Employee Perception Towards Performance Appraisal System in Banks - An Empirical Study

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ABSTRACT

In today's competitive business world, it is understood that organizations can only compete with their rivals by innovative strategies and organizations can be innovative by managing their human resources well. Perceptions of employees about the targets, outcomes and uses of performance appraisal results would be beneficial depending on a number of factors. This paper focuses on identifying the demographic factors that influence the employee perception towards Performance Appraisal System. The data was analysed quantitatively using frequency distributions and descriptive statistics while Analysis of Variance was used to establish associations between variables. The study revealed that the age and experience of the employees are the main demographic factors that influence the performance appraisal system of an organization. It is also found that most of the bank employees perceive that the performance appraisal system in their organization provides scope for self appraisal.

Keywords:— performance, appraisal, age, experience, gender, human resource, job, employee perception.

I. INTRODUCTION

The most critical human resource practice in every organization is Performance Appraisal System. This System generally leads to dissatisfaction among employees is often viewed as unsatisfactory or unfair or ineffective. The fastest growing financial service sector in India is the banking sector. Performance appraisal system (PAS) is an important Human Resource Development (HRD) mechanism designed and utilized for the all round development and growth of employees as well as organizations. Performance Appraisal System is being used to evaluate whether employees at various levels perform their assigned jobs as per the expectations of their supervisors & set standards. Despite the fact that extensive efforts are being made to make appraisals more effective and workable, many organizations express greater dissatisfaction with their appraisal schemes. For rating employee performance the human resource system can become more effective by having a suitable and accurate appraisal system. Perceptions of employees about the targets, outcomes and uses of performance appraisal results would be beneficial depending on a number of factors. For example, employees are more likely to be receptive and supportive for a given Performance appraisal

programme, if they perceive that the process is a useful source of feedback which helps to improve their performance. Designing and implementing an effective performance Appraisal system has always been a serious concern among human resource (HR) managers. With an increase in competitive pressures, employers' strive to increase employees' performance levels by using performance appraisals system in an efficient manner.

II. REVIEW OF LITERATURE

According to Mathis Jackson (1998) performance appraisal aims at clarifying the employees' work expectations, improving employee development, linking pay with performance and assessing workforce development. Employees know about their strengths and weaknesses through performance appraisal implementation and it also help both employee and manager to improve on-the-job performance. Performance appraisal assists in human resource planning by analyzing training and development needs and by identifying high level performers in the organization. Employees become aware of the organization's expectations after performance evaluation, which helps them in improving their performance so as to match the organization's standards (De waal 2004). Asamu Festus (2013) recommended that the management should make sure that performance appraisal is carried out incessantly. The study also insists on discussion of performance expectations and actual performance more often and regularly.

Walsh (2005) was on the opinion that the relationship of employee and manager is strengthened through exchange of ideas while evaluating the performance of employees. According to Egdorf (2006) studies show that there are many approaches for evaluating employee

behaviour and performance with respect to job tasks and/or organisational culture. The performance appraisal can succeed in obtaining intended results but it often fails to do so. Employees who exhibit negative about performance appraisal system become dissatisfied with their jobs and exhibit less commitment to their organization, compared with those employees who consider that their appraisals exhibit them in a good light.(Jawahar and Hemmasi (2006). Dr.M. Ragupathi (2017) stated that most employees are highly satisfied with their perception towards performance appraisal system.

According to Ahmeed et.al (2010) Commonly identified issues which hinder the success of performance appraisals include; employees' lack of understanding of the performance appraisal process, fear of unexpected results, concern for change in the relationship with the supervisor, threat of poor self-image and fear of change. The issues for managers while appraising the performance of their employees include: managers' discomfort while discussing performance results, fear of unexpected results, time consuming processes and concern for the fostering of poor relationships with employees.

A study conducted by Boachie-Mensah (2012) focused on errors in employee's perception of performance appraisal. Kuvaas (2010) was on the opinion that the perceived effectiveness of performance appraisal is found to have a positive relationship with work performance and organizational commitment. Further, employees' perceptions about the politics of performance appraisal are negatively related to job performance and positively related to turnover intentions. This is the major reason employees resist in implementing the performance management systems. According to the author the structure of relationship among factors and employee's

perception is very complex and a very careful investigation need to be done. Performance appraisal reviews are based on past performance but to be successful they should be used as a basis for development and improvement to enhance the effectiveness of the bank.

