

# **CURRENT SCENARIO OF EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM IN BANKING SECTOR- A STUDY**

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## **ABSTRACT**

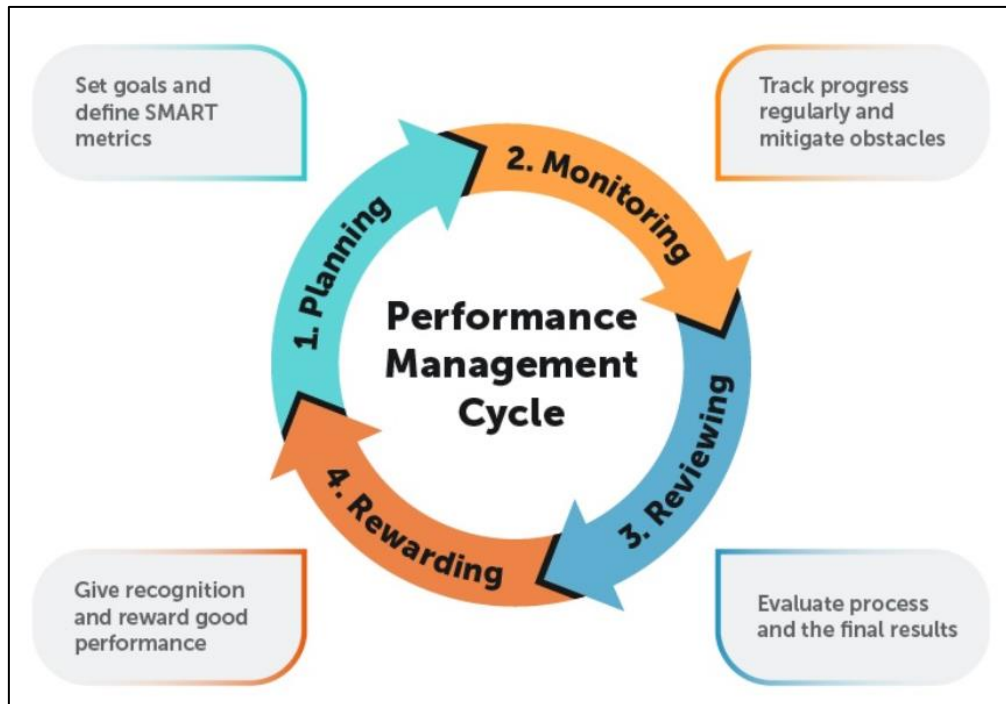
This study focuses on how employees are doing best for their performance in banking sector in India, which looked at how banks manage their employees' performance and how it helps or helps them. As The goal of performance management is to encourage and improve how well employees do their jobs. It is a ongoing process where employees & managers plan, track & review together for an employee's work goals & contribution to the banks as a whole. This study also looks at how the performance management system for employees in banks can be put into place. In this study, the structured questionnaire method was used to get the first-hand information. With the help of a questionnaire, the study was done to find out how Banks saw their employees and what they thought about them. The chosen research design puts most of its focus on finding new ideas and getting a better understanding of the things being studied.

**Keywords : EPMS, Performance, Employees, Public Banks, Private Banks**

## **INTRODUCTION**

After the 2008 financial crisis, banks are seeking to enhance how they measure performance. This is because the economy and market have changed, and so have the needs of management. For example, new rules and regulations are changing how businesses like

issuing and processing payment cards make money. Most banking businesses need more capital than they did in the past. Mobile phones and other new channels are becoming more important. It is still hard to grow revenue because the economy is weak, interest rates are low, and regulations make it hard. Banks are trying to better control costs, build stronger relationships with customers, and make better decisions about product mix and prices. These and other things are making banks look at how they measure and report business performance and try to make it better.



