A Critical Analysis on the Effectiveness of the Performance Appraisal System of the Private Banks in Jaipur

Swati Tiwari

Abstract: The organizations pay a lot of attention on the improved performance of the employee. For the purpose the organizations have well designed appraisal system, which not only evaluates the performance of the employee, but also lays emphasis on those areas which can be improved. The given study has been done to know the effectiveness of Performance Appraisal System on variables like Performance Improvement, Rewards, Culture, Job Satisfaction & Retention in private banks of Jaipur. Means, standard deviation, coefficient correlation, linear regression & one sample t-test has been used to validate the results. Comparative analysis of banks has been done. Results & discussions were drawn & it was concluded that though performance appraisal system is correlated & impacts the underlined dependent variables, yet there are some other reasons too for employee good performance.

Key words: Performance Appraisal System, Performance Improvement, Rewards, Culture, Job Satisfaction & Retention

I. INTRODUCTION

The dynamic organizational system is going continuously with the transformation. The organizations have used adaptive ability & proactive approach to excel in their business environment. Out of all HR practices, Performance Appraisal is the focal practice against which all the other practices rotate. The Performance Appraisal System is result oriented and helps in improving employee productivity. The main aim of the Performance Appraisal System is to enhance and enrich the potentials of the employee through rewards system, promotional activities, and to some extent through corrective measures. Baker et al., (1998) stated that the behavior and the performance of the employees largely reflect the incentive system of the organization which is based on the appraisal system. Good salary system, interrelationship between the superior and the subordinate, employee turnover, punishments, poor performance etc all are depended on the-product of the behavioral pattern of the employee, which is the by-product of incentive system. It is a formal system designed to measure and evaluate the performance and behavior of individuals at work and through constant observation, developmental changes can be made in his performance, behavior, results, etc. Performance appraisal helps the organization to understand and compare the after-effects of employee behavior, when a task is given. The focus of performance appraisal is the actual performance which the requirements of the job, and standardized performance that is expected from an employee.

II. REVIEW OF LITERATURE

Performance Appraisal System plays a pivotal role in enhancing the performance of employee. Karimi et al., (2011) concluded that the assessment of employees’ performance is one of the most common practices in almost every organization, and so performance appraisal is an essential procedure for the better performance of employees and the organization itself. Gupta (2006) defines Performance Appraisal as a process of assessing the performance and progress of an employee or of a group of employees on a given job and his potential for future development. He further argues that performance appraisal consists of all formal procedures used in work organizations to evaluate personalities, contributions and potentials of employees. Obisi (2011) stated that organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated.

Scott & Einstein (2001) suggested that the performance appraisal system should be designed in such a manner that it enhances better team work which further contributes to worker and organizational effectiveness. Augniuis et al., (2011) concluded that employee growth & improved performance is the key determinant to organizational success. Moynihan and Pandey (2010) suggested that information related to performance improvement always help the employees to perform well.

Drake et al.,(2007) stated that the employees after performing are given positive feedback, get closely related to the organization task and its goals. The rewards vary with the level of performance. Rahman et al., (2011) advocated that a combination of financial and nonfinancial incentives strategies would be more effective in cultivating the performance level of the employees in an organization. Kotter (2012) contends that the variables influence organizational performance include level of employee commitment to work, positive beliefs about work, positive work values, interpersonal relationships and group norms. Sheridan (1992) concluded that the relationship between the employees’ job performance and their retention varies with organizational culture values. O’Reilly et al., (1991) emphasized that employee need both task competency & environmental value system congruent to the central value system of the organization. Spears (2000) advocated that performance refers to the degree of accomplishment of the tasks that makes individual job. Taylor(2004) suggested that employee performance appraisal is used to measure employee cultural workplace performance and improving performance.
Knippenberg (2000) investigated the positive effects and links between job performance and job satisfaction. Gronroos (1991) stated that job satisfaction and performance draw a parallel with organization performance and profitability and also affects it. Judge et al., (2001) in their findings asserted that organizations showing profits have the manpower with positive attitude & high degree of showing the performance.

