effectively implemented when the components of the system are effectively engaged in banks (Sommer and Kulkarni, 2012). It consists of setting work related goals, employee's involvement, fairness in evaluation process, timely feedback, and usage of results (Tuystem and Devos, 2012).

### **Effectiveness of Performance Appraisal System**

The expected effectiveness of performance appraisal system in any organization is the enrichment of organizational and employee productivity (Saba et al., 2017). The organizational productivity shows financial and non- financial consequences of performance appraisal (Armstrong et al., 2011). The employee productivity

shows the quantity and quality of work / services produced by the employee within a presented period (Jawahar, 2006). Comparing these two effectiveness, the primary focus is on employee's productivity (Karimi, et al., 2011) since it is the base for the organizational productivity. It shows the enrichment of employee's involvement in work namely initiativeness, team work, problem solving skills, quality of work, Updation, customer orientation, and enthusiastic nature (Obisi, 2011). It is essential to evaluate the effectiveness of performance approval system in commercial banks for future policy implications.

## REVIEW OF PREVIOUS STUDIES

Ikranullah et al., (2014), showed the significant impact of performance appraisal system on employee's involvement. Moulik and Mazumdar (2012) noticed the significant use of the performance appraisal system on the pay fixation among the employees. Getnet et al (2014) proposed the performance appraisal is adopted to incentivize and measure the performance of their employees. Fairal and Esmail (2014) identified the close association between the performance appraisal and employee's commitment to the organization. Salleh et al., (2013) found the significant impact of performance appraisal in an organization on the employee's involvement. Umoh et al., (2014) reported the positive relationship between incentives based on performance and the employee's commitment. Hag et al., (2014) showed the positive perception on performance appraisal in an organization and employee's commitment in it.

Based on the reviews, the present study has made an attempt to fulfill the following objectives.

## OBJECTIVES OF THE STUDY

The confined objectives of the study are:

- To measure the level of perception on performance appraisal at the banks and its effectiveness (employee motivation).
- To evaluate the influence of performance appraisal at the banks on the level of employee motivation at the banks.

## Measurement of Constructs

The study include only two important constructs namely performance appraisal and employee motivation in the banks. The performance appraisal included in the study shows the process in the implementation of performance appraisal at the banks (Scott and Tinstein, 2001). It includes five aspects namely setting work related goals, employee involvement, fairness in evaluation process, timely feedback and usage of results (Moulder, 2011). The variables related to the above said five components are drawn from reviews.

Similarly, the employee involvement covers the work initiativeness, teamwork, problem solving, quality of work, customer orientation and enthusiasm in work (Salg et al., 2009). The variables related to the above said seven components are drawn from reviews (Walber et al., 2006).

## METHODOLOGY

The present study adopts a qualitative approach as the investigators were interested in gathering non-numerical information through the Questionnaire (Willig, 2013) on performance appraisal system and its effectiveness. The population of the study is the bank manager of all private sector banks in Tamilnadu. In Tamilnadu, there are 3452 private sector banks. The managers of these banks are treated as population. By the application of formulae  $n = \frac{N}{N^2 + 1}$ , the determined sample size came to 359 managers when 'e' is 0.05. These samples are selected at lottery method.

The Questionnaire is used as a tool to collect the primary data from the branch managers. It consists of two important parts namely performance appraisal and employee motivation. The related variables are drawn from reviews. The pilot study was conducted among 50 private sector bank managers to confirm the

reliability and validity of variables included in each construct (George and Mallery, 2003). It is confirmed by the content, convergent validity and internal consistency. The final draft of the questionnaire has been sent to all sampled managers through e-mail. The overall response rate on the questionnaire is only 45.12 per cent (162 managers). The SPSS-21 version of soft ware is used to process the data.

## RESULTS AND DISCUSSION

The study measure the constructs used initially. These are the components of performance appraisal and the employee involvement. The number of variables used to measure each component in the construct, its normality and its validity are measured. The rate of implementation of performance appraisal and the level of employee involvement are presented in the given Table.1

