

# A Study of Performance Appraisal Practice in Banking Sector: A Case Study of HDFC Bank

Puja Kumari<sup>1</sup>, Dr. G. P. Trivedi<sup>2</sup>

<sup>1</sup>Research Scholar, <sup>2</sup>Ex-Head & Dean,

<sup>1,2</sup>Department of Commerce & Business Management, Ranchi University, Ranchi, Jharkhand, India

## ABSTRACT

An organization's performance is affected by performance appraisal. Employee satisfaction and work performance are improved by performance appraisals. An employee's performance appraisal analyzes their recent successes and failures, their strengths and weaknesses, and their suitability for promotion and further training. A supervisory-employee relationship is also strengthened and organizational values are reinforced. To achieve true results, all organizations need performance appraisals and different performance measurement systems. This is a purely empirical and descriptive study. Primary data analysis is used in this paper. A well-structured and framed questionnaire was used to collect primary data. The questionnaire was distributed to 110 participants, but 100 of them completed it. This study was conducted at HDFC Bank using a simple random sampling technique. In order to analyze the data, SPSS and Microsoft Excel have been used. The three points of the scale indicated in the questionnaire are- 1. Disagree 2. Neutral and 3. Agree. An analysis of statistical data shows that performance appraisals at HDFC Bank are associated with employee performance outcomes. Results of the study indicate that employee performance is a major factor in performance appraisals.

**KEYWORDS:** *Performance appraisal, HDFC Bank, appraisal practice, employee performance and organization's performance*

## INTRODUCTION

One of the most important human resource (HR) practices in organizations is performance appraisal, which is used by supervisors to assess the performance of subordinates. Organizations use appraisal ratings for pay and promotion decisions, training and development needs and motivation. Annual performance appraisals are usually conducted.. In order to manage and evaluate staff effectively, performance appraisals are essential. Through appraisals, management can monitor and control standards, set goals and expectations, and delegate tasks and responsibilities. The purpose of employee performance appraisals is not only to determine individual training needs, but also to analyze and plan the training needs of the organization.. Regardless of how well an organization does, its employees are the key to its success. In any organization, employees play a significant role since they are the heart of the enterprise . Including banks in India, employee performance appraisals are an

essential part of every organization. . There is a need to study the effectiveness of performance appraisal in private sector banks. This paper examines the effectiveness of performance appraisal practice in HDFC Bank.

### About HDFC Bank

- Incorporated: August 1994
- Headquartered: Mumbai (Maharashtra, India).
- Owner: Housing Development Finance Corporation (25.7%)
- Number of employees: 1,97,899 (September 30, 2023)
- Total assets: US\$280 billion (2022)
- Subsidiaries: HDFC Securities and HDB Financial Services
- HDFC Bank is an Indian private sector banking and financial service company,

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- 7th largest bank in the world by market capitalization i.e., \$ 155,988 (Dec 31, 2023)
- Largest private sector bank by assets in India.
- On the Indian stock exchanges, It is the third largest company by market capitalization of \$165.97 billion (2023)
- The company ranks fifteenth on the list of India's largest employers (2023).

