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Influence of performance appraisal system in private sector banks on employee morale

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Abstract

Performance Appraisal is an integral part of all the organizations to know the explicit progress of the employees and also to make ratifications accordingly. The extent, to which the organizational Performance Appraisal system is good, will be reflected in the employee outcomes like job satisfaction, turnover, commitment and various other essential factors. The rating strategy followed by the organizations has bearing on the morale of the employees. The researcher in this study aims at analyzing the effectiveness of Performance Appraisal system of Private Sector Banks in Kerala and also its relationship with the morale of the bank employees. The study was conducted among 244 employees in private sector banks. The research findings revealed that the effectiveness of Performance Appraisal in the private sector banks significantly influences the morale of the employees.

Keywords: Employee performance appraisal, employee morale, private sector banks

Introduction

Every organizations aiming at success, track the progress of their employees performance so as to ensure that the contribution of the workers add to the accomplishment of organizational objectives. For this purpose, the organizations systematically analyze or evaluate the performance of employees which enable the employers to keep the flow of work in a right track. However, it is also important to know whether such evaluation is effective from employees' point of view. Higher the effectiveness of performance appraisal in the organizations better will be the job outcomes. Employee Morale, being one of the considerable dimensions of job outcomes is prone to be influenced by the evaluation practices carried out in the organizations. Banking sector, especially Private Sector Banks are found to be the largest employers of the country. When considering Kerala alone also, they form the source of huge number of job creation opportunities. Banks like Federal Bank, Catholic Syrian Bank, South Indian Bank, ESAF Small Finance Bank and others recruit large number of young and fresh candidates through placements and interview tests. The selected employees undergo probation for a stipulated period and then promoted to permanent posts based on their performance. Hence, performance appraisal is a vital part for them and at the same time banks ensure that this process is effective according to the perception of employees too.

The level of awareness of Performance Appraisal system is also found to be high among Private Sector Employees (Dr R K Tailor, Abhishek, Dr Parameshwar, 2020) ^[2]. Ample researches on employee performance appraisal in private sector banks exist and each study has its own insights. However, studies focusing exclusively on impact of performance appraisal on employee morale are extremely limited and also hard enough to find in the state of Kerala. In light of this consideration, the researcher through this present study aims to know the employees' perception towards the effectiveness of performance appraisal system in the private sector banks and also how do they influence the morale of employees.

The effectiveness of performance appraisal is studied from the perspective of 144 employees in different private sector banks of Ernakulam District in Kerala. The study also pertains to the influence of effectiveness on the morale of the employees.

Review of Related Literature

As discussed earlier, the employee performance appraisal in private sector banks has been studied by many researchers. Dr. RK Tailor, Abhishek N and Dr. Parameshwar (2020) ^[2] conducted a comparative study on Performance Appraisal System of Public Sector Banks and Private Sector Banks in Rajasthan and it was found that the private sector bank employees are very much concerned about the career advancement. Also, the performance appraisal system is a major aspect of their stress they have in the workplace. Sajid Hussain Awan, Nazia Habib, Chaudhry Shoaib Akhtar and Shaheryar Naveed (2020) ^[5] studied the effectiveness of Employee Performance Management System on Employee Performance among employees of eight different private sector banks in Pakistan and the results revealed that the effectiveness of performance management system enhances positive contribution towards task performance as well as contextual performance of employees. According to Ankita Sharma and Manish Khanna (2016) ^[3], the employees in both public sector and private sector banks of Himachel Pradesh view the performance appraisal system as regular, beneficial, combined of traditional and modern methods, holistic, participative and carried out by responsible manager. Sheelam Jain and Ravindra Jain (2014) ^[6] analyzed the reactions of employees towards Performance Appraisal system in Banks of Madhya Pradesh. The reactions of employees were found to be moderate. The perception of private sector bank employees towards the system was relatively higher in terms of employee development, feedback system and explaining rating decisions. A Srivatsava and P Purang (2011) ^[4] studied the Employee Perception towards Performance Appraisal in Indian Banks and significant difference was found in the fairness of dimensions of Performance Appraisal. The private sector employees have relatively stronger positive perception towards dimensions like rater's confidence, setting expectations, clarifying expectations, feedback system, accuracy of rating, explaining rating decision, seeking appeal and satisfaction on rating.

