

AN EMPIRICAL STUDY ON IMPLEMENTATIONS OF PERFORMANCE MANAGEMENT SYSTEM IN PUBLIC AND PRIVATE BANKS OF JODHPUR

Ms. Pragati Bhati
Research Scholar, Department of Management Studies
Jai Narain Vyas University Jodhpur

ABSTRACT: This study emphasizes on Performance management system of banking industries both public (BOB & PNB) and private (Axis and ICICI) banks which explored the performance management of employees by their banks and its relative advantages or benefits for employees and banks both. As Performance management is to promote and improve employee effectiveness. It is a continuous process where managers and employees work together to plan, monitor and review an employee's work objectives or goals and his or her overall contribution to the Banks. This study also focuses on the factors for implementation of the performance management system in Banks for the employees.

The present study both **exploratory and conclusive research** methods used. The conclusive research method here is descriptive in nature and the research design is **single cross sectional**. In this study **primary data** has been collected through the **structured questionnaire** method. The research was conducted with the help of a questionnaire measuring the perceptions and acceptability by Banks for the employees. The chosen research design mainly emphasizes on the discovery of ideas and development of insight into the subjects under study.

1.1 INTRODUCTION

In the existing globalised era the ever increasing banks pressure has made it compulsory for business to work effectively, effectively and wisely and employ the best business strategies possible. To maintain in the existing day aggressive world they have to draw in, develop and maintain the most skilled and efficient employees.

This improving stress in banks has designed an impounding stress on employees too for their optimal performance. To distinguish themselves from their opponents the organizations are spending improving attention towards the efficiency of their employees that are their "Human Resources".

Typically, Performance Appraisals decided the best and the most severe executing employees through ranking and rating program that formed the behavior of banks towards the staff member for the next ranking period. But over a length the focus has moved away from measuring the output of individuals to their contribution in achieving the overall objectives of the banks with their right skills, initiatives and abilities to make an amazing impact on bank performance.

And this has happened with the introduction of Performance Management System. This has enhanced the significance of HR features that earlier concentrated only on recruitment, selection, employment, performance appraisals, promotions, compensations, training & development, special offers, settlements and growth. The role of HR has progressed numerous from merely an evaluator to a company to an enabler. Now HR develops a favorable environment for enhancing the performance of employees and provides them the opportunity of taking part in business planning and making decisions. Today all the major activities of HR are impelled towards growth of high executing management and promoting employees inspiration and motivation.

According to **Armstrong and Baron 1998** “A performance management system is a useful framework for companies to use to communicate important messages to their employees. It can be used to accomplish a number of different functions; as a method of communicating business goals; determining growth specifications, enhancing individual and group leadership, planning for future years and the measurement of results and outcomes.

Beardwell et al (2004) also recommend that individuals who know exactly what is expected of them will perform better than those who are unclear about their goals and objectives.

1.1 CONCEPTUAL FRAMEWORK

Performance Management is basically an evaluative tool for performance measurement of employees for accomplishment of strategic organizational goals and objectives. This helps employees to know and understand the expectations from them and evaluate whether they possess those skills and abilities to meet those expectations or not.

The goals of an organization should stream down from top to bottom describing what the organization is eager to achieve and the role of its employees in achieving those goals. This develops an understanding amongst the employees that how their actions and behavior help in accomplishment of strategic organizational goals and the importance of it. Performance Management is not just another word to replace Performance Appraisal; it is much more than that. Performance Management is a wide term that combines purpose setting, regular reviews and feedback, performance evaluation to assess individual performance and evaluating the need for further development. It also leaves an opportunity for career planning and talent management.

According to a survey mentioned in **CIPD paper (2009)** performance Management is seen as a vehicle for developing employee engagement and focuses on developing a positive relationship between individuals and their managers. If individuals have clarity of their roles and how to contribute to organizational objectives they are more likely to be committed to what they are doing.

