

Effectiveness of Performance Appraisal Practice on the Employees Performance: Evidences from Punjab National Bank of India

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Abstract—Punjab National Bank (PNB) of India plays a pivotal role in the economic development of India in different ways. This bank has been continuously showing progress from past one hundred year. One of the major reasons of its progress is its loyal and effective employee network. In order to improve the functioning and progress of PNB it's essential to monitor its employee performance. The performance appraisal practice provides insights in reviewing the performance of employees. The present study aims to examine the effectiveness of performance appraisal practice on the employee's performance of PNB. Both qualitative methods like literature review along quantitative techniques like regression analysis based on source of primary data was used to conduct this study. A pre-tested self structured valid and reliable questionnaire was used to collect the primary data. The findings of the study report a significant ($p \leq 0.05$) relationship between Performance Appraisal Practice and employee performance in Punjab National Bank of India. The results of present study reveal that implementation of effective Performance Appraisal Practice in Punjab National Bank can significantly ($p \leq 0.05$) improve the performance and productivity of this Bank. This study has extracted six predictors viz;; Negotiated Appraisal (NA), Self Assessment (SA), Peer Assessment (PA), Rating Scales (RS), Behaviour Anchored Rating Scales (BARS), and Continuous Performance Management System (CPMS) by the regression model as the important factors that influence the effectiveness of employee performance in PNB.

Index Terms—Performance Appraisal Practice, PNB, Employee Performance

I. INTRODUCTION

Punjab National Bank (PNB) of India is one of the oldest multinational banking and financial service

company (Deepak, et.al., 2024). PNB started its operation on April-15, 1895 at Lahore with Rs 2 Lakh authorized capital and Rs 20000 working capital (Nagarkar, 2008). The total income of PNB has increased by 16.3% on year-on-year basis till June-2024. The Return on Assets (ROA) has recorded an improvement of 0.82% in June-2024 from the previous financial year. Similarly, the Return on Equity (ROE) record an increase of 16.82% in June-2024 from the previous financial year. The business performance of PNB is described in terms of saving deposits and current deposits. The saving deposits of PNB have increased to INR 484377 crore thus registering a year-on-year growth of 4.4% till June-2024. The current deposits of PNB remain at INR 64702 crore till June- 2024. The Gross National Assets (GNPA) recorded a slight decline in 2024(INR 51263 crore) than 2023(INR 70899 crore). The total of PNB has reported an increase of 16.3% on year-on-year basis in June-2024. The business per employee has increased to INR 24.80 crore in June-2024 from INR 22.22 crore in June-2023. PNB has shown a positive growth in financial inclusion from June-2023 to June -2024. The digital ecosystem has been widened and now this bank is available at all digital payment systems. In year 2024 the number of total employs of PNB has reached upto 102349 till March-2024. Above mentioned financial indicators of PNB shows that this bank has recorded a strong financial performance from past few years. There are many reasons behind its improvement in financial performance. One of the major factors which affect the financial performance of a company is its employee performance (Dien and Duyen, 2021). The performance of employees is affected by its job

satisfaction and by the organisations performance management system (Hambuda, 2017). Performance management system of an organisation helps its employees in improving their performances (Ohemeng, et.al., 2018). There are different components of performance management system; one among these components is performance appraisal practice (DeNisi and Smith, 2014). Performance Appraisal Practice provides insights to review the performance of employees in an organisation (Baochie-Mensah and Seidu, 2012). It monitors the overall job satisfaction and work performance of a company. The performance appraisal of an employee analyses the success and failure of employees, strength and weakness of employees, and their suitability for promotion and future training (Taneja, et.al., 2024). The productivity and morale of employees of an organisation may sometimes suffer due to imprecise expectations, insufficient recognitions, inconsistent feedback and inconsistent rewards when the organisation has its performance appraisal practice not in place (Burton, 2023). Thus, to overcome these situations or problems, an organisation needs to implement an efficient performance appraisal practice (Murphy, 2020). Performance appraisal practices is a chain of different practices which include; negotiated appraisal, self assessment, peer assessment, rating scales, behaviour anchored rating scales, and continuous performance management system (Daley, 1992; Hutchinson, 2013; Trost, 2017; Amuge, 2021; Pucik, et.al., 2023). An effective performance appraisal practices in an organisation can be implemented only when the effectiveness of chain of performance appraisal practices is tested. There is a need to examine the effectiveness of performance appraisal practices and its role in employee performance (Iqbal, et.al., 2019). Despite numerous studies have been conducted on the effectiveness of performance appraisal practices of different companies across the globe, but negligible research have been carried out on the effectiveness of performance appraisal practices in public banking sector of India. There are consequently number of questions unanswered related to the predictors of performance appraisal practices. By investigating these factors, we will be able to improve the employee performances. Keeping in view the need of investigating the performance appraisal practices, the present study was conducted

to understand the effectiveness of performance appraisal practices of Punjab National Bank of India. This study will also help to understand the correlation between performance appraisal practices and the employee performances of Punjab National Bank of India. The results of this study can contribute to the economic growth and development of PNB by providing necessary tools and strategies for PNB Human Resource Department, so that they can improve its employee working output efficiently.