**TABLE 1 Measurement of the Constructs**

Sl. No.	Constructs	No. of Variables	Nature of standardized factor loading	Composite reliability	AVE in per cent	Skewness	Kurtosis	Standard deviation	Mean
I	Performance appraisals								
1.	Setting work related goals	5	> 0.60	0.7845	54.59	-1.8841	-1.0894	3.1741	0.4546
2.	Employee involvement	4	> 0.60	0.7608	53.17	-2.0881	-1.8842	3.0884	0.5773
3.	Fairness in evaluation process	5	> 0.60	0.7704	53.82	-1.4554	-1.3082	3.2172	0.5088
4.	Timely feed back	4	> 0.60	0.7545	52.45	-1.9191	-1.5142	3.1884	0.5884
5.	Usage of results	5	> 0.60	0.7891	55.02	-1.8042	-1.6196	3.2142	0.4702
II	Employee involvement								
1.	Work initiativeness	3	> 0.60	0.7444	52.11	-1.8081	-1.6142	3.0884	0.5149
2.	Team work	3	> 0.60	0.7991	55.88	-2.1193	-1.8414	3.1178	0.4884
3.	Quality of work	4	> 0.60	0.7739	53.91	-1.7343	-1.5082	3.1084	0.5666
4.	Customer orientation	3	> 0.60	0.7696	53.22	-2.1182	-1.8868	3.0445	0.5493
5.	Enthusiasm in work	4	> 0.60	0.7842	55.01	-1.5119	-1.3089	3.1173	0.6244

The above table shows the content and convergent validity in all components of each construct since the standardized factor loading of variables in each component are greater than 0.60 and the composite reliability is greater than 0.60 (Babbie, 2010). The normality of data in each component has been proved since the skewness and kurtosis are in between -3 and +3 (Bryman and Bell, 2007). The level of implementation of performance appraisal at banks is above than the average level since the mean of all five components of performance appraisals are greater than 3.0. The same trend is also noticed in the case of employee involvement since the

mean of variables in each component are greater than 3.00. The highly viewed component of performance appraisal and employee involvement are fairness in evaluation process and team work since it's mean scores are 3.2172 and 3.1178 respectively.

## INFLUENCE OF PERFORMANCE APPRAISALS ON EMPLOYEE INVOLVEMENT

The degree of influence of each component of performance appraisal on the level of employee involvement in banks has been assessed with the help of multiple regression analysis. Before the application of multiple regression analysis, the freeness from multi-collinearity problem among the components of performance appraisal has been analysed. The ordinary least square method was adopted to estimate the regression coefficient of each component of performance appraisal. The results are summarized in

Table 2

Sl. No.	Particularly	VIF	Tolerance level	Unstandardized coefficient	Standard error	't' value	Sig.	Beta value
I	Constant							
1.	Setting work related goals	-	-	3.0894	0.1124	27.485	0.0000	-
2.	Employee involvement	5.8944	0.1606	0.1996	0.0245	8.1469	0.0000	0.1732
3.	Fairness in evaluation process	6.2446	0.1601	0.2603	0.0343	7.5889	0.0188	0.2411
4.	Timely feedback	6.0117	0.1663	0.2996	0.0514	5.8288	0.0241	0.2603
5.	Usage of results	5.7033	0.1753	0.2545	0.0408	6.2377	0.0188	0.2291
Coefficient of determination (R <sup>2</sup> ) : 78.42								
F-Value and its 'p' value: 18.4241; 0.0033								

The estimated regression function is free from the multi-collinearity problem since the VIF of all independent variables are greater than 5.00 and their respective tolerance level are lesser than 0.20. The changes in the level of view on the performance appraisal at the banks explain the changes in the level of employee involvement at the banks to an extent of 78.42 per cent. The remaining 21.58 per cent of changes in the level of employee involvement is explained by some unknown variables. It is also confirmed by the significant of the constant value of 3.0894. All components of performance appraisal at banks have a significant positive influence on the level of employee involvement since the regression coefficients are significant at less than five per cent level.

The highly influencing component of performance appraisal on the level of employee involvement at banks is fairness in evaluation process since its beta value is 0.2603. It is followed by the employee involvement and usage of results with the beta values of 0.2411 and 0.2291.

## CONCLUDING REMARKS

The present study concludes that the level of implementation of performance appraisal at private sector banks is at the moderate level. The highly implemented aspects are fairness in evaluation process and usage of results. The important components of performance appraisal influence the level of employee involvement at banks are fairness in evaluation process, employee involvement and usage of results. It reveals that the policy makers have to focus on the fairness of evaluation process when they are establishing the performance

appraisal system at banks. Another aspect, the banking authorities are expected to give more weightage on the results got from performance evaluation for the pay increase or promotion at banks. In total, an effective implementation of performance evaluation procedures at the banks will produce better results in employee involvement at banks.

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