

# A Comparative Study to Assess the Employee Satisfaction Level Regarding Performance Appraisal Practices in Public Sector Banks and Private Sector Banks with Special Reference to State Bank of India and Axis Bank Ltd.

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## **ABSTRACT**

Performance appraisal is basically a technique to appraise the performance of the employees within an organization to evaluate that the employees have been performing according to pre-defined standards. Appraising performance of employees in any organization is the need of hour in order to appraise as well as recognize their efforts for the betterment of organization especially in the case of service sector like banks. The objectives of the research study are- to explore the factors which effect the performance appraisal of both the banks and to compare the satisfaction level of employees regarding performance appraisal on the basis of explored factors. Current research study is descriptive in nature and primary data is collected with convenience sampling technique. Different statistical tests are applied to test the research hypothesis like Factor analysis and t-test. Findings of the study highlights that there is variation among the perception of employees of both the banks under study regarding performance appraisal and efforts should be made by the management of both the banks to improve the performance management process.

**Keywords** – Performance Appraisal, Banking Sector, Employees, Banks, SBI, Axis Bank Ltd.

## **INTRODUCTION**

Performance appraisal is basically a technique to appraise the performance of employees within an organization to evaluate that the employees have been performing according to pre-defined standards. Performance evaluation is a systematic evaluation of the employee worth in an organization. Basically this concept came into existence during the First World War by the US army when the army chief appraised the performance of the army personnel on one to one basis. From the military the concept was taken by the Business men and implemented in a formal way in 1920s in the business organization. Firstly, this concept was executed on the workers who got wages at the

rate per hour. Employers compared the performance of the workers with other workers doing the same task. The technique named as merit rating.

After getting good results by this technique, the same was implemented in 1950s to the technical personnel and employees who worked at managerial level. The main motive behind the implementation of this technique was to give promotions, transfers and hike in salary. At that time even performance appraisal was used as a tool to assess the training requirements in an organization. With the help of this tool the employers came to know about the performance of employees, their behavior, skills, knowledge and potential of employees.

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In Present scenario where cut throat competition is going on, only those organizations can survive whose human assets are dynamic in nature and maintain a pace with the fast changing environment. For this organization has to continuously evaluate the performance of its employees with the passage of time. Once the organization will come to know the skill gap required by employees then only the steps will be taken to cover this. The objectives of performance appraisal are to inspire employees to meet their individual objectives with the organizational objectives which they are supposed to achieve in an effective way for organizational and individual betterment. Specifically, it is about alignment of individual goals with organizational goals to ensure that employees uphold the norms of the organization. The main motive of this system is to communicate the employees that what is expected from them and explore full potential of employees for their own benefits as well as for benefit of the organization.

## REVIEW OF LITERATURE

**Gordon, (2004)** shared his experience on “Performance Appraisal- an Important Managerial Responsibility” reported that to assess the performance of employees and giving them feedback on regular basis is the task of top management. To make the performance appraisal system effective and to avail better results, a good performance appraisal system should have pre-defined standards, effective evaluation system and well-structured corrective actions to correct the deviations if occurs. **Kamble (2005)** in his article entitled as “Performance Appraisal System of Suchet Industries Ltd” and reported, how the organization understudy conducted performance appraisal and structured the outcomes. It acts as a tool to bringing the change on the organization culture,

advancement of the existing workforce, organizational growth and also helps to award promotions, offer incentives and increments. Appraisal is carried out in a very vigorous environment, task of appraiser is very crucial. He provides guidelines to the appraisal and behaves them like a friend. Author also highlighted that to increase the effectiveness of present appraisal system, organization has planned to advance the feedback system and to raise the morale of the manpower by conveying them clear expected goals and their role in the organization. **Nandan and Thakur (2007)**, has conducted empirical study on “Performance Appraisal: A Tool of HRD at Scooters India Ltd. They have given some recommendations to accomplish the predefined target of performance appraisal system. The Study recommended that the employees are made aware about the importance of self-appraisal and Training sessions should be there to enhance the performance of the employees with the passage of time.

