



## **PERFORMANCE MANAGEMENT SYSTEM IN BANKS OF INDIA**

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### **ABSTRACT**

*Performance measurement is the most important activity of a management's control function. Performance measurement can be done in a systematic way for the entire organization and it might be done temporarily or for a particular purpose. Each organization has its own distinctive reasons to do performance measurement. This paper is an attempt to do the empirical evaluation of performance appraisal by applying some of the strands of critical thinking to performance appraisal practices and discourses. The banks can handle more responsibility, if it identifies its key performers there's an opportunity for the organization to become more efficient. So banks can use performance management tools to see where someone's strengths lie so that when conditions turn around in the market, they'll be able to respond more rapidly.*

**Keywords:** *performance management system, banking sector, performers.*

### **INTRODUCTION**

Managing employee performance is the bigger challenge that the managers face today. Bringing out the best from each and every employee is the ultimate goal of human resource management. Performance of employees in banking sector, one of the core sectors in Indian economy, not only contributes for economic development but for better and evaluating service to its customer. This paper studies the opinion of employee towards their existing PMS, analyzing its strength and weakness and the ways for impressing the existing system.

Performance management system is tool to measure and improve the performance of employees and organization. Measuring employee performance provides a plan to identify the competency and skill set of existing employees. Performance management system is the systematic approach of setting mission and vision, equipping and guiding employees to

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achieve the same. Before measuring the performance each and every one has a set of goals to perform in the working environment. Performance management system is the systematic approach and a platform to achieve employee goals, in turn achieving organization goal.

There are some characteristics of performance management due to which an organization achieve its objectives.

- Performance management system should be designed and implemented in such a way that the purpose of alignment of unit goals with organizational goals is achieved.
- It means system should be complete and through regarding following dimensions. It should evaluate all employees including managers. It should evaluate all job responsibilities and the performance management system should be detailed and for whole review duration. Feedback must be provided for improvement purpose.
- System always should be least expensive, less complicated and less time consuming otherwise it will not give better and fair results. This type of system gives more benefits to those who take decision on the basis of information obtained from this system. Performance management system provides the benefits of performance enhancement, job satisfaction and motivation so its results productivity, output and profits should be positive.
- Performance management system should be understandable it should meet the standard of system while implementing it. Evaluation during implementation should be relevant and specific. Evaluation should not be on annual base .Quarterly base evaluation in system provide more productive results.
- It means system should provide brief but complete information about performance evaluation and measurement. It should provide complete guidance about the expectations of managers from employees.
- It means system should be designed and implemented in such a way that it should point out weaknesses of system. In this way proper results can be obtained. In proper designed system, the evaluation is on the basis of rank and level of performance. 4.1 Reliability: System should contain tools that derive consistent results. Tools that are used for performance measurement and evaluation should provide error free results.
- Performance management system should be acceptable and fair by all. If there is any error between work and evaluation then it is assumed that system is not fair and its results are not authentic and reliable.

After the financial crisis that began in 2008, banks are taking steps to improve their performance measurement capabilities in light of changed economic and market conditions and new management needs. For example, new regulatory strictures are affecting the underlying economics of such businesses as payment-card issuing and processing. Capital requirements are increasing for most banking businesses. New channels like mobile phones are becoming more important. Revenue growth continues to be difficult to achieve due to weak economic conditions, low interest rates and regulatory restrictions. Banks are trying to manage costs better, deepen relationships with customers and enhance product mix and pricing decisions. These and other factors are causing banks to re-examine and improve the ways in which they measure and report business performance.

### **OBJECTIVES OF THE STUDY:**

The main objectives of this study are:

- To highlight the importance, role and characteristics of performance management in the banking sector
- To study scope and effectiveness of performance management system in Indian Banking sector.
- To describe the performance management system and its impact on the employees performance

### **RESEARCH METHODOLOGY:**

The present paper is based on secondary information obtained from various newspapers and magazines and journals to discover the weaknesses of current performance management system in an organization that hinders the proper implementation of this system.