### III. THE RESEARCH OBJECTIVE IS TO:

1. Find relationship between Performance Appraisal System with Performance Improvement, Retention, Culture, Job Satisfaction & Rewards in the private banks.
2. Find the impact of Performance Appraisal System on the Performance Improvement, Retention, Culture, Job Satisfaction & Rewards in the private banks.

### Hypotheses

**Ha1:** Performance, Reward System, Culture, Job Satisfaction & Retention of the employees is related to the Performance Appraisal System of the banks

**Ha2:** Performance Appraisal System impacts the Performance, Reward System, Culture, Job Satisfaction & Retention of the employees of the banks

### IV. RESEARCH METHODOLOGY

The population for the present research is the employees (both the managers & executives) from the four banks of the Jaipur city. Performance Appraisal has been taken as independent variable & Performance Improvement, Rewards, Culture, Job Satisfaction & Retention has been taken as dependent variable. Non Probability Convenient sampling technique was used to collect the data of 431 respondents.

Close ended structured questionnaire, with 5-point Likert Scaling Technique has been used to measure the responses in order to rate the items on the level of the agreement. Content validity and Cronbach’s Alpha (α) reliability came out to be 8.50, which is acceptable & shows good internal consistency (George & Mallery, 2003). Means, & Standard Deviation were calculated for independent & dependent variables. Pearson Product-Moment Correlation Coefficient & Simple Linear Regression & One Sample t-Test was used to analyze the data, which was loaded in the SPPSS 21 version of software.

### V. ANALYSIS AND INTERPRETATION OF DATA:

The calculated means, standard deviation of the various variables, where N=431

<table>
<thead>
<tr>
<th>Table 1: Means &amp; Standard deviation of variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Appraisal System</td>
</tr>
<tr>
<td>Means(M)</td>
</tr>
<tr>
<td>Standard deviation(SD)</td>
</tr>
<tr>
<td>3.020</td>
</tr>
<tr>
<td>.742</td>
</tr>
<tr>
<td>Performance Improvement</td>
</tr>
<tr>
<td>3.106</td>
</tr>
<tr>
<td>.701</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variables</th>
<th>Statistical Values</th>
<th>Significance Value(p or α value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Appraisal System</td>
<td>.991</td>
<td>.231</td>
</tr>
<tr>
<td>Performance Improvement</td>
<td>.991</td>
<td>.231</td>
</tr>
<tr>
<td>Rewards</td>
<td>.986</td>
<td>.078</td>
</tr>
<tr>
<td>Culture</td>
<td>.982</td>
<td>.052</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.990</td>
<td>.068</td>
</tr>
<tr>
<td>Retention</td>
<td>.990</td>
<td>.082</td>
</tr>
</tbody>
</table>

**Shapiro-Wilk Test of Normality** was used to calculate the normality of the data. Where the calculate values of all the variables is more than .05(α value), which means that the data is normal.

**Table 2: Shapiro-Wilk Test of Normality**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Statistical Values</th>
<th>Significance Value(p or α value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Improvement</td>
<td>.993</td>
<td>.000</td>
</tr>
<tr>
<td>Rewards</td>
<td>.990</td>
<td>.000</td>
</tr>
<tr>
<td>Culture</td>
<td>.986</td>
<td>.000</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.996</td>
<td>.000</td>
</tr>
<tr>
<td>Retention</td>
<td>.992</td>
<td>.000</td>
</tr>
</tbody>
</table>

Correlation(r) is significant at the 0.05 level (2-tailed). The obtained result is significant at.000, significantly correlates for the variables Performance Improvement (r=.993), Rewards (r=.990), Culture (r=.986), Job Satisfaction (r=.996) and Retention (r=.992), stating that there is a significant positive correlation between independent & dependent variables.

**Simple Linear Regression**

The regression model is used to know the impact of the Predictor or Explanatory (independent variable) on dependent variable.