II. OBJECTIVES OF THE STUDY

- To examine the performance appraisal practices of Punjab National Bank of India
- To study the effectiveness of performance appraisal practices of Punjab National Bank of India.
- To understand the correlation between different components of performance appraisal practices of Punjab National Bank of India
- To identify the relationship between different components of performance appraisal practices of PNB of India with the employee performance of PNB of India.
- To estimate how much the different components of performance appraisal practices of PNB act as predictors of employee productivity of PNB of India

III. RESEARCH METHODOLOGY

The aim of the present study is to examine the effectiveness of performance appraisal practices and its role in employee performance of Punjab National Bank of India. A cross-sectional research design was followed to conduct this study. Both qualitative and quantitative data was collected through primary data. The primary data was collected through a pre-tested self structured questionnaire with 5– point Likert scale. The target population of this study was the total employees (102349) of Punjab National Bank of India. A pilot study was conducted to determine the validity and reliability of questionnaire. Cronbach's Alpha Value was calculated to determine the internal consistency reliability of questionnaire. In this study the Cronbach's Alpha Value was reported to be 0.8017, which shows that all the elements of the questionnaire were highly accepted. The respondents

for this study were selected purposive sampling technique on the basis of some specific criteria. A sample size of 100 participants was selected for the face-to-face interview through questionnaire. Out of 100 participants 90 participants filled the questionnaire and the remaining 10 participants don't agree to fill the questionnaire. The collected data was tabulated and subjected for analysis by using SPSS version-27. The descriptive statistics was calculated for each variable under the investigation. The relationship between the different components of performance appraisal practices and employee performance of PNB was evaluated through regression analysis and Pearson's Coefficient of Correlation technique. Finally inferential statistics like regression analysis was carried out to extract the components of performance appraisal practices which have significant impact in improving the employee performance of PNB in Indian context.

IV. RESULTS AND ANALYSIS

The demographic characteristics of the employees interviewed through questionnaire are given in Table-1. The interpretations of the responses of the employees on the basis of gender, age, salary,

qualification and marital status provide valuable information on the composition of sample of the present study. In this study the majority of the respondents were male (82.22%) than the female respondents (17.78%). The respondents of the present investigation were dominated by the age group of 35-40 years (48.89%), and the lowest number of respondents were from 18-25-year age group (04.44%). In this study the highest percentage (52.22%) of respondents were under graduate in qualification. 34.44% of the respondents were post graduate, 5.56% of respondents were holding diploma degrees, 4.44% of respondents were qualified upto intermediate level and very less respondents (03.33%) were having qualification above post graduation. The respondents of the present study, which take highest salary (35.56%) belong to Rs 30000-40000. 31.11% of respondents receive a salary between Rs 40000-50000. Only few (03.33%) employees selected as respondents of present study were receiving salary above Rs 60000. Majority of the respondents in the present study were married (63.33%), only 36.67% of the respondents were unmarried. These figures provide the valuable detail about the demographic characteristics regarding the study sample.

Table-1: Demographic Characteristics of respondents (N=90)

Items	Demographic	Frequency	%	Mean±SD
01. Gender	Male	74	82.22%	1.20±0.421
	Female	16	17.78%	
03. Age	18-25yr	4	04.44%	2.40±0.966
	25-35Yr	36	40.00%	
	35-45Yr	44	48.89%	
	45-55Yr	6	06.67%	
04. Qualification	Diploma	5	05.56%	3.00±0.942
	Intermediate	4	04.44%	
	Graduation	47	52.22%	
	Post graduation	31	34.44%	
	Above PG	3	03.33%	
05. Salary	Rs 20000-30000	11	12.22%	2.70±1.159
	Rs 30000-40000	32	35.56%	
	Rs 40000-50000	28	31.11%	
	Rs 50000-60000	16	17.78%	
	Above Rs 60000	3	03.33%	
06. Marital Status	Unmarried	33	36.67%	1.60±0.516
	Married	57	63.33%	

The results of correlation coefficients between six different variables of Performance appraisal practices viz; Negotiated Appraisal (NA), Self Assessment (SA), Peer Assessment (PA), Rating Scales (RS), Behaviour Anchored Rating Scales(BARS), and Continuous Performance Management System(CPMS) of PNB are presented in Table-2. In this study we found that each variable of Performance appraisal practices is correlated with other. The coefficient of correlation is used to determine the strength and direction of correlation between the variables of Performance appraisal practices of PNB. The results of the present study reveal (Table-2) that all the variables of Performance appraisal practices are positively correlated with other variable. This depicts that an increase in one variable increase the other variable. The correlation between all of the components of Performance appraisal practices of PNB ranged between 0.282 and 0.532.

