
Indian Banks and Performance Appraisal System: An HR Strategy for Corporate Excellence

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Abstract

Banking in India enjoys the status of an Industry and plays a significant role in socio - economic life of India and its people which is said to be the country's second largest employer employing about 8,00,000 people. It is a people-oriented service industry whose main resources are people who deliver the services to people and therefore, its major strength is considered to be the quality of people within. Their dedicated staff members are seen as a competitive edge. As no service in banks can be delivered without human beings (human resources), the human resources are considered to be their main assets which can be best utilized by them for improving and making the services more efficient and effective through sheer work excellence developed by formulating a strategy of Human Resource Development as a banks' policy. In the process of formulating the development strategy, the performance appraisal system works as a machinery which provides the feedback on human resources. It measures their strengths and weaknesses and it is used as a diagnostic tool by any organization. It determines as to how an employee is performing his job. However, a few studies conducted seeking the opinions of managerial staff of other organizations indicate that they want an Open Appraisal System as they think; it is simply an annual ritual. There is a very little research evidence available about the attitudes of bank officers to performance appraisal system and therefore, it is aimed to investigate as to know whether the system in banks works objectively on the principles of neutrality.

With this in view, an attempt is made by the author in this paper to study the existing pattern of performance appraisal system in banks for officers & managers and gives few suggestions to change the present appraisal system besides some recommendations to boost the morale of talented employees which may definitely help the banks as a strategy for corporate excellence.

Introduction

Banking in India enjoys the status of an Industry and plays a significant role in socio - economic life of India and its people which is said to be the country's second largest employer employing about 8,00,000 people. It is a people-oriented service industry whose main resources are people who deliver the services to people. It is a service industry unlike many other service industries in India. The services provided by other industries are of a specific nature whereas it provides the services of diverse nature to the people of all class and categories. Apart from the services of accepting deposits from the people and giving the loans & advances to them for which the banks are normally known, they also provide the services of accepting the Telephone & Electricity bills, Collection of Taxes,

Collection of school fees, Insurance Premium Remittance, Pension to retired Govt. employees etc; on behalf of others, in addition to their own ancillary services like Lockers / Safe custody, ATM, ABB/ MBB, Tele-banking, Western Union Money Transfer, Telegraphic Transfer etc. which are day-to-day affairs of people's life.

The above services of the banks are broadly grouped into two areas viz; Functional & Skill-related

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Service Areas and Non- Functional Service Areas. The fee-based services are the products of Non- Functional Service areas. The personality/ human resource development, creative thinking, public relations etc; are all the examples of Non-functional Service Areas and the personality/ human resource development is identified as a key success factor for any organization, particularly a service organization. In a people-oriented service industry of banking, the major strength is recognized to be the quality of the people within. The dedicated staff members are seen to be a competitive edge the bank can rely upon [Budhiraja & Athreya, 1996]. The major services in banks today are no doubt performed by machines but not without an involvement of human beings (Human Resources). The human resources are therefore, main assets which can be best utilized by banks for improving and making the services more efficient and effective through sheer work excellence by formulating a strategy of Human Resource Development as a banks' policy. In the process of formulating the development strategy, the performance appraisal system works as a machinery which provides the feedback on human resources. It measures the strengths and weaknesses of Human Resources and is used as a diagnostic tool by any organization. The Performance Appraisal System is defined by Garg (1989), to be a regular process involving determination of how an employee is performing his job.

Literature Review

Performance appraisal as a system has been in existence in well-managed organizations for a few decades [Prasad, 2005]. The subject of Performance appraisal and HRD aspects have been widely studied and discussed by HRD Scholars and Academicians all over the world as this system is prevalent everywhere, and in all types of organizations including banks. It is believed by Budhiraja & Athreya (1996), that there is a strong linkage between Performance Appraisal and the employees development, as the performance appraisal gives the relevant feedback about employees. A survey conducted in 1968 revealed that performance appraisals and related programmes were being used mainly for the welfare and a number of long- term developmental purposes of employees [Bolar, 1978]. However, according to Edward Deming, the appraisal process nourishes short-term performance, builds fear, destroys teamwork and encourages politics. It is

argued that feedback does not always help improve performance; in fact, 'a poorly implemented feedback programme could actually hurt, rather than help performance' [Tithe, 2004]. There is very little research evidence available about the attitudes of bank officers to performance appraisal system [Garg, 1989]. However, a few studies conducted on the managerial staff of other organizations seeking their opinions and preferences indicate that they are interested in open appraisal systems. With this in view, it is aimed to investigate whether the system in banks works objectively on the principles of neutrality and therefore, an attempt is made here by the author (having first hand experience of working in a public sector bank) to study the existing pattern of performance appraisal system in banks, the normal attitudes of officers and managers in banks towards the appraisal system and the need to introduce the changes in system so as to boost the morale of talented employees.