**Figure 1 : Typical Performance Management Cycle**

Because of the pressures and intensity of competition in the business world and the need to create a competitive advantage to stay alive in the market, organisations are putting more emphasis on performance at all levels. This situation puts the spotlight on the role of human resources development, which has changed a lot & is now it's coming up with functional strategies that help the big corporate strategies get done. HR and corporate strategies work together in some ways. It's important to keep in mind that today, all of the most important HR tasks are geared toward developing high-performance leaders and getting employees excited about their jobs. So, it's possible to say that HR's role has changed from being just an assessor to being a facilitator and enabler of a good environment.

## REVIEW LITERATURE

The history of appraisal systems as well as how they transformed into performance management systems, according to Hirsh, Brown, Chubb, and Reilly (2011), is like telling and retelling an epic saga. They also conclude that performance management is becoming so

important to HR professionals that the function is tempted to add increasingly more things it needs to deal with into the process. The term "performance appraisal" was changed to "performance management" to make the process sound more business-like. Many enterprises have switched from responsive performance evaluations to pre-emptive performance management to improve productivity and performance of the organization. This is because the economy has become more competitive and the outside world is changing quickly (Marko, 2011). Toppo et al. (2012) say that the day-to-day business world is getting more competitive and complex. For organisations to stay in business and compete in the market, they need skilled workers who can handle challenges now and in the future. Because of this, organisations are always looking for new ways to improve their employees' performance. Shrivastava and Rai (2012) said, "The Indian banking sector is an industry that is growing quickly. With the number of divisions and their new responsibilities growing quickly, banks are feeling a new strain on their organisational skills, such as hiring, placement, training, promotion, and evaluation. Bhatia (2010) The performance management or appraisal is basically a chance for the employees who care about their performance, usually their line administrator, to talk about the person's performance, how they can improve, and it should be a free-flowing discussion where many different points of view are shared. The idea behind performance management has become a top priority for political leaders and managers in both the public and private sectors (Bouckaer etl., 2008) which, like many ideas in the social sciences, can't be defined in a single way. Performance management has been explained in different ways, depending on who is talking about it and what is going on. Because of its evasive nature, many people have resorted to describing it rather than attempting to define it (Frank., 2009). Simply put, putting in place a performance management system won't fix any performance problems or make employees work better right away "(Pachsiry, 2011)". Managing performance has always been a quite hot issue. Some researchers have seen it as a way to help organisations connect their goals with the goals of their employees (Dessler, 2005).

## **PROBLEM STATEMENT**

This study focuses on the employee performance management systems of public as well as private sector banks. It looked at how banks manage the performance of their employees and how that affects both the employees and the banks. As The goal of performance management is to encourage and improve how well employees do their jobs. It is a free flow process in which employees of banks & managers work together to plan, track, and review for an employee's work achievements & contribution to the banks as a whole. This research also looks at the factors that led banks to start using a performance management system for their employees.

## RESEARCH GAP

The above review of the literature shows that a lot of people have written about performance management systems and performance reviews in public as well as private sectors. But no one has done a study on how employee performance is managed in the banking sector right now. So, this study will try to fill the gap in public as well as private sector performance management systems of banks by comparing banks in Mumbai & Pune, Maharashtra.

## OBJECTIVES OF STUDY

Performance management is a powerful tool that can be used to reach goals and get employees excited about their work. Organizations rarely have a good understanding of how performance management. **The main aim of this research :**

1. To analyse the implementation of sample parameters effectively in both private & public sector banks.
2. To identify the current scenario about PMS in banks.

## HYPOTHESIS OF THE STUDY

### Null Hypothesis

H1 There is no significant relation between HDFC, ICICI, SBI & Union Bank of India in terms of Usefulness & Effectiveness, Implementation & Benefits, Succession rate, and honorarium & rewards.

### Alternate Hypothesis

H1 There is significant relation between HDFC , ICICI , SBI & Union Bank of India in terms of Usefulness & Effectiveness, Implementation & Benefits, Succession rate, and honorarium & rewards.