III. Objectives

1.   To study the factors that affects the performance appraisal system in banking sector.

2.   To study the relationship between demographic factors and Employee Perception towards performance appraisal system.

3.   To put forth certain suggestions and conclusions based on the findings that have been arrived.

IV. Hypothesis

Null Hypothesis

(Ho$_1$): There is no relation between gender and Employee Perception towards performance appraisal system.

(Ho$_2$): There is no relation between age and Employee Perception towards performance appraisal system.

(Ho$_3$): There is no relation between experience and Employee Perception towards performance appraisal system.

Alternate Hypothesis

(H$_1$): There is relation between gender and Employee Perception towards performance appraisal system.

(H$_2$): There is relation between age and Employee Perception towards performance appraisal system.

(H$_3$): There is relation between experience and Employee Perception towards performance appraisal system.

V. Research Methodology

The survey was conducted in Hyderabad District in Telangana state. The study was conducted using both the primary data and secondary data. Primary source of data is collected from the respondents through structured questionnaire and interviews. Secondary data is collected from various Journals, Magazines, and published reports and from subject related books and websites. The sampling method used is Convenient Sampling Method. A study of 124 employees was conducted to know the employee perception towards Performance appraisal system. The data collected from Primary and Secondary sources are analyzed with the help of appropriate statistical Package like SPSS 23.0. The entire data collected on various aspects of present study whether primary or secondary for determining the level of satisfaction of employees with the effectiveness of performance appraisal system practices, has been analyzed statistically by using frequency distributions and descriptive statistics while ANOVA was used to establish associations between variables. The reliability of questionnaire was determined by using Cronbach's Coefficient alpha.

VI. Result Analysis

The employee perception factors towards performance appraisal system were measured using 8 items in the survey questionnaire asking the respondents to rate them on a 5-point Likert scale, ranging from 1 = low impact to 5 = high impact. These 8 variables were subjected to factor analysis statistical technique using principal axis factoring, with varimax rotation. The results are as follows.

i) Descriptive Statistics of employee perception towards performance appraisal system:

Table 6.1 Descriptive Statistics Analysis

	Mean	Std. Deviation	Analysis N
In my opinion present appraisal system is fair and transparent	3.89	1.142	124
Orientation programs on performance appraisal system are conducted frequently	3.60	1.161	124
KPA's are documented at the beginning of the performance planning	3.98	.979	124
Setting of KPA's / KRA's /Tasks/Targets are done through discussion between superior and subordinate	3.90	.840	124
Objectives of Performance appraisal System is clear to both superiors and subordinates	3.28	1.193	124
Performance planning helps me to plan well to achieve my objectives	3.81	1.007	124
Performance appraisal system provides scope for self appraisal	3.60	1.306	124
Self appraisal is reviewed and discussed properly	3.56	1.170	124

ii) Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of employee perception towards peformance appraisal system:

The Kaiser-Meyer-Olkin (KMO) was 0.693, and the Bartlett test of sphericity reached statistical significance (p<.001) supporting the factorability of the correlation matrix which showed that the analysis was appropriate.

Table 6.2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.693
Bartlett's Test of Sphericity	Approx. Chi-Square	540.656
	df	28
	Sig.	0.000

iii) Communalities for employee perception towards performance appraisal system:

The following communalities table shows how much of the variance in the variables has been accounted for by the extracted factors. It is observed that around 86.1% of the variance is accounted for KPA's documentation.

Table 6.3 Communalities for Employee Perception Towards Performance Appraisal System

Principal Component	Initial	Extraction
In my opinion present appraisal system is fair and transparent	1.000	0.587
Orientation programs on performance appraisal system are conducted frequently	1.000	0.390
KPA's are documented at the beginning of the performance planning	1.000	0.861
Setting of KPA's /KRA's / Tasks/Targets are done through discussion between superior and subordinate	1.000	0.602
Objectives of Performance appraisal System is clear to both superiors and subordinates	1.000	0.624
Performance planning helps me to plan well to achieve my objectives	1.000	0.262
Performance appraisal system provides scope for self appraisal	1.000	0.890
Self appraisal is reviewed and discussed properly	1.000	0.807

Table 6.4 Total Variance Explained for Employee Perception Towards Performance Appraisal System

