



ASSESSMENT OF PERFORMANCE APPRAISAL METHODS IN BANKING SECTOR

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Abstract

There are different types of performance appraisal methods are exercised in banking sector. The objective of this study is to know the purpose, method and procedures of performance appraisal practices in banking industry. This study was conducted in different banks in Ethiopia. 41 respondents are identified for this study. Questionnaires were distributed to the respondents to collect data. The major findings for this study were identified as the banks have their own policy and procedure of performance appraisal and they are doing performance appraisal twice in a year, and is mostly done by their immediate supervisor. The researcher recommends that the employees should understand their role in their organization. Awareness about the importance of appraisal must be raised starting from the top level employees to lower level employees.

Keywords: Employee Role, Employee Performance, Performance Appraisal Methods .

Introduction

Performance management is an important aspect for organization performance (Cardy, 2004). Organizations become effective when they are managing their human resource effectively. Performance appraisal is one technique to assess the quality of human resource. It creates positive attitude among the employees. This will increase employee morale and increase productivity in the organization. In organization performance evaluation is important for performance management (Cardy, 2004). Performance appraisal is a tool to shape and influence individual behaviour.

Statement of the problem

Banking industry in Ethiopia is a profit making sector. Public and private sector banks are contributing a lot for the economic development. The growth and profitability of the banking sector is depends on providing reliable and efficient banking service. Performance appraisal is one of the human resource management activities that are carried out with a predetermined procedure for the purpose of attaining the desired results. Ethiopian banks choose to use the current system of appraisal at the policy level. The policy issues of appraisal includes such elements as purpose, time and method of appraising the performance of employees. This study identifies the importance of appropriate performance appraisal method. The results should communicate to the employees. It will improve performance of the employees and leads higher organizational performance. This study identifies poor employee performance and administration policy to conduct performance appraisal.

Objectives

- To assess performance appraisal methods in banking industry.
- To analyse to requirements for better performance appraisal.
- To check the effect of performance appraisal method in different human resource decisions.

Review of Literature

Blaine, (1993) suggested that the early 1970s USA faced short-term profitability and financially oriented performance management. In a globalized and turbulent world, the lack of long-term strategic initiatives has rendered a large number of US companies less competitive. According to Hiromoto, (1988) Japanese performance management is intended primarily to affect behaviour rather than to furnish precise accounting data. Bromwich and Bhimani, (1994) stated new models of control, which often include non-financial measures, are now becoming more widely accepted at British firms.

Research methodology

A descriptive research design is adopted to select the respondents. In Ethiopia there are three public sector and more than seventeen private sector banks are doing their operations. The researcher prefers to select the respondents from selective branches. Respondents are selected through convenient sampling method. Both primary and secondary data collection methods are used. The sample size is 41.

Data analysis and interpretation

The bank believes that the process of evaluating employees is an important way to improve organizational effectiveness through optimal utilization of personnel and rewarding employees with higher performance. In other way round the rewarding motivates employees for better performance. The bank policy also states that the ratter should bean immediate supervisor of an employee and the process should follow the following procedure.

First the immediate supervisor rates his/her subordinates and the result go to the next supervisor for approval after the rate sign on it for his consent. If he/she complaining for being unfairly rated, the policy permits that complaining for being unfairly rated, the policy permits that his/her grievances go to the next supervisors. This intended to permits employees to enjoy fair treatment by their supervisor.



Table 1: Background information of Respondents

Sl.No	Background information	No. of Respondents	Percentage (%)
1.	Age		
	<25	8	20
	26-35	32	78
	36-45	1	2
	Total	41	100
2.	Educational Qualification		
	12 th standard	7	17
	Degree	21	51
	Post Graduation	13	32
	Total	41	100
3.	Gender		
	Male	24	58
	Female	17	42
	Total	41	100

Source: Own survey, 2016.

The profile of age shows, 78% between 26-35, 20% of the respondents above 25 and 2% between 36-45. The distribution of educational qualification shows 51% have completed degree, 32% of the respondents have completed Post Graduation and 17% of them completed 12th standard. The gender table shows 58% of the respondents are male and 42% of the respondents are female.