Linear Regression Model Equation:

\[ y = a + bx \]

where,

- \( y \) = dependent variable;
- \( a \) = intercept (constant);
- \( b \) = slope of the line;
- \( x \) = explanatory variable (independent variable)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Statistical Values</th>
<th>Significance Value(p or α value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewards</td>
<td>3.006</td>
<td>.674</td>
</tr>
<tr>
<td>Culture</td>
<td>3.014</td>
<td>.664</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>3.215</td>
<td>.795</td>
</tr>
<tr>
<td>Retention</td>
<td>2.911</td>
<td>.679</td>
</tr>
</tbody>
</table>
Table 4: Simple Linear Regression, N=431

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>r</th>
<th>r²</th>
<th>Adjusted r²</th>
<th>Standard error of the estimate</th>
<th>r² change</th>
<th>F change</th>
<th>Sign. F change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Improvement</td>
<td>.993</td>
<td>.986</td>
<td>.984</td>
<td>.084388</td>
<td>.986</td>
<td>29300.602</td>
<td>.000</td>
</tr>
<tr>
<td>Rewards</td>
<td>.990</td>
<td>.979</td>
<td>.976</td>
<td>.096970</td>
<td>.979</td>
<td>20371.859</td>
<td>.000</td>
</tr>
<tr>
<td>Culture</td>
<td>.986</td>
<td>.972</td>
<td>.967</td>
<td>.111759</td>
<td>.972</td>
<td>14753.409</td>
<td>.000</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>.996</td>
<td>.992</td>
<td>.985</td>
<td>.072762</td>
<td>.992</td>
<td>50999.412</td>
<td>.000</td>
</tr>
<tr>
<td>Retention</td>
<td>.992</td>
<td>.985</td>
<td>.983</td>
<td>.084210</td>
<td>.985</td>
<td>27566.730</td>
<td>.000</td>
</tr>
</tbody>
</table>

Predictors: (Constant), performance appraisal
Dependent Variable: performance improvement, rewards, culture, job satisfaction & retention

There is a significant link, due to the F change, between the predictor variable, Performance Appraisal System on the dependent variables, Performance Improvement = 29300.602, Rewards = 20371.859, Culture = 20371.859, Job Satisfaction = 50999.412, Retention = 27566.730 where, α<= 0.05(Table 4) is for all the variables. The link was reflected by a relatively strong correlation coefficient Performance Improvement (r = 0.993), Rewards (r = 0.990), Culture (r = 0.986), Job Satisfaction (r = 0.996), Retention (r = 0.992). This result means that the 98.6% (r² = 0.984) of the variance in employee’s Performance Improvement is being explained by the identified Performance Appraisal System, for Rewards it is 97.9% (r² = 0.976), for Culture 97.2% (r² = 0.967), for Job Satisfaction 99.2% (r² = 0.985) and for Retention 98.5% (r² = 0.983)(Table 4). The value of the r² varies within 0 to 1. Higher the R square value, higher is the explanatory power (Hair, Black, Babin, Anderson, & Tatham, 2006).

Table 5: Coefficients of Performance Appraisal System showing its impact on Performance Improvement at 95% confidence level

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.272</td>
<td>.993</td>
<td>15.938</td>
<td>.000</td>
</tr>
<tr>
<td>perf_app</td>
<td>.939</td>
<td>.993</td>
<td>171.174</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: perf_imp

The model equation derived from the Regression Coefficient, beta (β) values is:

\[ y = a + bx \]

Performance Improvement = 0.272 + 0.939*Performance Appraisal

Table 6: Coefficients of Performance Appraisal System showing its impact on Rewards at 95% confidence level

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.290</td>
<td>.990</td>
<td>14.790</td>
<td>.000</td>
</tr>
<tr>
<td>perf_app</td>
<td>.899</td>
<td>.990</td>
<td>142.730</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: rewards

The model equation derived from the Regression Coefficient, beta (β) values is:

\[ y = a + bx \]

Rewards = 0.290 + 0.899*Performance Appraisal

Table 7: Coefficients of Performance Appraisal System showing its impact on Culture at 95% confidence level

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.350</td>
<td>.986</td>
<td>15.515</td>
<td>.000</td>
</tr>
<tr>
<td>perf_app</td>
<td>.882</td>
<td>.986</td>
<td>121.464</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: culture

The model equation derived from the Regression Coefficient, beta (β) values is:

\[ y = a + bx \]