### Review of literature

1. A study shows that employee productivity was positively impacted by the performance appraisal, but employee motivation was not significantly affected. In terms of employee motivation, the performance appraisal criteria had a positive effect, but had no significant effect on employee productivity. Furthermore, employee motivation was found to be beneficial to employee productivity.
2. It is clear from the study's findings that employees have a positive view of performance appraisals. In State Bank of India, performance appraisals are associated with employee performance outcomes. In addition, respondents believe performance appraisal results have a significant impact on employee performance
3. According to the findings, employee acceptance of performance appraisal is positively correlated with the development of performance appraisal, employee participation in the setting of performance standards, relationship quality with supervisors, and employee perception of empowerment.
4. Findings revealed that Employee job performance is directly impacted by the performance appraisal system in Indian service organizations and the impact is moderated by motivation of Employee.
5. This study concluded that it is still necessary to develop a universal performance appraisal system. It is common for employees to be evaluated on their performance, but it is rarely communicated to them. It is essential that organizations use performance appraisals to identify training needs and to promote employees. The other result shows that most banks fail to reward employees for their performance, which results in low employee morale and a decrease in efficiency and profitability
6. In performance appraisals, past behavior is reviewed and a chance is provided to reflect on past performance. To ensure success, however, they should also be used to decide what steps should be taken to enhance the bank's effectiveness and effectiveness going forward.
7. Findings revealed that the performance appraisal system in the private sector is perceived by employees as more fair and satisfying than the performance appraisal system in the public sector.
8. According to the findings, PNB and SBI both have a significant relationship between training and development programs and employee performance.
9. As science and technology progress, new devices and methods are introduced into processes and products, such as in public sector banks. Also, find out to motivate employees and improve their performance with a new system of performance appraisals.
10. Findings revealed that employees performed better on the job after receiving training. Furthermore, performance appraisal reviews showed that feedback reports can improve employee performance when effectively used.
11. Age, education qualification, designation, income level, and method of performance appraisal are among the factors that affect the opinion of public sector banks regarding performance appraisal systems. The fact that performance appraisals are regularly carried out by responsible managers or supervisors and that they benefit the whole organization has influenced the opinion about performance appraisal systems.
12. A bank branch environment in which customer service delivery steps are evaluated is the main aim of the presented study. The results also enable estimation of the contribution of the monitored performance indicators to overall branch efficiency and the identification of possible improvements.
13. Performance appraisal systems, career planning systems, and employee participation are significant factors influencing employee job commitment and that employees in the Nigerian banking sector do not have a high level of organizational commitment. As a result of the study, organizations should make conscious efforts to manage performance appraisal, career planning, and employee participation strategically so that employees are genuinely dedicated to their jobs, ensuring that they are implemented effectively and deliver the desired results.
14. The study is to understand how public and private sector bank employees feel about performance appraisal systems and criteria. According to the

performance appraisal criteria, there are no significant differences between ING Vysya and Punjab National Bank's mean scores.

The problem of research paper is to examine HDFC Bank's performance appraisal system in order to determine whether it is effective or not. Furthermore, how performance appraisals promote job employee qualities, salary increments and training & development.

### Research Methodology

This is a purely empirical and descriptive study. Primary data analysis is used in this paper. A well-structured and framed questionnaire was used to collect primary data. The questionnaire was distributed to 110 participants, but 100 of them completed it. This study was conducted at HDFC

Bank of Ranchi district using a simple random sampling technique. In order to analyze the data, SPSS and Microsoft Excel have been used. The five points of the scale indicated in the questionnaire are - 1. Disagree 2. Neutral and 3. Agree. An analysis of statistical data shows that performance appraisals at HDFC Bank are associated with employee performance outcomes.

### Objective of the Study

- To study the performance appraisal in HDFC bank.
- To know the perception of the officers about appraisal system helps in Identifying training needs.
- To know the perception of the officers about kinds of appraisal Preferred.