Objectives of the Study

Objective 1: To measure the effectiveness of Performance Appraisal system of private sector banks in Kerala from employee perspective

Objective 2: To study the relationship between effectiveness of Performance Appraisal system of private sector banks in Kerala and morale of the employees

Hypotheses

H₀₁: there is no significant relationship existing between effectiveness of Employee Performance Appraisal and Employee Morale

H₀₂: the effectiveness of Employee Performance Appraisal do not significantly influence the Employee Morale

Research Methodology

The study concentrates on the effectiveness of employee Performance Appraisal system as well as its impact on morale of the employees. The study is descriptive in nature and it was carried out in cross sectional way. Ernakulam District, which is located in the Central Part of Kerala, has the record of highest number of bank branches in the state. Four private sector banks in the Ernakulam District of Kerala were selected for the study and they include HDFC Bank, ICICI Bank, AXIS Bank and Indusind Bank. These banks were selected on the basis of top four private sector banks in terms of highest revenue earners as of 2021. 244 employees working in the Clerical level in the above mentioned banks were selected for the purpose of the study. The researcher used a well structured questionnaire was used for collecting the primary data for the study. Apart from the demographic and occupational details of the employees, the questionnaire comprises of statements about employee Performance Appraisal and Employee Morale. The statement questions were measured with five point Likert Scale consisting of scores from 1 (which indicate Strongly Disagree) to 5 (Strongly Agree). Employee Performance Appraisal includes 17 statements and Employee Morale includes 12 statements, all of which were extracted from former studies on these areas. The researcher used different statistical techniques for exploring the results of the study. The effectiveness of employee performance appraisal is analyzed using Mean Score Analysis. The null hypotheses stated by the researcher are tested using Correlation Analysis and Regression Analysis.

Results

1. Effectiveness of Performance Appraisal System:

As discussed earlier, the effectiveness of performance appraisal system is analyzed on the basis of scores obtained through mean score analysis. The scores range from 1 to 5 in the five point Likert Scale. Score nearer to 1 indicates 'worst', score between 1 and 3 indicates 'poor', score nearer to 3 indicates 'average', score between 3 and 5 indicates 'good' and score nearer to 5 indicates 'excellent'.

Table 1: Mean Score Analysis of Employee Performance Appraisal System

No.	Statements	Number	Minimum	Maximum	Mean Score
1	There is fairness in the performance appraisal system in the organization	244	1	5	4.3778
2	The result of performance appraisal paves way for increased monetary benefits	244	1	5	4.6889
3	Employee performance is evaluated based on certain standards fixed by the manager	244	1	5	4.6222
4	Performance appraisal is conducted regularly on periodical basis	244	1	5	3.4000
5	It creates opportunity for employee growth and development	244	1	5	3.8222
6	All parameters of growth are considered in the system	244	1	5	4.1111
7	360 degree appraisal is used in the organization for evaluating the performance	244	1	5	4.4667
8	The system serves basis for promotions towards higher posts	244	1	5	4.2593

9	It brings significant changes in my behavioral aspects to an extent	244	1	5	4.4519
10	It encourages me to become competitive in the work	244	1	5	3.2815
11	It leads to a better understanding between superiors and subordinates	244	1	5	3.6000
12	It helps me to trace out my strengths and detect my weaknesses	244	1	5	3.8889
13	It provides scope for career development and advancement	244	1	5	4.6519
14	It improves necessary skills for performing my job	244	1	5	4.3926
15	Proper counseling is given after the performance appraisal	244	1	5	4.4148
16	It enables me to express my feelings during the appraisal	244	1	5	3.1259
17	Remedial measures are taken by the manager based on the results of performance appraisal	244	1	5	3.5481
Average Mean Score					4.064

Source: SPSS Data Output

The mean scores show the effectiveness of Performance Appraisal System from the employee perspective. All statements have secured mean score above '3', i.e. the performance appraisal system is above average. The maximum score is obtained for the statement 'the system paves way to increased monetary benefits'. The second maximum score is for the statement 'provides scope for career development', and it is followed by the statement 'appraisal based on certain standards fixed by the manager'. All this mean that the from employees' point of view, the performance appraisal system is good in terms of these dimensions. Lowest scores obtained for statements like 'expressing feelings during appraisal' and 'encouraging

competitiveness in work'. The overall mean score of the statements (4.064) reveals that the employee performance appraisal system is good in the organization.

2. Level of Employee Morale

To analyze the level of Employee Morale also, Mean Score Analysis is used by the researcher. Each statement has scores between 1 and 5 and these scores determine the level of morale among the employees. Score nearer to 1 means very low level, score between 1 and 3 means low level, score nearer to 3 means average level, score between 3 and 5 means high level and score nearer to 5 means very high level.

Table 2: Mean Score Analysis of Employee Morale

No.	Statements	Number	Minimum	Maximum	Mean Score
1	I feel better treatment from manager and co-workers in the work place	244	1	5	4.0741
2	I am able to work with a great sense of accomplishment	244	1	5	3.4889
3	The organizational system is highly concerned about my futuristic growth	244	1	5	4.0963
4	I experience team spirit among the co-workers	244	1	5	4.0222
5	I experience significant improvement in my contribution towards the organization	244	1	5	3.9926
6	I work in such a manner that brings loyalty to the organization and the manager	244	1	5	4.0812
7	I would like to recommend this organization to others as a satisfactory workplace	244	1	5	4.1211
8	I get proper recognition for my work	244	1	5	3.4889
9	I am able to manage my workload effectively	244	1	5	3.8593
10	I maintain good relationships with manager and other employees	244	1	5	4.0222
11	The monetary benefits offered by the organization is apposite for my financial wellbeing	244	1	5	3.9926
12	There is effective communication system in the organization	244	1	5	4.0792
Average Mean Score					3.9654

Source: SPSS Data Output

Each statement of Employee Morale has mean score above '3' i.e. the level of employee morale is above average. The maximum score is obtained for the statement 'Like to recommend the organization as satisfactory workplace'. The

overall mean score of '3.954' shows that the level of employee morale in the organization is fairly high.