Culture = .350 + .882*Performance Appraisal
A Critical Analysis on the Effectiveness of the Performance Appraisal System of the Private Banks in Jaipur

Table 8: Coefficients of Performance Appraisal System showing its impact on Job Satisfaction at 95% confidence level

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.009</td>
<td>.015</td>
<td>.634</td>
<td>.526</td>
</tr>
<tr>
<td>perf_app</td>
<td>1.068</td>
<td>.005</td>
<td>225.830</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: job_sat

The model equation derived from the Regression Coefficient, beta (β) values is:

Job Satisfaction = 0.009 + 0.1068*Performance Appraisal

Table 9: Coefficients of Performance Appraisal System showing its impact on Retention at 95% confidence level

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficient</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.168</td>
<td>.017</td>
<td>9.864</td>
<td>.000</td>
</tr>
<tr>
<td>perf_app</td>
<td>.908</td>
<td>.005</td>
<td>166.032</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: retention

The model equation derived from the Regression Coefficient, beta (β) values is:

Retention = 0.168 + 0.908*Performance Appraisal

Table 10: One Sample t-test, N=431

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error of Mean</th>
<th>t-value</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Appraisal</td>
<td>3.02</td>
<td>742</td>
<td>.035751</td>
<td>84.488</td>
<td>.000</td>
</tr>
<tr>
<td>Performance Improvement</td>
<td>3.10</td>
<td>701</td>
<td>.033799</td>
<td>91.918</td>
<td>.000</td>
</tr>
<tr>
<td>Rewards</td>
<td>3.00</td>
<td>674</td>
<td>.032487</td>
<td>92.333</td>
<td>.000</td>
</tr>
<tr>
<td>Culture</td>
<td>3.01</td>
<td>664</td>
<td>.031987</td>
<td>94.240</td>
<td>.000</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>3.21</td>
<td>795</td>
<td>.038329</td>
<td>83.892</td>
<td>.000</td>
</tr>
<tr>
<td>Retention</td>
<td>2.91</td>
<td>679</td>
<td>.032729</td>
<td>88.967</td>
<td>.000</td>
</tr>
</tbody>
</table>

The t-test value, which is used for the population generalization, for Performance Appraisal System (t (1) = 84.48, p < 0.05) Performance Improvement (t (1) = 91.91, p < 0.05), Rewards (t (1) = 92.33, p < 0.05), Culture(t (1) = 94.24, p < 0.05), Job Satisfaction (t (1) = 83.89, p < 0.05) and Retention(t (1) = 88.96, p < 0.05) (Table 10). The result reveals that all the given variables are applicable on all parameters in the banks since t-test value is significant at 95% confidence level.

Table 11: Mean Values for various banks for each Variable

<table>
<thead>
<tr>
<th>Banks</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Appraisal</td>
<td>2.8639</td>
<td>3.2574</td>
<td>2.9501</td>
<td>2.8780</td>
</tr>
<tr>
<td>Performance Improvement</td>
<td>2.9268</td>
<td>3.3345</td>
<td>3.0583</td>
<td>2.9880</td>
</tr>
<tr>
<td>Rewards</td>
<td>2.8535</td>
<td>3.2038</td>
<td>2.9490</td>
<td>2.8820</td>
</tr>
<tr>
<td>Culture</td>
<td>2.8584</td>
<td>3.2038</td>
<td>2.9684</td>
<td>2.8933</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>3.0260</td>
<td>3.4775</td>
<td>3.1456</td>
<td>3.0799</td>
</tr>
<tr>
<td>Retention</td>
<td>2.7611</td>
<td>3.1042</td>
<td>2.8544</td>
<td>2.7977</td>
</tr>
</tbody>
</table>

The comparative mean values of all the banks (Table 11) reveals that Performance Appraisal System (M=3.2574), Performance Improvement (M=3.3345), Rewards(M=3.2038), Culture(M=3.2038), Job Satisfaction(M= 3.4775) and Retention(M=3.1042) is best in B bank. Whereas A bank scores the lowest from all the banks, which can be seen from the given table. Job satisfaction is the variable, where the mean value is more than 3 for all the banks.