**Mathew (2007)**, has conducted a descriptive study on the topic “360 Degree Performance Appraisal – A scientific way of Assessing Employee Performance and Behavior”. In this study the collected data show the relevant literature review related to the methods through which performance of employees are appraised and its effect on the behavior of employees and on their performance. He concluded that 360 degree is the best method on the basis of reliability and validity. The study added that it gives perfect view related to individual performance as a team member. **Rani, Kumar and Kumar (2014)** conducted research on topic, “A Study of Performance Appraisals Practices in Private Banks”. Authors collected primary data through a questionnaire and responses were collected from 100 respondents which were

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employees of the banks. Authors conducted their research in the Rohtak city and respondents were selected by convenient sampling method. The outcome of the study was that in most of the banks have opted 360-degree performance appraisal method to assess the performance of its employees and prevailing system fulfilled the expectations of maximum employees. They believe that it helps to accomplish organizational goals, motivates the employees and enhances their performance also.

### RESEARCH OBJECTIVES

1. To explore the factors which effect performance appraisal of both the banks.
2. To compare the satisfaction level of employees regarding performance appraisal on the basis of explored factors.

### RESEARCH METHODOLOGY

The current research study is descriptive in nature. Data is collected through structured questionnaire by using convenience sampling method. Sample size of 60 respondents is taken. Research hypothesis are set and for their testing different statistical tests are also conducted like factor analysis, group statistics and t-test.

#### Performance Appraisal in SBI and Axis Bank Ltd.

To evaluate effectiveness of performance appraisal in banks understudy, researcher has compiled the responses of respondents which was collected through structured questionnaire comprises of 10 statements. Primary data for research is collected through the above mentioned statements on Likert five point scales. On the basis of the responses, researcher has made an attempt to compare the performance practices followed by the banks understudy. A

systematic process was followed for this purpose consists of following steps:

#### To check Normality and Reliability of Data

For the authentication of proposed questionnaire, it is required to fulfill the assumption that the data should normally distributed. Anderson, Sweeney & Williams (2011) recommended that if the size of the sample is more than 30 it itself achieve normality. For checking the where data is normal or not the value of skewness and Kurtosis need to examine. Kurtosis tells about the peakness and flatness of the collected primary data which affects the variance and covariance test. Skewness provides information regarding symmetry of data or direction of data that affect the mean test (DeCarlo, 1997). According to Tabachnick and Fidell, (2013) if the skewness value come under the -1.5to 1.5, it is suggested that data is normally distributed. Whereas data is considered normally if the value of kurtosis is lower than 5.00.

**Table 1.1: Normality of Data**

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
S1	120	3.401	1.097	-.318	-.513
S2	120	2.682	.964	.176	-.286
S3	120	3.447	1.193	-.508	-.611
S4	120	3.281	.927	-.273	-.047
S5	120	3.442	1.074	-.527	-.180
S6	120	3.428	1.188	-.480	-.559
S7	120	3.447	1.149	-.496	-.488
S8	120	3.3	1.173	-.321	-.634

		22			
<b>S9</b>	120	3.304	1.170	-.298	-.643
<b>S10</b>	120	3.225	1.113	-.375	-.491

Source: Primary Data

Questionnaire internal consistency was measured with the help of cronabach's alpha test which is prerequisite of any factor analysis. Field, 2015 suggested that if the value of alpha is greater than 0.80, so it is considered as high internal consistency of questionnaire.

**Table 1.2: Reliability, Sampling Adequacy and Sphercity**

<b>Cronbach's Alpha</b>	<b>KMO measure of Sampling Adequacy</b>	<b>Bartlett Test of Sphericity</b>
0.957	0.969	0.000

Source: Primary data

Table 1.2 shows the value of the test such as reliability, sphericity and sampling adequacy of the tool. From the table it is observed that cronabach's alpha for the study is 0.957, which shows scale has higher internal consistency.