## RESEARCH METHODOLOGY

The present study is descriptive as well as qualitative in nature. The self-made structured questionnaire method was used to get the main data for this study. With the help of a questionnaire, the study was done to find out how Banks saw their employees and what they thought about them. The chosen research design puts most of its focus on finding new ideas and getting a better understanding of the things being studied. Both public & private sector banks in Mumbai and Pune, Maharashtra, have given us information. For research purposes, a descriptive analysis of four performance management system parameters in both public and private banks has been done. They are Usefulness and Effectiveness, Implementation and Benefits, Succession rate, and Honorarium and Rewards.

## PERFORMANCE MANAGEMENT SYSTEM IN BANKS

Performance Appraisal Systems are getting a lot of attention in the banking industry, among other places. Several “public sector banks (PSBs)” have transformed their Performance management or are in the process of doing so. The SBI has finally changed to an open appraisal system. After learning more about what State Bank of India has done, its partner banks are likely to do the same. Several banks also have self-evaluations as part of their performance reviews, though most of the time these are just ways to talk about what they've done well. The bank's system began with a self-evaluation by the person being evaluated. In general, studies of the operating systems of successful organisations show that a good PMS is the key to running an organisation well in this globalised age. State Bank of India, which is one of the largest banks in the country, is giving its 1.70 lakh employees a performance management system to make them more responsible. "This is the first time that every SBI employee (officers and clerks) can see how they did against their monthly goals. A statement from the SBI says, "There is data-driven and meaningful differentiation based on performance, and it lays the groundwork for a deep meritocratic culture." The number of people who work for SBI is over 2.13 lakh. The bank said that each employee will be trained to have a unique mix of exposure to all areas of banking and expertise in an area of his or her choice. Officers will have the freedom to choose and build expertise in areas like credit, IT, and treasury that interest them.

**Table 1 : Sample Selection**

S.no	List of banks	Sample size
1	HDFC	50
2	ICICI	50
3	SBI	50
4	Union Bank of India	50

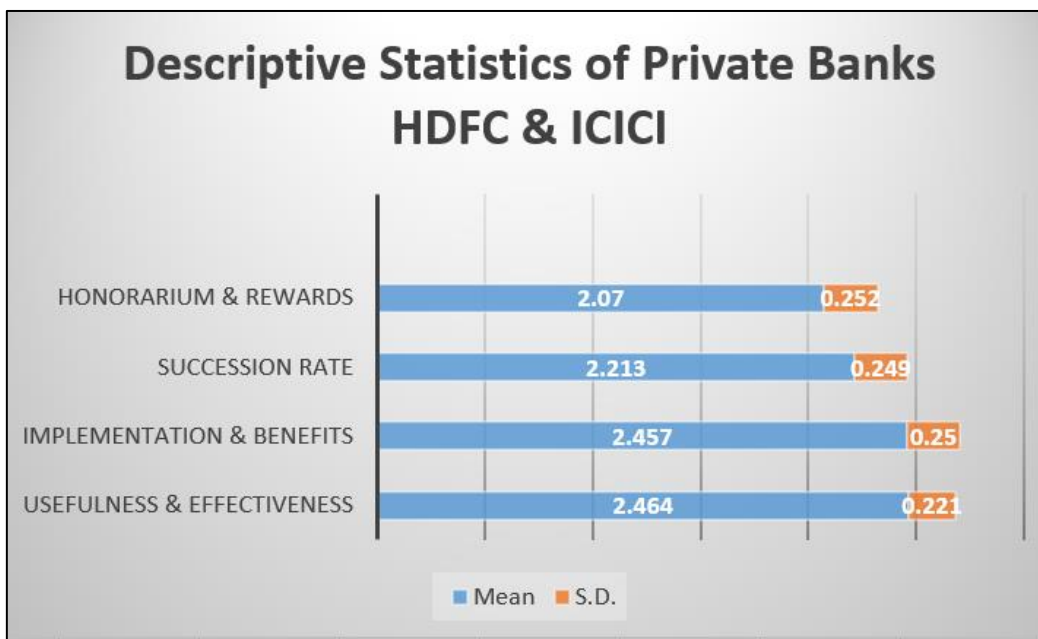
HDFC	ICICI	SBI	Union Bank of India
<ul style="list-style-type: none"> <li>•Usefulness &amp; Effectiveness</li> <li>• Implementation &amp; Benefits</li> <li>• Succession rate</li> <li>•honorarium &amp; rewards</li> </ul>	<ul style="list-style-type: none"> <li>•Usefulness &amp; Effectiveness</li> <li>•Implementation &amp; Benefits</li> <li>•Succession rate</li> <li>•honorarium &amp; rewards</li> </ul>	<ul style="list-style-type: none"> <li>•Usefulness &amp; Effectiveness</li> <li>•Implementation &amp; Benefits</li> <li>•Succession rate</li> <li>•honorarium &amp; rewards</li> </ul>	<ul style="list-style-type: none"> <li>•Usefulness &amp; Effectiveness</li> <li>•Implementation &amp; Benefits</li> <li>•Succession rate</li> <li>•honorarium &amp; rewards</li> </ul>