VI. RESULTS AND DISCUSSION

Objective 1: Find relationship between Performance Appraisal System with Performance Improvement, Retention, Culture, Job Satisfaction & Rewards in the private banks. For the given objective 1, the stated hypotheses results are significant at .000, rejecting the H0, where p<.05. The Correlation values (Table 3) is significantly correlated, r = .993 where p < .05, stating that there a strong correlation between Performance Appraisal System (M=3.02, SD=.74) with Performance Improvement (M= 3.10, SD=.70) (Table 1) which agrees the conclusion of Obisi (2011) that organizational performance and its resultant efficiency and effectiveneness can only be achieved when individuals are continuously appraised and evaluated. From the same table it reveals that there is a strong correlation between Performance Appraisal System (M = 3.02, SD=.74) and Rewards (M = 3.00, SD =.67), which comes out to be r=.990. Even the studies of Drake et.al, (2007) states that performance based rewards had positive & negative effect on the level of working of the employee. Performance Appraisal System and Culture is significantly correlated, r=.986, asserting that Performance Appraisal (M=3.02, SD=.74) and Culture (M= 3.01, SD=.66) are highly correlated. The findings of Robbins, K. (2012) also emphasized on culture that there is a strong relationship between organizational culture, its commitment, and its performance. The culture of the organization increases or decreases the level commitment of the employee. The better culture the higher will be the will be the
performance output. The correlation values for Performance Appraisal (M=3.02, SD=.74) and Job satisfaction (M= 3.21, SD=.79), it is significantly correlated, r=.966, this is relative to the studies conducted by Gronroos(1991) asserting that job satisfaction and performance draw a parallel with organization performance and profitability and also affects it.

Objective 3: Analyze Performance Appraisal Systems in banking industry.

The comparative mean values (Table 11), reveals that Performance Appraisal System (M=3.2574), Performance Improvement (M=3.3345), Rewards (M=3.2038), Culture (M=3.2038), Job Satisfaction (M=3.4775) and Retention (M=3.1042) is best in B bank. Whereas A bank scores the lowest from all the banks, Performance Appraisal System (M=2.8639), Performance Improvement (M=2.9268), Rewards (M=2.8535), Culture (M=2.8584), Job Satisfaction (M=3.0260) and Retention (M=2.7611). Job satisfaction is the variable, where the M < 3 which indicates that Performance Appraisal System is effective for Job Satisfaction, and it is not applicable for the other underlying variables.

VIII. CONCLUSION

The research focused and demonstrates the relatedness & the impact of Performance Appraisal System of the banks on the factors like Performance Improvement, Rewards, Culture, Job Satisfaction, & Retention. The study & its results clearly show that there is high correlation & impacting value between Performance Appraisal System of private banks with Performance Improvement, Rewards, Culture, Job Satisfaction, & Retention. These variables are the important factors deciding the performance & productivity of the organization. Employees believe in the improvement of their performance, which can be seen from the responses. Rewards, whether monetary or non monetary, plays a crucial role in Performance Appraisal System. These are those assets which can reduce turnover and increase employee commitment. Performance Appraisal System influences the culture of the bank. It motivates the employee to perform well. Employee job satisfaction and retention increases with an enhanced and enrich appraisal system.

The comparative analysis of the four major private banks taken for the study purpose indicates that Performance appraisal is best in B bank for all the variables. Job satisfaction is the variable which has its mean < 3 for all the banks. This indicates that employees are satisfied with their job, and Performance Appraisal plays a crucial role in this regard.

FUTURE RESEARCH DIRECTIONS

The research was done to study the Performance Appraisal System of the banking industry. Future research can be done on other service sectors like: Hotels & Hospitality, Healthcare, Educational Institutes, Insurance, On-line services, Travel & Tourism, Telecom, Railways, Airways, etc. Performance Appraisal includes other HR Practices also like training, internal- external mobility, grievances, role - analysis, participation, trust, decision making, communication which can be taken for further studies. Demographic factors like age, qualification, experience & designation of the employees can also be considered for future research purpose.

REFERENCES

A Critical Analysis on the Effectiveness of the Performance Appraisal System of the Private Banks in Jaipur