### Extraction of Factors Affecting Perception of Employees

#### Factor Analysis

Factor analysis helps to extract the factors from the questionnaire. First of all, the researcher has to analysis the value of factor loading of various statements in the questionnaire. The principle component analysis method with varimax rotation has been applied on 11 statements. It is observed from the table that KMO is 0.969 which indicates that the sample adequacy is good enough and the value of Bartlett's test of

sphericity (0.000) tells about correlation among statements is high, it is clearly indicate that the researcher can apply factor analysis on this data.

**Table 1.3: Structuring of Factors**

<b>S. No</b>	<b>Factors</b>	<b>Eigen value</b>	<b>Varianc e (%)</b>	<b>Cumu lative Varia nce (%)</b>
F1	<b>Work Culture</b>	25.949	50.881	50.881
F2	<b>Futuristic Strategy</b>	2.420	4.745	55.626

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Two constructs have been deducted with the help of factor analysis. Factors having value more than 1 eigen value is considered and fulfill the criteria of the factor analysis. Malhotra & Dash, (2011) suggested that, if the construct is explaining 60 percent of variance it is considered as satisfactory as well as for further study.

**Table 1.4: Description of Factor Loadings in Perception Scale**

<b>Construct s</b>	<b>Facto r loadin gs</b>	<b>Communi ties</b>	<b>Cronaba ch Alpha</b>
<b>1. Work Culture</b>			
PAS aims at strengthening appraiser – appraisee relationships	0.711	0.718	<b>0.957</b>
PAS has	0.685	0.712	

capacity for approving bias of administrator			
PAS helps to evaluate strength and Weaknesses of the employees	0.646	0.688	
PAS acts as a motivating factor in improving the Work efficiency	0.627	0.695	
PAS give chances for self-appraisal and expression	0.621	0.749	
<b>2. Futuristic Strategy</b>			
The format and procedure of PAS keep pace with the current requirements of bank	0.753	0.664	<b>0.949</b>
PAS helps managers to plan their future course of action well	0.748	0.668	
The performance appraisal	0.725	0.642	

of the employee gives a clear view about their expectations..			
PAS gives an opportunity for self-review and reflection.	0.723	0.671	
Team spirit is of high order in our bank.	0.692	0.656	
The people in my team work well together.	0.689	0.629	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

Table 1.4 represents communalities value and factor loading for each statement in questionnaire. It is necessary to measure the internal consistency of tools that was examined by cronabach's alpha. Factor loading tells about how the statements are correlated with their factor. Greater the value of factor loading means item is highly correlated with factor. In this study, the factor loading lies between the ranges of 0.621 to .842 which is good enough to achieve threshold. The score of the communalities of every statement is more than 0.60 which indicates that value of communalities is satisfactory for further analysis.

In first factor, the score of cronabach's alpha is 0.957, which indicates that value is high and showing higher internal consistency

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among factor. The value of communalities and factor loading is showing satisfactory value for this factor which lies between 0.711 to 0.621 and .718 to 0.749 respectively. The five statements come under this factor and all statements are truly combined with factor labeled as “**Work Culture**”

The factor analysis has been applied with varimax rotation. Total 6 statements out of 11 correlated with each other and formed factor 2 with the factor loading lie between 0.753 to 0.689 which satisfies all thresholds communalities score of the items for factor 2 lies between ranges of 0.664 to 0.629, it is also satisfactory. The value of coefficient alpha is 0.949 which indicate the highly satisfied value of reliability for this factor. The statements combined with factor 2 is clearly indicates the factor and named as “**Futuristic Strategy**”

### COMPARATIVE STUDY OF SBI AND AXIS BANK LTD.

In this section, there is need to investigate the Performance appraisal practices followed in Indian banking system. In other words, the study aims to compare perception of SBI and Axis banks’ employees on Performance Appraisal Practices.