According to **Oracle white paper June 2012** in today's do-more-with-less economy it is more significant and important than ever to develop high-performance teams. The key is to maximize team impact through effective utilization and of each person's unique talents to achieve strategic business goals. PMS is the heart and soul of managing people and it involves goal planning and tracking, performance assessment, ongoing coaching and reward and recognition activities.

As said in CIPD Factsheet "Overall, performance management is about establishing a culture in which individuals and groups be responsible for the ongoing enhancement of business procedures and of their own skills, behavior and contributions. It is about sharing expectations. Managers can clarify what they expect individuals and teams to do; furthermore people and categories can connect their objectives of how they should be handled and what support and sources they need to do their tasks".

Thus, "Performance management is about maintaining and improving the quality of relationships – between managers and employees, between managers and teams, between members of teams and so on – and is therefore a joint process. It is also about planning, through defining expectations expressed as objectives and in business plans, and about measurement; in the words of the old dictum, 'If you can't measure it, you can't manage it'. It should apply to all employees, not just managers, and to teams as much as individuals. It is a continuous and holistic process".

Performance depends on association as well as the individual. If there is ambiguity in performance, the organization's mission, goals, objectives and policies and the individual's goals, skills and efforts and knowledge are to be responsible jointly. It creates accountability on individuals of their actions.

Douglas McGregor sets out functions of an organization's performance Management System as

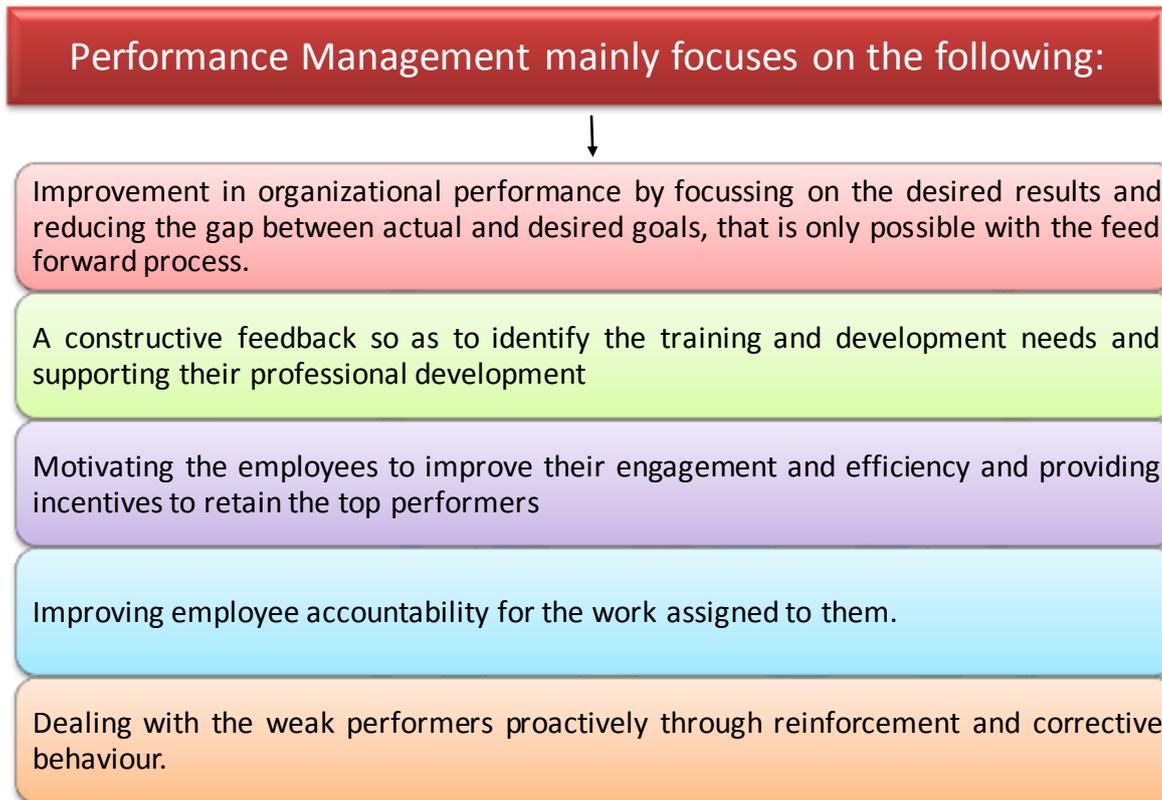
A provision of systematic judgements to support salary increases, promotions, transfers, demotions and terminations.