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Banking services is one sector where a great degree of attention is being paid to Performance Appraisal Systems. Several of the public sector banks (PSBs) have changed their PMS or are in the process of changing them. State Bank of India has recently adopted an open system of appraisal. Its associate banks are likely to follow the same after detailed experiences of State Bank of India are available. Several banks also have self-appraisal as a part of performance appraisal, although mostly such self-appraisal is more of communication of achievements. Looking into this, Allahabad Bank has introduced a system that aims in helping officers to



identify their strengths and weaknesses and encourage improvement of performance on the job. Indian Overseas Bank has a system in which a branch manager gives a self-appraisal on business growth, customer service, internal administration and training requirements in great detail. Union Bank of India has an appraisal system in which the reporting officer is required to assess each of his appraisee officers on technical skills, human skills and conceptual skills. All these are defined for different categories of roles and the assessment has to be made on a five-point scale. Corporation Bank, UCO Bank, Central Bank of India, Dena Bank and Bank of Baroda has introduced similar self-appraisal formats. Punjab National Bank has, primarily, a development-oriented appraisal form. There are ten different formats available for ten different categories of employees. The bank started the system with a self-appraisal by the appraisee. Studies of the operating system of the successful organizations, in general, reveal that a good PMS is the corner stone to navigate an organization successfully in this globalize era.

State Bank of India — the country’s largest lender — is introducing a performance management system for its 1.70 lakh employees to build individual accountability. “For the first time in SBI, every employee (officers and clerks) can view their monthly performance against assigned targets. There is data driven and meaningful differentiation based on performance and it lays the foundation for a deep meritocratic culture,” according to a statement from the SBI. The total employee strength of SBI is over 2.13 lakh..

While the bank said every employee will be groomed to get a unique mix of all-round banking exposure and expertise in an area of his or her choice, officers will have the flexibility to opt for and build expertise in their areas of interest like credit, information technology and treasury..

The bank is also leveraging the social networking platform Facebook to encourage peer-to-peer interaction and help build new relationships with the SBI community from the first day of the employee joining the bank. “A Facebook group of around 1,500 new recruits from PO batch of 2015 is already active since December 2015,” according to the statement. The government’s public sector bank reform initiative - Indradanush — which was unveiled by the finance ministry in August last year, had included skill development and talent management to measure the performance of public sector banks. They are called key performance indicators or KPI. The ministry said human resource management would have five per cent weightage in KPI.

#### **CONCLUSION:**

Performance appraisal is an integral part of every organization. Properly developed and implemented performance appraisal can help an organization achieve its goals by developing

productive employees. Managers of the sample branches should follow the fairness policy while appraising the performance of their subordinates. While there are many types of performance appraisal systems, each having its advantages and disadvantages, the researcher offers some suggestions: Evaluate employees on behaviorally desired measures, use multiple raters, include peer assessments and self –assessments, reward accurate appraisers, and, above all, communicate the results of the evaluation to the employee along with the suggestions so that the poor performer can develop his/her performance.

The main implication of this research is that the management should involve manager appraisees & appraisers and non-managerial staff in overall performance planning and review processes. The survey results of both manager appraisers & appraisees including non-managerial staff feel that PMS should have an important role and accomplish a number of objectives vital to the organizational effectiveness. The research also shows that performance management system is an important tool in the management of human resources, which facilitates overall organizational effectiveness by defining performance tasks and goals, by providing avenues for the quality of informal and formal feedback, appraisal participation and grievance redressal mechanism, by setting clear performance standards and distributing rewards and other personnel and developmental decisions fairly and equitably with respect to the status of employees regarding their promotion, transfer, career planning, employee training and developmental needs, salary increases , termination or demotion. Therefore, PMS should be a key link in overall human resource management climate, strategy and its policies.

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