#### Work Culture

The focus of research is on analysis of Performance Appraisal practices followed by Indian banking system in terms of Work Culture. In other words, the researcher wants to know is there any major variation among employees of SBI and Axis Bank Ltd. with special reference to Work Culture in the organization.

**Ho1 (Null Hypothesis):** There is no major variation in Work Culture offer to employees of SBI and Axis bank ltd.

**Table 1.5: Group Statistics for Work Culture**

Factor	Banks	Sample Size	Mean	Std. Deviation	Std. Error Mean
Work Culture	SBI	60	2.928	0.6599	.05120
	Axis Bank Ltd.	60	3.052	0.5225	.03845

Source: Primary data

Table depicts the group statistical value of Work Culture. The mean score of Axis bank is higher than SBI bank which is 3.052 and 2.928 respectively. The value of standard deviation of SBI is 0.659 and for Axis bank ltd. it is 0.5225. It is concluded from the above table that Work Culture is more satisfactory in Axis bank (M=3.052, SD= 0.5225) as compared to SBI (M= 2.928, SD=0.6599).

**Table 1.6: Independent Sample T-test for Work Culture**

Factor	Levene's Test for Equality of variance	t-test for Equality of Means								
		F	Sig.	T	Df	Sig. (2-tailed)	Mean difference	Std. Error difference	95% Confidence Interval of the difference	
									Lower	Upper
Work Culture	Equal Variance assumed	25.51	.000	1.528	401	0.054	.10621	0.0662	-.0132	.2454
	Equal Variance not assumed			1.564	365.2	0.058	.10621	.0664	-.0146	.2345

Source: Primary data

Test of homogeneity of variance value can be observed from above data. The

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“Levene's Test for Equality of Variances” has been applied to see if there is homogeneity in data or not. If the p-value is lesser than 0.05, it indicates that the variance is unequal and its assumption of homogeneity is violated. If the value of P is higher than 0.05 ( $p > 0.05$ ) it signifies that the homogeneity of variances is met.

For Work Culture dimension, the result of Levene's Test for this dimension is significant ( $P = 0.000$ ), it is less than P-value lesser than 0.05, so it indicates that the homogeneity of variance is violated. The result shows the violation of homogeneity of variance for this dimension, the bottom line is used for further T –test.

The variation between the mean score of the employees in SBI and Axis bank regarding the dimension of WorkCulture is 0.1062, the standard error difference is .0662. The value of upper and lower interval at 95 percent of interval is .0156 to .23854. Axis bank ltd. score for **Work Culture** is 0.12 more than SBI score. It indicates that the true mean value lies between the ranges of 0.156 to .23854.

For the dimension of Work Culture in performance appraisal,  $p = .064$ , that is greater than 0.05. It directly indicates that the SBI and Axis bank ltd. do not have significant difference among mean value regarding Work Culture. Moreover, the mean difference with t-statistics is 1.528 and the p-value is 0.054 that is higher than 0.05. So the null hypothesis does not reject.

### **Futuristic Strategy**

Here the researcher investigated the performance appraisal practices followed by Indian banking system for the dimension of Futuristic Strategy. In other words, the researcher wants to know is there any major variation among employees of SBI and Axis Bank Ltd. with special reference to Futuristic Strategies of the organization.

**Ho2 (Null Hypothesis):** There is no significant differentiation related to Futuristic Strategies efforts between employees of Axisbank Ltd. and SBI.

**Table 1.7: Group Statistics for Futuristic Strategies**

Factor	Banks	Sample size	Mean	Std. Deviation	Std. Error Mean
Futuristic Strategies	SBI	60	3.542	0.6877	.04232
	Axis Bank Ltd.	60	3.021	0.6856	.04851

Source: Primary data

Table depicts the statistical value for futuristic strategies, the sample is equal (for both banks the sample size is 60). The mean score of SBI is higher than Axis bank ltd. which is 3.542 and 3.021 respectively. The value of standard deviation of SBI is 0.676 and for Axis bank ltd. it is 0.6824. It is concluded from the above table that the Futuristic Strategies is more in SBI ( $M = 3.542$ ,  $SD = 0.6877$ ) as compare to Axis bank ltd. ( $M = 3.021$ ,  $SD = 0.6856$ ).