**Figure 2: Parameters Taken for the Study (Private & Public Sector Banks)**

**DATA ANALYSIS & INTERPRETATION**

**Table 2: Descriptive Statistics of Private Banks HDFC & ICICI**

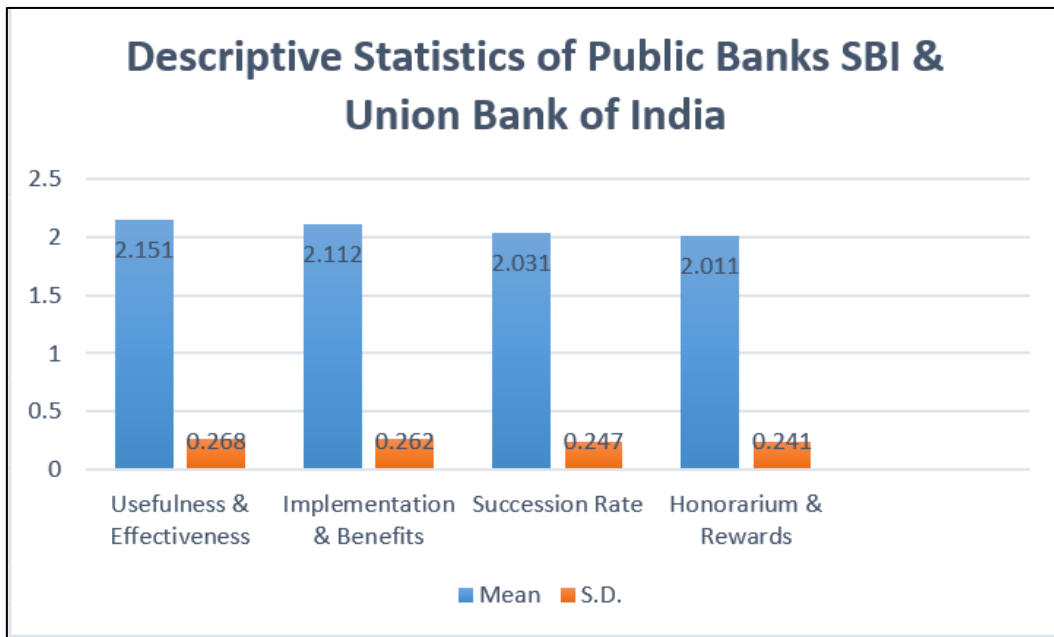
	Mean	S.D.	N	Std. err.
<b>Usefulness &amp; Effectiveness</b>	2.464	0.221	100	0.0246
<b>Implementation &amp; Benefits</b>	2.457	0.250	100	0.016
<b>Succession Rate</b>	2.213	0.249	100	0.016
<b>Honorarium &amp; Rewards</b>	2.07	0.252	100	0.02



As per table usefulness & effectiveness has the highest mean value is (M = 2.464, S.D. = 0.221) whereas honorarium & rewards are lowest mean values (M = 2.07, S.D. = 0.252) in ICICI & HDFC bank. That shows performance management system is useful & effective in banks.