3. Relationship between effectiveness of Performance Appraisal and Employee Morale

Table 3: Results of correlation between effectiveness of Performance Appraisal and Employee Morale H₀₁: there is no significant relationship existing between effectiveness of Employee Performance Appraisal and Employee Morale

	Mean	Standard Deviation	N	R	p-value
Effectiveness of Performance Appraisal	4.064	0.434	144	0.833	*0.000
Level of Employee Morale	3.965	0.906	144		

Source: SPSS Data Output

The result table shows that the correlation between Performance Appraisal and Employee is significant ($p < 0.05$, $r = 0.833$). The 'r' value i.e. the correlation coefficient of 0.833 also reveals the strength of positive relationship between the variables.

4. Influence of Employee Performance Appraisal effectiveness on Employee Morale

Table 4: Summarized Regression results of relationship between effectiveness of Performance Appraisal and Employee Morale
H₀2: the effectiveness of employee Performance Appraisal do not significantly influence the Employee Morale

Dependent Variable	Level of Employee Morale
Predictor Variable	Effectiveness of Employee Performance Appraisal
R (Coefficient of Correlation)	0.833
R-square value (Coefficient of Determination)	0.693
p-value	*0.000
Intercept value	-0.09122
Slope of the line	1.0511

Source: SPSS Data Output

The summarized results of regression analysis show the nature of relationship between the effectiveness of Employee Performance Appraisal system and level of Employee Morale. The results show that the regression model is significant ($p < 0.05$). Hence, it can be concluded that the Effectiveness of Employee Performance Appraisal has significant impact on the level of Employee Morale. The r-square value of 0.693 denotes that the predictor variable i.e. effectiveness of Employee Performance Appraisal explains 69.3 percent of variation in the outcome variable i.e. level of Employee Morale. Based on the intercept value and slope, the following equation can be formed to establish the relationship between predictor variable and outcome variable.

$$\text{Level of Employee Morale} = (1.0511 * \text{Effectiveness of Employee Performance Appraisal system}) - 0.09122$$

Discussion

Effectiveness of Performance Appraisal System in the private sector banks of Kerala, from employee perspective was analyzed in this study. It also highlights the impact of effectiveness of the system on the level of morale of the employees. The present study, which was conducted among 244 employees working in different private sector banks in Ernakulam District of Kerala, found that the Employee Performance Appraisal System in the banks is good. The employees consider effectiveness of this system highly in terms of 'Career Advancement', 'Way for increased monetary benefits' and 'Appraisal based on predetermined standards'. The level of Employee Morale was also found to be fairly good among the employees in the selected private sector banks. The correlation analysis shows significant results and it implies that the effectiveness of Employee Performance Appraisal is positively correlated with the Morale of the employees. The further analysis of regression also provides that the Level of Morale of the employees is significantly influenced by their perceived effectiveness of Performance Appraisal System.

Practical Implications

The results of the study indicate that the overall Employee Performance Appraisal System of the selected private sector banks in Kerala. However, the managers in these banks can route this to the level of excellence. The present study delineate that the effectiveness of the appraisal system is just average when it considers about 'expressing feelings while appraisal', 'regularity in appraisal', 'encouraging competitiveness in the work' and 'taking remedial measures'. Putting attention on these aspects, it is also expected to enhance the present level of Employee Morale among the employees in these banks. This can also make earth-shattering changes in the productivity and

performance of the employees as well as in the success of the banking institutions.

Conclusion

Employee Performance Appraisal is one of the drastic steps in the human resource process. The employment opportunities in the private sector banks in the state of Kerala are being increased year by year and it makes their employees to be competitive to perform well. The managers are always cautious about the output and contribution of the clerical workers in the banks. A good appraisal system ensures that the performance of the employees is not deviated as expected by the managers. According to the present study, the extent to which the appraisal system is good determines the level of morale in the employees of the private sector banks included in the study. Proper tracking of progress at regular periods can make the system of Performance Appraisal more and more effective in the private sector banks of Kerala. This can also bring changes in the perception of bank employees towards their organizations, which help the managers and institutions to achieve the human resource objectives like increased productivity, reduced turnover, employee retention, team integration, enhanced work culture and other general and specific objectives.

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