Table 2: Frequency of performance evaluation

Frequency	No. of Employees	Percentage (%)
Once in a year	6	15
Twice in a year	27	66
Quarterly	8	19
Total	41	100

Source: Own survey, 2016

The study shows 66% of the employees told performance appraisal was done twice in a year, 19% of the employees told quarterly and 15% of the employees told their organization is conducted performance appraisal once in a year.

Table 3: Employee's preference for evaluators

Evaluator	No. of respondents	Percentage (%)
Immediate supervisor	26	64
Employees themselves	3	7
Subordinate	2	5
If any other	10	24
Total	41	100

Source: Own survey, 2016

Table 3 shows that immediate supervisor rating approach has a high rate in the study area about 64% of 41 employees the next high preference is under if any title it is about 24% of 41 employees. These employees provide comment that evaluation should be made not only by immediate supervisor or rather it is better to be made in a combination of different rating approach, other 7% of sampled employees preferred evaluation should be made by employees themselves, the rest 5% prefer subordinate ratings approach.

Table 4 : Employees informed about their duties at the beginning

Option	No. of respondents	Percentage (%)
Strongly agree	9	22
Agree	12	28
Disagree	10	25
Strongly disagree	10	25
Total	41	100

Source: Own survey, 2016



According to the employees responses 22% of them strongly agree, to 28% of them agree none of them neutral, 25% of them disagree, 25% of them strongly disagree that they are informed their duties at the beginning before evaluation.

Table 5: Appropriateness of weightage in the performance appraisal form

Weight assigned adequate	No of respondents	Percentage (%)
Strongly agree	11	24%
Agree	7	18%
Neutral	2	8%
Disagree	12	26%
Strongly disagree	11	24%
Total	41	100%

Source: Own survey, 2016

According to the employees responses 24% of them strongly disagree, 18% of the respondents agree, 8% of them neutral, 26% of them disagree 24% of the strongly disagree concerning to the appropriateness of the weight assigned to evaluation criteria.

Table 6: Purpose of evaluation from employee perception

Description	No of respondents	Percentage (%)
Salary	12	29
Bonus	12	29
Promotion	11	27
Educational opportunity	2	5
Training and development Programme	3	7
Others	1	3
Total	41	100

Source: Own survey, 2016

The above table shows employees perception regarding the purpose of evaluation. 29% of the respondents told salary and bonus, 27% of the respondents told performance evaluation method helps during promotion, 7% for training and development, 5% for educational opportunity and 3% for others respectively.

Conclusion

In general performance appraisal can be considered as one of the cornerstone of development for economic organization and for the wellbeing of its employees. It was clearly indicated that, it is one of the most challenging functions that the managers are facing. This turns around the performance of employees for better in modern western world, hence it is appropriately implemented it will create, a better condition both for the employees and the banks. Never the less it was also stated that the Ethiopia condition is very far from the condition noted in developed counties. Banks have their own policies and procedures regarding performance appraisal. Employees know what is expected from them through written job description given at the time of recruitment. Even if it lacks define target and standard of performance. They are using immediate supervisor rating approach, which is commonly used and accepted in the standard procedure. When it comes to implementation it is by far from scientific procedure. The result of performance appraisal is not a base for getting different kinds of benefits in the banks. For most cases the result of performance appraisal ends in file. Employees should know about the performance appraisal method transparently.

Recommendations

- First of all employees should understand their role from their organization chart.
- Awareness, about the importance of appraisal must be raised starting from the top level management to lower level. They have to know the advantage of performance appraisal both for employees and organization as a whole.
- Employee participation helps in gathering valuable idea and also increases acceptance of appraisal. It also makes evaluating process easy at later stage.
- The evaluation criteria should be revised in order to include important measures that are relevant to the specific job. As much as possible it should be specific to each job.
- Employees must be aware of the purpose for which appraisal reuses are used. The process of evaluation must be transparent to each employee.



- Post assessment interview must be conducted for all employees at the end of appraisal period. This will help to reduce perception of bias and justified the results given by the evaluators.
- There should be a good grievance handling procedure.
- Performance appraisal should be the base for getting different kind of benefit in the organization.
- Finally, I would like to recommend is that performance evaluation should be done contextually. As system which is excellent for one bank, may not give the same result in other banks. Therefore, manager should take into consideration the context of their bank when they choose the evaluation system.

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