**Table 3: Descriptive Statistics of Public Banks SBI & Union Bank of India**

	Mean	S.D.	N	Std. err.
<b>Usefulness &amp; Effectiveness</b>	2.151	0.268	100	0.0192
<b>Implementation &amp; Benefits</b>	2.112	0.262	100	0.018
<b>Succession Rate</b>	2.031	0.247	100	0.031
<b>Honorarium &amp; Rewards</b>	2.011	0.241	100	0.015



As per table usefulness & effectiveness has the highest mean value is (M = 2.151, S.D. = 0.268) whereas honorarium & rewards are lowest mean values (M = 2.011, S.D. = 0.241) in ISBI & Union Bank of India. That shows performance management system is useful & effective in public banks also.

**Table 4 :- ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
<b>Usefulness &amp; Effectiveness</b>	<b>Between Groups</b>	0.519	1	0.2575	1.725	0.015

	<b>Within Groups</b>	116.343	198	0.136		
	<b>Total</b>	116.862	199			
<b>Implementation &amp; Benefits</b>	<b>Between Groups</b>	0.419	1	0.1572	1.982	0.029
	<b>Within Groups</b>	106.37	198	0.127		
	<b>Total</b>	106.789	199			
<b>Succession Rate</b>	<b>Between Groups</b>	0.232	1	0.142	1.367	0.039
	<b>Within Groups</b>	121.457	198	0.294		
	<b>Total</b>	121.689	199			
<b>Honorarium &amp; Rewards</b>	<b>Between Groups</b>	0.204	1	0.114	0.562	0.006
	<b>Within Groups</b>	61.236	198	0.126		
	<b>Total</b>	61.44	199			

The research parameters Usefulness & Effectiveness, Implementation & Benefits, Succession rate, and honorarium & rewards all are having greater than p value i.e. 0.015, 0.029, 0.039 & 0.006 respectively. That shows alternate hypothesis has been accepted & null hypothesis rejected.

## RECOMMENDATIONS & SUGGESTIONS

Administrative capabilities are a key strategy for improving the service quality of banks in terms of how happy their employees are, how easy it is to understand their PMS, and how easy it is to access their PMS.

**So, bank management should pay attention to the following:**



1. An evaluation process that focuses on actual accomplishments rather than style or personality can be described based on how well the goals were met. This can be done by making the employee interview itself an open, two-way process and asking employees to take part in self-evaluation.
2. The performance must also be judged based on the goals that were set up front. Personal biasness while review, may significantly affect the employee's objectivity.
3. Managers should be very fair when judging the work of their employees and shouldn't be afraid of losing good workers.
4. Managers must acknowledge the outstanding performance of employees, in to improve his/her self-esteem and uphold the same for next years.

## CONCLUSION

Performance reviews are an important part of every business. When done right, a performance review can help an organisation reach its goals by making employees more productive. Managers in the sample branches should follow the fairness policy when judging how well their employees are doing. There are many different types of performance review systems, and each has its pros and cons. PMS can support bonus payments decisions, promotional offers & transfers, development of employees & training etc. Effective PMS have well-defined ways to measure how productive employees are, and both managers and employees know what their roles are. In banks that use Performance Management as a basic tool for pay as well as other major HR related decisions, it is very important that all bank employees are treated fairly & equally. Based on the analysis, it was found that employees today are quite aware of how PMS is evaluated, so they want to know everything there is to know about the nature, process & application of PMS. All of these factors are very important when it comes to persuasion.

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