A means of informing an employee of his/her progress and indicating necessary changes in behaviour, attitude, skills, job knowledge and his/her position *vis-à-vis* his/her immediate superior.

A means of basis for the coaching and counselling of the employee by their superior.

1.2 DEFINITION OF PERFORMANCE MANAGEMENT

The institute of **Personnel Management (1992)** given a definition: “A technique which associates to every activity of the organization set in the context of its human resources policies, culture, style, and interaction and communication systems. The nature of the technique relies on the business perspective and can vary from organization to organization”.



Performance Management is not only concerned with achievement of organization’s objective and strategic goals but it also focuses on employee development. It emphasizes on building a culture of dialogue between the team and its managers. Performance Management addresses as to what the employees do, how they do it and what are the outcomes.

1.3 REVIEW OF LITERATURE

1.3.1 Performance Appraisal

Eichel and Bender (1984) stated that performance evaluation can also be called as the Achilles high heel of management. Although management of many public organizations make an effort to be employee centered or employee based, a lack of focus is given to a process meant to assist the staff member in achieving both personal and organizational goals.

Cascio (1998) described performance appraisal is a procedure to enhance employee’s perform efficiency by assisting them recognize and use their full prospective in carrying out the

organization's tasks and to provide information to employees and supervisors for use in making perform related decisions. He goes on to determine performance appraisal system as an exercise in observation and judgment, a feedback process and an organizational intervention.

1.3.2 Performance Appraisal in Indian Banks

Choudhary (2008), banking services is one sector where a great level of interest is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) has modified their PAS or in the procedure for modifying and changing them.

Zhang (2009) suggested that in banking industry, employees' perception of justice has a positive relationship to their overall contentment and satisfaction with both the performance appraisal process, results and its outcomes. However, statistically significant differences were found in next of kin to whether employees had received training in performance appraisal or not.

According to **Bhatia (2010)** The performance appraisal or evaluation is fundamentally the possibility for the person and those focused on their efficiency in the lender, most usually their line administrator - to get together to participate in a discussion about the individual's efficiency, growth and the assistance needed from the administrator. It should not be a top down procedure or the possibility for one person to ask concerns and the other to react. It should be a free streaming discussion in which a variety of opinions are exchanged.

According to **Shrivastava & Rai (2012)** "Banking sector is a fast growing industry of Indian. With quick development in the variety of divisions and the new features designated to them, banks are feeling a new stress on their organizational capabilities i.e. the procedures of recruitment, placement, training, promotion and appraisal, in order to ensure that the employment, positioning, coaching, marketing and evaluation, to make sure that the right variety of employees with the right capabilities are a available at the right time and for the right places. They also suggested that appraisal is one of the key aspects of business ability which is also the main concentrate of this study. In simple terms can say that performance appraisal is an analysis of employee's recent achievements and problems, personal strengths and weaknesses, and suitability for promotion or further training".

1.4 RESEARCH GAP

Above review of literature showing that many authors have been done their study on performance management system, performance appraisal in various public and private sectors, even in banks too. But no one has done their study on **IMPLEMENTATIONS OF PERFORMANCE MANAGEMENT SYSTEM IN PUBLIC AND PRIVATE BANKS OF JODHPUR**

So this study will try to cover the gap of performance management system in public and private banks with their comparative study, on specifically banks of Jodhpur in Rajasthan.