**Table 1.8: Independent Sample T-test for Futuristic Strategies**

Factor		Levene's Test for Equality of variances		t-test for Equality of Means							
		F	Sig.	T	Df	Sig. (2-tailed)	Mean difference	Std. difference	95% Interval of the difference		Confidence of the
									Lower	Upper	
Futuristic Strategies	Equal Variance assumed	8.512	.015	8.452	401	.000	0.4122	0.05021	.27512	.5423	
	Equal Variance not assumed			8.641	395.2	.000	0.4201	.050064	.27854	.5425	

Source: Primary data

Table 1.8 shows that the value of test of homogeneity of variance. The "Levene's Test for Equality of Variances" has been applied to check, if there is homogeneity in data or not. If the p-value is lesser than 0.05, it indicates that the variance is unequal and the assumption of homogeneity of variance is violated. If the value of P is higher than 0.05 ( $p > 0.05$ ) it signifies that the homogeneity of variances is met.

For Futuristic Strategies dimension, the result of Levene's Test for this dimension is significant ( $P=0.12$ ), it is less than P-value lesser than 0.05, so it indicates that the homogeneity of variance is violated. The result shows the violation of homogeneity of variance for this dimension, the bottom line is used for further T –test.

The differentiation between the mean score of employees in SBI and Axis bank ltd. regarding the dimension of Futuristic Strategies is 0.4122, the standard error difference is .05025. The value of upper and lower interval at 95 percent of interval is .0273581 to .5425. SBI mean score for the demission of Futuristic Strategies is more than mean value of Axis bank ltd. for the factor of Futuristic Strategies. It indicates that the true

mean value is lie between the ranges of 0.28 to .532.

For the dimension of Futuristic Strategies in performance appraisal,  $p = .000$ , that is lower than 0.05. It directly indicates that the SBI and Axis bank ltd. have significant difference among mean value regarding Futuristic Strategies. Moreover the mean difference with t-statistics is 8.452 and the p-value is 0.000 that is lower than 0.05. So the null hypothesis is rejected.

## FINDINGS OF THE STUDY

- Factor Analysis technique has been used to extract two factors from the data set in perspective of perception of employees towards Performance Appraisal. Two factors are mentioned as vital dimension that measure the Employees' perception namely named as **Work Culture and Futuristic Strategy**
- Performance appraisal practices in relation with the extracted first factor named **Work Culture** between SBI and Axis Banks differs significantly with the t-statistic value 1.528 and the p-value 0.054 which is higher than 0.05. So, there is a statistically significant difference between means ( $p > .05$ ), in the Work Culture offered to the employees of Axis Bank Ltd. and SBI acceptance of Null Hypothesis.
- Performance appraisal practices regarding **Futuristic Strategy** between SBI and Axis Bank Ltd. differs significantly with the t-statistic value 8.452 and the p-value .000 which is lower than 0.05. So, there is a statistically significant difference between means ( $p < .05$ ), in the performance appraisal dimension Futuristic Strategy offered to the employees of Axis Bank Ltd. and SBI. Hence it is concluded that Null Hypothesis is not accepted.



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### CONCLUSION OF THE STUDY

Performance evaluation is the systematic evaluation of the employee worth in an organization. With the passage of the time, it is important for the organizations to appraise the performance of its employees. Both the banks under study have good performance management system but still there is a need and steps should be taken to build the more effective performance appraisal system especially in case of private sector banks and there is a need to bring changes related to futuristic strategies for both the banks for better development of employees.

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