Performance Appraisal System:

Banking is one sector where a great degree of attention is paid to Performance Appraisal System. As a part of organizational development, the banks had introduced/ developed the Performance Appraisal System taking into account their various business parameters, working results, opportunities & constraints and developmental needs to overcome the constraints for achieving the results. It is the cornerstone of an effective human resource system.

In many banks rather in almost all banks, there is a practice of doing the performance appraisals on closed-basis system. This exercise is carried out annually for the officer employees confidentially by their respective Reporting & Reviewing Authorities without having discussed with them the basis of their comments and justifying the criteria of marks given to the respective heads of administrative & operational assignments of the employees. They are kept in absolute darkness. Since the performance appraisal system plays a very crucial role in each officer's Service Career in the process of their trainings, placements, transfers, promotions, counseling & career planning, talent spotting, performance improvement, disciplinary actions etc., there could be every possibility that under the prevailing closed-system of appraisal, the interest of honest and

outspoken officers is harmed by their superiors thereby, building-up the mental stress on them. The effects of which may become costly to both, the organizations and the employees. It is normally reflected in their high absenteeism, high rate of accidents, reduced effectiveness/ work excellence resulting into sometimes quitting the job. The individual employees may even go to the extremes, if it becomes severe.

Unfortunately for workmen staff in banks, the appraisal system is missing which is a great hazard as its absence leaves them uncovered under banks' organization-wide performance culture and also it helps them in developing a sense of feeling of freedom from day- to- day work responsibilities of banks. Since they carry no fear of appraisals to be spoilt by their superiors in case they do not perform, they (barring a few genuine workers in exceptions) normally avoid taking responsibility of work and prefer to leave office for home at 5.0 o'clock, sometimes rather before 5.0 o'clock without even completing the routine & urgent work assigned to them by their bosses. And the bosses hardly have any convincing authority to initiate a disciplinary action against the particular staff members. If any, ever shows the courage, he/ she may have to face the unions, without being extended any bonafide support and security by his/ her superiors. This normally happens in the branches and with the Branch Managers. Realizing this very fact, the Bank of Baroda has recently taken an initiative and prepared a 'HR BLUEPRINT FOR BUSINESS DRIVEN HR REFORMS' which is a Board approved Strategy Document in HRD outlining various organization-wide HR Reforms/ Interventions adopted for implementation where employees in the clerical and sub-staff cadre have also been brought in under a new performance appraisal system (Bank's Annual Report, March-2006). The introduction of performance appraisal system for the workmen staff in banks, is therefore, not only a great strength to officers and managers and a strong tool in their hands to enforce a minimum level of discipline in the workings of banks, particularly in the branches but also a genuine step in the direction of promoting organization-wide performance culture of the bank, and this remarkable job is done by Bank of Baroda for which they deserve applause.

However, it is desirable for the success of performance appraisal systems in the banks that two

separate Systems are followed, one an OPEN SYSTEM for officers and managers who are the part of the management so as to repose their faith back in the system which they have somehow lost with the time because they had started feeling that it is simply a meaningless annual ritual or exercise and suffering from some sort of subjective element as it is easily manageable by resourceful people; and a CLOSED SYSTEM for workmen staff as a discipline-enforcing tool taking their various unions into confidence which is the need of hour looking to the deteriorating counter/ frontal service conditions in many banks.

The appraisal systems we know provide the information needed to make fully informed strategic decisions by assessing the fit between current Human Resource System and those systems required by a change in strategic direction. Harper (1983) says that performance appraisal needs to be given a top priority, properly planned, carefully administered, and constantly updated to reflect the dynamic environment that influences the organization and its performance.

In banks, as the appraisal system is a complex and useful weapon in the hands of management and whose objectives are as under, it needs to be judiciously implemented.

- identification of areas for further training needs;
- help determine promotions and transfers;
- reduce grievances;
- evaluate and improve job performance of the employee;
- to make inventories of talent within the organization for purposes of organizational and personnel planning; and to use as a discipline-enforcing tool for the workmen staff.

Trainings and Placements:

Every details of trainings undergone, placements done and the need of future trainings to meet the skill requirements of the job are exclusively listed in the individual performance appraisals of the employees, however, it is sometimes either not taken note of or it is ignored. We live in a world which is characterized by a highly competitive global market

and therefore, training is inevitable for the survival and growth of individual and organization, to improve oneself, to improve the systems and work processes. Training is mandatory in banks, it directly contributes to the quality of work-life, and it leads to better discipline and can contribute to organizational belongingness. This aims to inculcate/ improve skills for existing as well as future job assignments. In view of this fact, it would be necessary for the banks to arrange the need-based trainings, sometimes very specialized trainings within and outside India without favoring/ disfavoring anyone, to face the challenges ahead and to take on the global players around the corner. Moreover, after the required training is imparted, it is equally important that they are properly placed/ posted so that they can deliver their best and the banks reap the fruits.