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.770	47.122	47.122	3.770	47.122	47.122	3.083	38.540	38.540
2	1.252	15.645	62.767	1.252	15.645	62.767	1.938	24.227	62.767
3	0.891	11.138	73.906						
4	0.727	9.085	82.991						
5	0.585	7.318	90.309						
6	0.549	6.861	97.170						
7	0.155	1.933	99.103						
8	0.072	0.897	100.000						
Extraction Method: Principal Component Analysis.									

iv) Total Variance Explained for employee perception towards performance appraisal system:

The table 6.4 shows all the factors extractable from the analysis along with their eigen values, the percent of variance attributable to each factor, and the cumulative variance of the factor and the previous factors. Only two factors with an eigen value of greater than 1.0 were found in the SPSS output. The first factor contributed 47.122 percent and the second factor contributed 15.645 percent of the 62.767 percent total variance in the variables explained. All the remaining factors are of least important.

v) Reliability Test for employee perception towards performance appraisal system:

Table 6.5 Case Processing Summary

Cases	N	%
Valid	124	100.0
Excluded[a]	0	.0
Total	124	100.0

a. List wise deletion based on all variables in the procedure

Table 6.6 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.721	.756	124

Thus from the above table it is evident that the reliability coefficient for the instructor subscale is 0.756 and the scales are appropriate for testing hypothesis. The analysis performed over the Performance planning factors state that performance appraisal system provides scope for self-appraisal and the system is reviewed and discussed properly.

HYPOTHESIS I

(Ho$_1$): There is no relation between gender and Employee Perception towards performance appraisal system.

(H1): There is relation between gender and Employee Perception towards performance appraisal system.

The table of descriptive statistics typically represents the mean, standard deviation and

number of respondents (N) who participated in the survey for all the variables under investigation. From the table 6.7 it is observed that most of the bank employees are male.

Table 6.7 Gender of Respondents

Gender	N	Mean	Std. Deviation	Std. Error
Male	92	3.7486	0.69622	0.07259
Female	32	3.5781	0.63876	0.11292
Total	124	3.7046	0.68342	0.06137

Table 6.8 ANOVA

Groups	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.690	1	0.690	1.484	0.226
Within Groups	56.758	122	0.465		
Total	57.448	123			

The F-value is 1.484 and is not significant. Hence null hypothesis is accepted. There is no relation between gender and employee perception on Performance appraisal system.

HYPOTHESIS II

(Ho$_2$): There is no relation between age and Employee Perception towards performance appraisal system.

(H2): There is relation between age and Employee Perception towards performance appraisal system.

Table 6.9 Age of Respondents

Age in Years	N	Mean	Std. Deviation	Std. Error
25-35	54	3.2523	0.65987	0.08980
36-45	68	4.0864	0.40361	0.04894
Above 46	2	2.9375	1.14905	0.81250
Total	124	3.7046	0.68342	0.06137

From the table 6.9 it is observed that most of the bank employees are in the age group of 36-45 years.

Table 6.10 ANOVA

Groups	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	22.136	2	11.068	37.924	0.000
Within Groups	35.312	121	0.292		
Total	57.448	123			

The F-value is 37.924 and is significant. Hence null hypothesis is rejected. There is a relation between age and employee perception towards performance appraisal system

HYPOTHESIS III

(Ho$_3$): There is no relation between experience and Employee Perception towards performance appraisal system.

(H3): There is relation between experience and Employee Perception towards performance appraisal system.

Table 6.11 Experience of Respondents

Years	N	Mean	Std. Deviation	Std. Error
Less than 1 year	35	3.4321	0.64193	0.10851
2-5 Years	46	3.6957	0.68903	0.10159
More than 5 years	43	3.9360	0.63934	0.09750
Total	124	3.7046	0.68342	0.06137

Table 6.12 ANOVA

Groups	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.905	2	2.453	5.648	0.005
Within Groups	52.543	121	0.434		
Total	57.448	123			

The F-value is 5.648 and is significant at .005. Hence null hypothesis is rejected. There is a relation between experience and employee perception on Performance appraisal system

VII. CONCLUSION

Performance Appraisal System is being used to evaluate whether employees at various levels perform their assigned jobs as per the expectations of their supervisors and set standards. Performance appraisal system is also an effective tool of Human Resource Development that helps sin overcoming the employees' problems in an organization. Indian banking sector provides scope for self appraisal of its employees and also that the self appraisal is reviewed and discussed properly. Major demographic factors that influence the performance appraisal system in banks include age and experience whereas gender does not influence the system.

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