1.5 OBJECTIVES OF STUDY

Performance management can be used as a powerful tool to achieve goals and employee motivation. PMS is rarely understood well in organizations, let alone its implementation which faces challenges especially when the measures have to be percolated to the lower level management.

The objectives of this study are:

1. To determine whether the employees and managers share a common understanding about implementation of PMS in Banks.
2. To get the obstructions, if any, and recommend remedial actions if possible.

1.6 RESEARCH DESIGN

This study emphasizes on Performance management system of banking industries both public and private banks which explored the performance management of employees by their banks and its relative advantages or benefits for employees and banks both. As Performance management is to promote and improve employee effectiveness. It is a continuous process where managers and employees work together to plan, monitor and review an employee's work objectives or goals and his or her overall contribution to the Banks. This study also focuses on the factors implementation of the performance management system by the adoption of Banks for the employees.

The present study both exploratory and conclusive research methods used. The conclusive research method here is descriptive in nature and the research design is single cross sectional. In this study primary data has been collected through the structured questionnaire method. The research was conducted with the help of a questionnaire measuring the perceptions and acceptability by Banks for the employees. The chosen research design mainly emphasizes on the discovery of ideas and development of insight into the subjects under study.

1.7 SOURCES OF DATA COLLECTION

Data has been collected from the tow public and two private banks of Jodhpur. List of the banks has given below.

Table 1: Names of Banks Chosen for the Study Purpose

S. No.	Name of the Bank	Type of Bank
1.	Bank Of Baroda (BOB)	Public
2.	Punjab National Bank (PNB)	
3.	AXIS	Private
4.	Industrial Credit And Investment Corporation Of India Bank (ICICI)	

Source: Author's Compilation

For collecting data from respondents' convenience sampling procedure is followed. Under this procedure it is taken care of that responses are collected from only those respondents who are able to understand the necessity of the research, and can interpret that any of the fruitful outcomes will definitely benefited them by more supervised advertisement content without misleading and fraud type of information dissemination. One of the major issues was under consideration while selecting the respondents was that the respondents should be aware about the services offered by performance management system and their banks.

For the purpose to analyze the perception of respondents about the performance management system and the factor influences them to measure by their banks of total of **100** questionnaires were distributed to the respondents in Jodhpur Rajasthan state of India. Out of total 100 questionnaires 50 questionnaires were distributed in public sector banks (**BOB and PNB**) and remaining 50 in private sector banks (**Axis and ICICI**). This sample size is good enough by which the clear picture about the perception of respondents and even will be very helpful for analyzing the relationship between the adoption and demographic factors of respondents.

1.8 RESEARCH HYPOTHESIS

For the purpose of analysis various hypothesis have been formulated to identify the relationship between the types of banks and factors of PMS (Performance Management System) in banks.

Hypothesis between types of banks and Performance management system (PMS)

H_{01} : The **Axis and ICICI** banks do not **implement performance management** system better than **BOB and PNB** banks.

H_{11} : The **Axis and ICICI** banks **implement performance management** system better than **BOB and PNB** banks.

H₀₂: The **Axis and ICICI** bank's performance management system (PMS) is not more **successful** than **BOB and PNB** banks.

H₁₂: The **Axis and ICICI** bank's performance management system (PMS) is more **successful** than **BOB and PNB** banks.

H₀₃: The **Axis and ICICI** bank's performance management system (PMS) is not more **effective** than **BOB and PNB** banks.

H₁₃: The **Axis and ICICI** bank's performance management system (PMS) is more **effective** than **BOB and PNB** banks.

H₀₄: The **Axis and ICICI** bank's **bonus** system is not more **effective** than **BOB and PNB** banks.

H₁₄: The **Axis and ICICI** bank's **bonus** system is more **effective** than **BOB and PNB** banks.

H₀₅: The **Axis and ICICI** bank's performance management **follow-up system** is not good than **BOB and PNB** banks.