It is therefore, the bounden duty of the management to ensure the placement of "right persons" at "right jobs". This will not only lead to optimum utilization of an individual's capacities and capabilities, so much valued in Manpower Planning and thus bringing about an overall efficiency in the organizational working, but will also ensure job satisfaction to employees- an effective element in the development of good human relations within the organization/ bank [Singh, 2005].

Transfers:

The details of previous transfers/ postings are made available in the performance appraisals enabling the banks to decide their future course of transfers/ postings in broader interest of the banks and the employees. However, such details sometimes take back seat at the time of carrying out the Transfers/ Postings exercise by the banks. In banks being the institutions dealing with financial matters, a periodical transfer is mandatory in order to avoid any fraudulent intentions of employees or likely frauds due to their acquaintance with the system or the place. Moreover, after a certain period of stay at one place, effecting transfer becomes essential for one so that his/ her interest of doing new things at a new place is created/ maintained in order to deliver work-excellence and to drive away the feelings of monotonous work culture. As frequent transfers may also adversely affect the work efficiency of officers, it should be avoided. The fact, therefore, remains that for transfers to be

meaningful as a tool for management development it must be systematically planned as a part of HR policy for each executive in position [Prasad, 2005].

Counseling and Career-Planning:

On the basis of the details made available in the performance appraisal by the employees, the Counseling & Career-Planning are most sought for in the banks. However, there is no evidence yet found of formal counseling system being practiced in banks. The Career-Planning is not being taken very seriously by many banks resulting in frustrations of the kind experienced by the employees. The biggest strength of career development lies in its objective to provide career effectiveness and success of the personnel. In the backdrop of the highly competitive market-driven economy, career development plan is a must as it is a tool to help banks attract and retain talents. It therefore, requires the involvement of top management in the process of career planning in banks.

Job Rotation:

The job rotation in banks is normally referred to, in connection of workmen staff which has to be implemented as per policy of the banks after every six months. To make the job rotation meaningful, it must be planned as per the developmental plan of the banks drawn. Job rotation helps individuals widen their scope of knowledge on varying jobs and the banks in return get benefited from the experience of the knowledgeable employees of a particular department.

Promotions:

This is the most serious issue which directly affects/ adds to the performance and the individual career development of the employees and the progress of banks. Promotion is one of the tools of motivating the staff and hence, promotions are given due importance in banks. By promoting, banks recognize the talent and hidden potentialities of the employee. This results in change in task, attitude, liking, outlook and thinking of a person. Promotion means throwing a challenge to an individual to show his/ her abilities. In banks' promotion process, since a lot of internal and external factors work together intentionally or unintentionally, the management has to be very transparent in promoting the right kind of employees.

It goes without saying that apart from financial considerations, job security, good working conditions and many more other factors, opportunities for advancement (as people want to grow) gives the employees the job satisfaction helping them to perform better [Singh, 2005].

Recommendations:

As the existence of highly talented people, their commitment to the organization, sense of responsibility, morale, feeling of autonomy, sense of security and safety and amicable employee-management relations are the major characteristics of good organizational climate and the basic factors behind the success of an organization [Srivastava], banks and management need to repose the confidence in the minds of the employees that they will get their due share by identifying and recognizing their talents by implementing the Performance Appraisal System in a rightful manner and also introducing some practical approaches so that their morale is boosted. With this in view, there are certain suggestions of the author which are summarized as under.

- i) Performance Appraisal system should be open and transparent to officers and managers.
- ii) A Performance Appraisal System allowing the immediate junior officers to appraise the workings of their superiors is introduced.
- iii) Performance Appraisal system must be invariably introduced by all banks for the workmen Staff on the closed-basis system.
- iv) The existing Performance Appraisal system done on Marks basis is changed to Grading basis so that the biasedness of marks variation for any reason is eliminated.
- v) To ensure that the Trainings, Placements, Transfers etc. are implemented scrupulously as per the laid down policies of the banks.
- vi) All promotions to take place strictly on merit basis and after every promotion process, the banks should submit the details to Banking Division, Min. of finance, Govt. of India, despite the banks having autonomy.

- vii) There should be counseling and involvement of top management in the process of career-planning.
- viii) Employee Satisfaction Survey on the line of Customer Satisfaction Survey is introduced which may help to know the grievances of employees as well as their expectations from the Management.
- ix) An Exit Interview System is introduced so that the main reason of employees leaving the banks can be known to the management and as a result, they may take precautionary steps in accordance.
- x) For promotion from clerical to officer cadre, the minimum educational eligibility criterion must be made to graduation, in order to maintain its standard and to be at par with any All India Service Officers.

Conclusions:

It is concluded with the words that the performance appraisal system directly or indirectly can play a great role in ensuring corporate excellence in banking industry which may bring it at par with workings of any corporate private sector and multinational companies in India and elsewhere, if its objective is properly understood and is used as a measurement tool for constructive purposes.

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