### Finding of the Study

Reliability statistics

		N	%
Cases	Valid	94.5	94.5
	Excluded <sup>a</sup>	5.5	5.5
	Total	100	100.0

Reliability test measure used by SPSS software

**Table: 1 Reliability statistics**

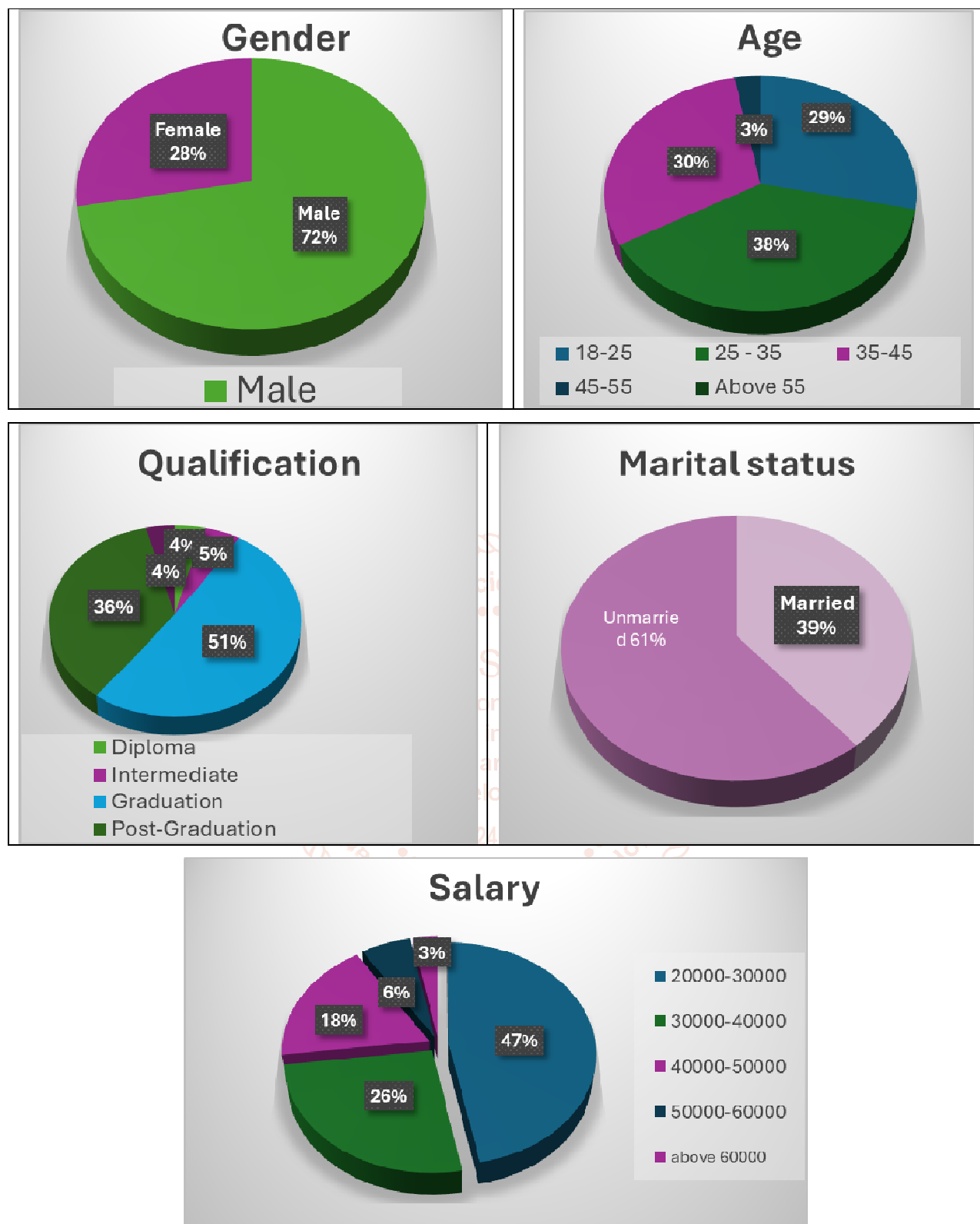
Cronbach's Alpha	No. of items
.708	13

**Reliability Analysis:** Reliability test was carried out by using SPSS software and the reliability test measure given above. Cronbach's alpha: 0.708, it's highly reliable, therefore, all questions were considered reliable.

### Demographic Profile:

**Table 2: Demographic profiles of the respondents (Source: Primary data)**

Demographic profile		Frequency	Percentage
<b>Gender</b>	Male	72	72
	Female	28	28
<b>Age</b>	18-25	29	29
	25 – 35	37	37
	35-45	31	31
	45-55	3	3
	Above 55	-	-
<b>Qualification</b>	Diploma	4	4
	Intermediate	5	5
	Graduation	51	51
	Post-Graduation	36	36
	Above Post- Graduation	4	4
<b>Marital status</b>	Married	39	39
	Unmarried	61	61
<b>Salary</b>	20000-30000	47	47
	30000-40000	26	26
	40000-50000	18	18
	50000-60000	6	6
	Above 60,000	3	3



Based on the demographic information, males who are unmarried were more interested in participating. There are a majority of graduates who worked in finance or administration departments.