H₁₅: The **Axis and ICICI** bank's performance management **follow-up system** is good than **BOB and PNB** banks.

1.9 ANALYSIS AND INTERPRETATIONS:

Table 1:- Descriptive table of type of banks with factors of PMS

Descriptive					
		N	Mean	Std. Deviation	Std. Error
Implement PMS	Public	50	2.375	0.218	0.0265
	Private	50	2.375	0.249	0.0135
	Total	100	2.375	0.244	0.012
PMS Succeed	Public	50	2.205	0.248	0.03
	Private	50	2.16	0.2635	0.0145
	Total	100	2.165	0.261	0.013
Effectiveness PMS	Public	50	2.13	0.2385	0.029
	Private	50	2.095	0.2535	0.014
	Total	100	2.1	0.251	0.0125
Bonuses	Public	50	2.215	0.2635	0.032
	Private	50	2.19	0.272	0.015

	Total	100	2.195	0.2705	0.0135
PMS Follow-up	Public	50	2.005	0.183	0.022
	Private	50	1.985	0.1775	0.0095
	Total	100	1.99	0.1785	0.009

Source: - Primary Data

Table 1 is showing the descriptive analysis of five parameter of Performance management system in public and private sector banks, higher mean values represents wider scope of performance management system in banks.

Table 2:- Test of Homogeneity of Variances

Test of Homogeneity of Variances				
	Levene Statistic	df1	df2	Sig.
Implement PMS	0.011	1	48	0.441
PMS Succeed	0.5565	1	48	0.0145
Effectiveness PMS	0.61	1	48	0.135
Bonuses	0.2455	1	48	0.024
PMS Follow-up	0.19	1	48	0.269

Source: - Primary Data

Table 3:- ANOVA table for types of banks and factors of PMS

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Implement PMS	Between Groups	1.023	1	0.2	1.626	0.012
	Within Groups	45	48	0.123		
	Total	46.023	49			
PMS Succeed	Between Groups	0.515	1	0.2575	1.893	0.014
	Within Groups	108.263	48	0.136		
	Total	108.777	49			
Effectiveness PMS	Between Groups	0.317	1	0.1585	1.258	0.023
	Within Groups	100.28	48	0.126		
	Total	100.598	49			
Bonuses	Between Groups	0.141	1	0.141	0.481	0.043
	Within Groups	116.569	48	0.293		
	Total	116.71	49			

PMS Follow-up	Between Groups	0.113	1	0.113	0.89	0.004
	Within Groups	50.684	48	0.127		
	Total	50.798	49			

Source: - Primary Data

Levene's Test for Equality of Variance is performed to test condition that the variances of both samples are equal or not. A high value results normally in a significant difference, but in **Table 1** result significant, which could be interpreted as no equal variance.

In the **Table 2** the variation (Sum of Squares), the degrees of freedom (df), and the variance (Mean Square) are given for the inter and intra groups, as well as the F value (*F*) and the significance of the F (*Sig.*). *Sig.* indicates whether the null hypothesis – the population means are all equal – has to be rejected or not.

Table 3 shows reasons for PMS implementation in banks significant value is 0.012, which is less than p value (0.05) so reject the null hypothesis and accepts the alternative hypothesis which shows that the **Axis and ICICI banks implement performance management** system better than **BOB and PNB** banks.

PMS success have a significant value is less than p value ($0.014 < 0.05$) so accept the alternative hypothesis which shows that the **Axis and ICICI bank's performance management system (PMS)** is more successful than **BOB and PNB** banks.

Effectiveness of PMS have a significant value which is less than equal p value ($0.023 < 0.05$) so reject the null hypothesis and accept the alternative hypothesis which shows that The **Axis and ICICI bank's performance management system (PMS)** is more **effective** than **BOB and PNB** banks.

Parameter **Banks pay bonus to the employees**, have a significant value which is less than p value ($0.043 < 0.05$) so accept the alternative hypothesis The **Axis and ICICI bank's bonus** system is more **effective** than **BOB and PNB** banks.