Peer Assessment (PA) reported highest positive correlation ($r = 0.532$; $p = 0.000$) with the Rating Scales (RS) of employees. The lowest correlation

recorded in this study was 0.282, and it was reported between Rating Scales (RS) and Behaviour Anchored Rating Scales (BARS). But the overall results reveal that all these components of Performance appraisal practices of PNB report a significant ($p \leq 0.05$, $p \leq 0.001$) positive correlation between each other. These results support with the fact the for successful implementation of effective Performance appraisal practices in PNB comprise Negotiated Appraisal (NA), Self Assessment (SA), Peer Assessment (PA), Rating Scales(RS), Behaviour Anchored Rating Scales(BARS), and Continuous Performance Management System(CPMS). The HR department of PNB can use these results in developing efficient systems for the managing the performance of employees in terms of the above investigated aspects to improve the economic growth, profitability, and productivity of PNB. Since the study is limited to specific number of employees of PNB, thus there is a need to increase the number of sample size and conduct future research on the effectiveness of performance appraisal practices in PNB.

Table-2: Correlation

Correlations							
		NA	SA	PA	RS	BARS	CPMS
NA	Pearson's Correlation	1.00	0.488**	0.394**	0.510*	0.446**	0.390*
	Sig(I-tailed)		0.037	0.010	0.006	0.000	0.021
	N	90	90	90	90	90	90
SA	Pearson's Correlation	0.488*	1.00	0.417**	0.507**	0.452*	0.412**
	Sig(I-tailed)	0.019		0.005	0.000	0.013	0.004
	N	90	90	90	90	90	90
PA	Pearson's Correlation	0.394**	0.417**	1.00	0.532*	0.381*	0.302*
	Sig(I-tailed)	0.030	0.023		0.000	0.000	0.000
	N	90	90	90	90	90	90
RS	Pearson's Correlation	0.510**	0.331**	0.411*	1.00	0.282**	0.344*
	Sig(I-tailed)	0.003	0.020	0.000		0.020	0.007
	N	90	90	90	90	90	90
BARS	Pearson's Correlation	0.446*	0.452*	0.381*	0.409**	1.00	0.326*
	Sig(I-tailed)	0.035	0.016	0.029	0.000		0.009
	N	90	90	90	90	90	90

CPMS	Pearson's Correlation	0.490**	0.412*	0.302*	0.344*	0.326**	1.00
	Sig(I-tailed)	0.000	0.001	0.045	0.011	0.000	
	N	90	90	90	90	90	90
<p><i>*Statistically significant at $p \leq 0.05$</i> <i>**Statistically significant at $p \leq 0.005$</i> Note: NA= Negotiated Appraisal, SA= Self Assessment, PA= Peer Assessment, RS= Rating Scales, BARS= Behaviour Anchored Rating Scales, CPMS= Continuous Performance Management System.</p>							

Multiple regression analysis was employed to forecast the employ performance by using the six predictors viz; Negotiated Appraisal (NA), Self Assessment (SA), Peer Assessment (PA), Rating Scales (RS), Behaviour Anchored Rating Scales (BARS), and Continuous Performance Management System (CPMS). The results of regression analysis are given in Table-3. The model summary reveals the value of R (correlation coefficient) as 0.842 between predicted value and actual value (employee performance). This value indicates that there is a significant relationship between the predictors and the dependent variables. The value obtained for R square by the model summary was 0.820, which represents that 82.0% of the variation in the employee performance is explained by the six predictors of performance appraisal practices in PNB. Further the value for the adjusted R square is 0.809, which depicts good fit for the regression model after

being slightly lower than the value of R square. The standard error of the estimates reports the average distance of the observed values from their predicted values. In this study we obtained a value of 0.10092 for standard error of the estimates, the lower the value of standard error of the estimates then higher is it fit for the regression model. Thus the obtained values of standard error of the estimates are better fit for the regression model. In this study we have also calculated the Durbin-Watson statistic which is used to describe the autocorrelation in the residuals (represents difference between predicted value to its observed value). The Durbin- Watson value was 1.883, which is higher than 1.5 and lower than 2.5 thus it indicates that there is no signs of autocorrelation in the residuals. The overall results of Model Summary reveals that the regression model is fit for making prediction for the employee performances through the six predictors.