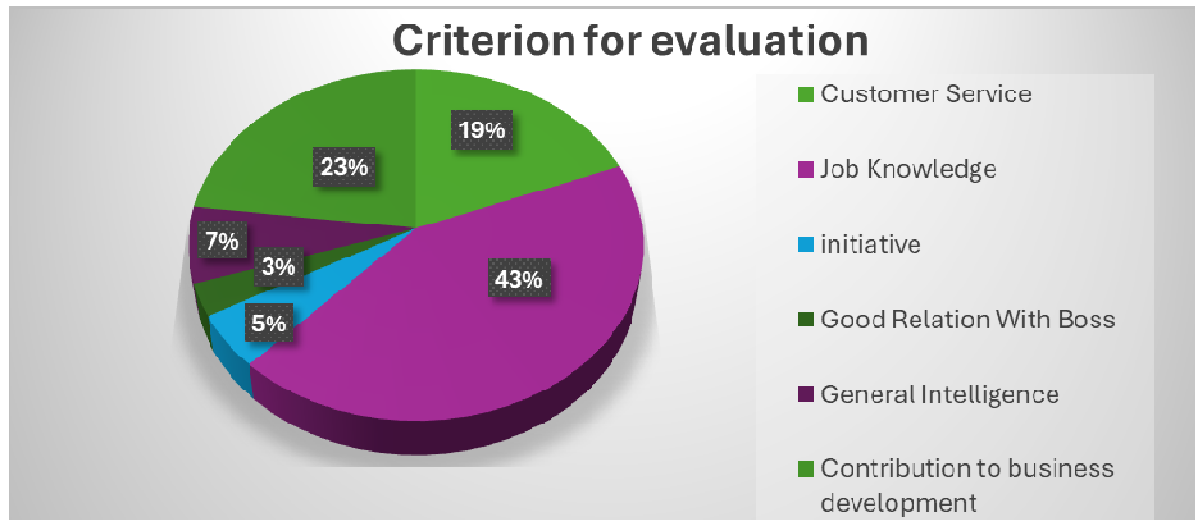
### Analysis and Discussion

Basis of evaluation of performance is very interesting question and respondents were asked to rank in term of their preference out of some. The questionnaire covers parameters like job knowledge, customer service, good relationship with boss, general intelligence, contribution to business growth and initiative. The data is analyzed to understand the perception of respondents.

**Table 3: Basis of evaluation of performance in HDFC Bank**

Code	Criterion for evaluation	Frequency
1	Customer Service	19
2	Job Knowledge	43
3	Initiative	5
4	Good Relation With Boss	3
5	General Intelligence	7
6	Contribution to business development	23

Source: Authors' Questionnaire



The above table and chart shows that most of the respondents in HDFC Bank stated that job knowledge is basis criterion used for appraisal. On second place and third place are contribution to business development performance and customer service respectively. Good relationship with Boss has been ranked last.

### Conclusion

Performance of the employees determines the success of any organization. In order to achieve the organization's goals, a performance appraisal must be developed and implemented properly. The performance appraisal system plays a very important role in the success of any organization because directly or indirectly it affects the performance of the organization. Every organization has a need for performance appraisals, and it is crucial to establish different performance measurement systems in an appropriate way to achieve true results. A study was conducted to evaluate the effectiveness of performance appraisal in the banking sector. This study involved a survey analysis conducted among HDFC Bank's employees. Based on descriptive analysis, it can be concluded that, if the performance appraisal policy is perceived as objective and fair, it can be an effective tool for improving employee performance. Results of the study indicate that employee performance is a major factor in performance appraisals. Employee performance appraisal is an important tool used by companies to measure employee performance and to provide employees with a better way to express their development needs. According to this observation was also confirmed. If the performance appraisal

system is good than the employees will contribute their maximum for the achievement of the organizational objectives.

### Limitations

- The study is confined to HDFC bank only.
- The study is restricted to the Ranchi city only.
- Employee's feedback cannot be 100% accurate & reliable.

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