Parameter **PMS follow-up system**, have a significant value greater than p value ($0.004 < 0.05$) so accept the alternative hypothesis which shows that The **Axis and ICICI bank's performance management follow-up system (PMS)** is good than **BOB and PNB** banks.

CONCLUSION

Banks are one of the most consequential part of any nation. In this contemporary time money and its indispensability is very vital. Designed Developed Banks/financial systems of the country make sure achievement of monetary development. Today's bank provides useful solutions to a country. To obtain economical as well as other development there should be a nicely developed financial system to make sure not only the financial development but also the overall development of the community. Banking services are

one of the areas where a great level of attention is being paid on Performance Management Systems. Several public sector banks have transmuted their PMS or are in the process of modifying them.

As of now it banks have completely accepted and embraced the fact that PMS is one of the most crucial responsibilities of their HR Managers, if implemented correctly; performance management can result in numerous important outcomes for their banks, its managers and employees.

PMS can support remunerations decisions, promotions & transfers, employee development & training etc. Effective PMS have well defined process for evaluation of employee productivity, with predefined roles for both the managers and employees. In the banks where Performance Management is used as a basic tool for compensation and other important HR decisions it is critical to ensure that all employees are treated in a fair and equitable manner.

By the analysis it was identified that today's employees are very conscious about the evaluation pattern of PMS so they wants to know each and everything related to the process, nature and implementation of PMS. These entire variables are very significant in term of persuasion.

SUGGESTIONS

Administrative capabilities acts as a strategic tool for improving the service quality of banks in terms of employee's satisfaction, reduction in complexities to understand their PMS, accessibility of PMS plays a significant role. So that administration of banks should focus on following issues:

1. Administration and Top Control should organize proper two way interaction regularly, the overall training, training to employees, not only to understand the means of applying Performance Management System but also to build up believe in about the effectiveness and credibility of the plan.
2. An evaluation procedure, which focuses on actual accomplishment rather than on style or personality, it may be described based upon the evaluation on decided goals, by making the employs interview itself as an open, two-way procedure and appealing employees to play a role in self-appraisal.
3. The performance is also required to be assessed based on the pre-agreed objectives. Personal biasness while evaluation, may greatly affect the employees objectivity.
4. Managers should evaluate the performance of employee very fairly and should not have any fear in mind, of loosing valued subordinates.
5. Managers must appreciate the good performance of employees, in order to boost his/her morale and maintain the same for next years.

6. Managers must possess positive and constructive attitude, which allows him to perform the Performance Appraisal activity seriously.
7. Approach of managers should also be very objective, transparent, and open to change and task based.
8. The basic aim of Managers or Administrators should be to develop an overview of the functions under him and identify employees and areas for improvement, with the help of Performance Management System.

REFERENCES:-

- Armstrong, M. And Baron, A. (2004). *Managing performance: performance management in action*. London: Chartered Institute of Personnel and Development.
- Shrivastava Pallavee and Rai Usha Kiran (2012). *Performance Appraisal Practices In Indian Banks*. *Integral Review - A Journal of Management*, Vol.5 No.2, Dec.-2012
- Cascio, W. F. (1998). *Managing Human Resources*. Boston. McGraw Hill Publishing Company.
- Eichel, E. & Bender, H. E. (1984). *Performance Appraisal A Study of Current Techniques*. New York. American Management Association.
- Chowdhury Shambhu Nath (2008). *Developing Performance Appraisal System for Performance Leadership in Banks*. docs.google.com.
- Y. Zhang (2009). *Performance appraisal for Chinese state-owned banking industry*. volume 6, issue; 3 dec 2009, page 189-200. <http://www.atypon-link.com/INT/doi/abs/10.1386/jots.6.3.189/>
- Bhatia Ekta (2010). *Performance Appraisal in banking sector*. www.scribd.com