Table-3: Model Summary

Model Summary ^a					
Model	R	R Square	Adjusted R Square	St Error of Estimates	Durbin Watson
1	0.842 ^b	0.820	0.809	0.10092	1.883
^a Dependent Variable: Employee Performance ^b Predictor (Constant): Negotiated Appraisal, Self Assessment, Peer Assessment, Rating Scales, Behaviour Anchored Rating Scales, Continuous Performance Management System. Source: (Primary data-2023)					

Table-4 shows the ANOVA summary which shows the significance of association between the dependent variable (employee performance) and predictors (six components of performance appraisal practices of PNB). The results of ANOVA reveal that there is a significant association ($F= 24.38804$, $p=0.0001$) between the dependent variable (employee performance) and predictors (six components of performance appraisal practices of PNB). Thus it can

be reported that the performance appraisal practices (all six components) of PNB have a significant effect on the employee performance. The F-value ($F= 24.38804$) and p-value ($p=0.0001$) obtained in this study depicts that the model is significant statistically and it can be used to forecast the employee performance of PNB from the performance appraisal practices of PNB.

Table-4: ANOVA Summary

ANOVA ^a						
Model		Sum of Squares	df	Mean Squares	F	Sig
I	Regression	20.798	6	3.466333	24.38804	0.0001 ^b
	Residual	11.797	83	0.142133		
	Total	32.776	89	0.36827		
^a Dependent Variable: Employee Performance						
^b Predictor (Constant): Negotiated Appraisal, Self Assessment, Peer Assessment, Rating Scales, Behaviour Anchored Rating Scales, Continuous Performance Management System.						
Source: (Primary data-2023)						

The values of regression coefficients for the predictors (six components of performance appraisal practices of PNB) with the dependent variable (employee performance of PNB) through linear regression model are given in Table-5. The values of the unstandardized coefficient of linear regression model depicts that any change in the one independent variable (predictor variable) is associated with the similar change in the dependent variable keeping other predictors variables constant. The unstandardized coefficient values of constant (0.437) shows the expected value of employee performance of PNB, when all predictors (six components of performance appraisal practices of PNB) are equal to zero. The value of standardized coefficient (beta) for each predictor component is a measure which shows the relative importance each component of predictor in explaining the variation of employee performance of PNB while controlling the other predictors. T-values was calculated for determining the significance of between the relationship of all six predictors with employee performance of PNB. The results of t-value revealed that all the six predictors (all six components of performance appraisal

practices of PNB) have a statistical significant ($p \leq 0.05$) relationship with the employee performance of PNB. The results of regression coefficients reveal that the performance appraisal practices of PNB has a significant positive ($p \leq 0.05$) relationship with the employee performance of PNB.

Overall results of the present study depicts that incorporating the six components of performance appraisal practices of PNB viz; Negotiated Appraisal (NA), Self Assessment (SA), Peer Assessment (PA), Rating Scales(RS), Behaviour Anchored Rating Scales(BARS), and Continuous Performance Management System(CPMS) can enhance the employee productivity in the Indian Banking sector. However, the limitations of this study also exist which suggest that it isn't only correlation which is a causative of employee performance, but there are other factors which aren't included in this investigation that may also influence the employee performance in banking sector of India. Thus in-depth studies are required which will extract all the factors which affect the employee performance of banking sectors so that it will enhance the economic growth and development of the country.

Table-5: Regression Coefficients

Coefficients ^a					
	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		
Constant	0.437	0.241		1.813	0.0732
NA	0.216	0.098	0.206	2.204	0.0301
SA	0.255	0.105	0.234	2.429	0.0172
PA	0.28	0.099	0.255	2.828	0.0058
RA	0.139	0.069	0.117	2.014	0.47
BARS	0.229	0.095	0.209	4.164	0
CPMS	0.198	0.086	0.168	2.198	0.0305

^a Dependent Variable: Employee Performance

Note: NA= Negotiated Appraisal, SA= Self Assessment, PA= Peer Assessment, RS= Rating Scales, BARS= Behaviour Anchored Rating Scales, CPMS= Continuous Performance Management System.

V. CONCLUSION

The aim of the present study was to examine the effectiveness of performance appraisal practice on the employee performance of Punjab National Bank of India. A sample size of 100 participants was selected for the face-to-face interview through questionnaire. Out of 100 participants 90 participants filled the questionnaire and the remaining 10 participants don't agree to fill the questionnaire. A pre-tested self structured valid and reliable questionnaire was used to collect the primary data. The correlation, ANOVA and regression analysis of the present study depicts that performance appraisal practices of PNB comprising of Negotiated Appraisal (NA), Self Assessment (SA), Peer Assessment (PA), Rating Scales (RS), Behaviour Anchored Rating Scales (BARS), and Continuous Performance Management System (CPMS) significantly affect the employee performance of Indian PNB. The findings of present study reveal that an efficiently designed and implemented performance appraisal practices can prove an effective tool for enhancing the employee productivity in Indian Banking sector.

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