

# Employee Reactions to Performance Appraisal System in Indian Banks

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*The present study assesses and compares the level of Performance Appraisal (PA) reactions among managers of public sector, private sector and foreign banks operating in India. The PA reactions were measured with respect to outcomes in terms of performance improvement and employee development; fairness of PA rating; accuracy of PA rating; providing feedback; explaining rating decisions; and overall satisfaction with appraisal system. The findings suggest that although all the seven dimensions of PA reactions were found at moderate level in the three banking sectors providing feedback and explaining rating decisions were found at significantly higher levels in foreign banks operating in India as compared to public sector and private sector banks.*

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## Introduction

Performance appraisal system (PAS) has been a key organizational process for the management and the development of personnel (Lee, 1985; Eberhardt & Pooyan, 1988; Baruch & Harel, 1993; Fletcher, 2001; Tizner et al., 2001; Levy & Williams, 2004; Ferris et al., 2008). Fletcher (2001) defines performance appraisal (PA) more broadly as “activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards”. Performance appraisals are considered to be the most essential element in creating a positive work environment and involve a range of attributes such as reward, communication, feedback, employee reactions, equity and fairness, trust and acceptance, attitudes towards conflict, and social context (Brown & Heywood, 2005; Elenkov, 1998; Erdogan et al., 2001; Fulk et al., 1985; Lawler, 2003; Levy & Williams, 2004). Keeping & Levy (2000) argued that it is necessary to address employees’ reactions toward their performance appraisal for many reasons, including (a) the notion that reactions represent a criterion of great interest to practitioners

**Employees must experience positive appraisal reactions to important aspects of the appraisal process.**

and (b) the fact that reactions have been theoretically linked to determinants of appraisal acceptance and success but have been relatively ignored in research. Earlier researchers have claimed that in order for performance appraisal to positively influence employee behavior and future development, employees must experience positive appraisal reactions to important aspects of the appraisal process (Bernardin & Beatty, 1984; Cardy & Dobbins, 1994; Kuvaas, 2006; Murphy & Cleveland, 1995). Appraisal reactions such as satisfaction, acceptability, and motivation to use feedback, are cited as an important trend in the appraisal research during the past ten years (Levy & Williams, 2004).

The domino effect of Liberalization-Privatization-Globalization and the advances in information and communication technology have major HR implications for Indian banking sector as well. This scenario has forced the banking industry in India, which is largely in public sector, to compete with not only the indigenous private banks but also with the foreign banks operating in India. Simultaneously, it is not an easy ride for private sector and foreign banks to challenge the prima donna status of public sector banks in India. How well these challenges are met will mainly depend on the extent to which banks leverage their human resources in the context of chang-

ing economic and business environment. Erdogan (2002) suggested that performance appraisal can make important contribution to effective human resource management, and eventually organizational performance. Employee performance has, therefore, been identified as a crucial determinant of success in the banking sector and hence there is a growing interest in the effective management of employee performance. A number of observations have been made in earlier research (e.g., Shrivastava & Purang, 2012; 2011; Juneja, Shankar & Bhattacharya, 2007; Priyadarshini & Venkatapathy, 2003, etc.) as regards the performance appraisal practice in the banking industry, but there is dearth of studies which addressed assessment and comparison of PA reactions among public and private sector banks and also foreign banks operating in India. The present study has been an endeavor to address this research gap.

### **Review of Literature**

Extant literature has shown that there is a critical link between satisfaction with appraisal processes and appraisal effectiveness (Bernardin & Beatty, 1984; Dobbins, Cardy & Platz-Vieno, 1990). Dipboye & de Pontbriand (1981) showed that employees were more satisfied and had greater acceptance of PA when employee development and performance improvement were emphasized in it. Jain & Kamble (2005) pointed out that the effectiveness of performance appraisal system is based on the extent to which the system is HRD oriented. Well structured appraisals should directly

relate to noted improvements in any weak areas (Broadly-Preston & Steel, 2002). The benefits of an effective appraisal scheme lie in the fact that it leads to improved performance throughout the organizations (Fisher, 1996). Studies on employee's reactions to appraisals and feedback (e.g., Taylor, Masterson, Renard, & Tracy, 1998) suggested the outcome of appraisal in improving employee performance. The perceptions of fairness influence the way people think, feel, and act on the job (Bies & Shapiro, 1987), thereby influencing positive affective reactions like performance appraisal satisfaction (Thurston, 2001; Cook & Crossman, 2004). Feedback from the performance review should be used as a basis for development and improvement. Research has shown that effective feedback does improve employee performance (Latting, 1992). Further, if participants do not perceive the system to be fair, the feedback to be accurate, or sources to be credible, then they are more likely to ignore and not use the feedback they receive (Faction et al., 1998). In an empirical study of 163 BPO employees, Monis & Shreedhara (2010) found that objectivity in the appraisals, accuracy of the previous appraisals and viewing appraisals as a motivating tool have emerged as the significant variables and all these three variables are positively associated with the satisfaction of the respondents towards the performance appraisal system. Employees demonstrate higher level of commitment when they perceive that performance appraisal is associated with employee development (Lee & Bruvold, 2003). In their recent review of PA research, Levy & Williams (2004) called for

**An appraisal system will be ineffective if ratees (and raters) do not see it as fair, useful, valid, accurate, etc.**

more field research on the relationship between PA reactions and employee attitudes and behavior. They claimed that an appraisal system will be ineffective if ratees (and raters) do not see it as fair, useful, valid, accurate, etc. If ratees are dissatisfied or perceive a system as unfair, they will be less likely to use evaluations as feedback to improve their performance (Ilgen, Fisher & Taylor, 1979). Jawahar (2006) investigated the potential predictors and consequences of satisfaction with performance appraisal feedback and found that satisfaction with rater and previous performance ratings influence employees' satisfaction with performance appraisal feedback. Shrivastava & Purang (2012) found that older employees have performance expectations that are well set, better clarified, have greater confidence in their raters and feel they are provided more feedback, rating decision are explained in a fair manner and are treated in a respectable way whereas in the case of private sector bank employees, as age increases they do not feel their expectations are well set and clarified. Measuring appraisal effectiveness involves, among other things, assessing perceptions of or actual rater errors and biases, rating accuracy and reactions of raters and ratees about the PA system in place (Keeping & Levy, 2000). They further claimed that satisfaction with performance appraisal is the most frequently measured appraisal reaction.

## **The Study**

Based on the review of extant literature, the present study assesses employee reactions to Performance Appraisal System (PAS), with respect to: a) outcomes in terms of performance improvement and employee development; b) fairness of PA rating; c) accuracy of PA rating; d) providing feedback; e) explaining rating decisions; and f) overall satisfaction with appraisal system. Therefore, the main objectives of the study are: first, to measure the levels of employee's reactions to performance appraisal system, and second, to make a comparison between the levels of PA reactions of managers belonging to public sector, private sector and foreign banks operating in India. The field survey for the study was carried out through a period of six months from April to September 2013.

## **The Sample & Data Collection**

The study was carried out with a sample survey of 318 managers belonging to public sector, private sector and foreign banks operating in India. For the purpose, State Bank of India (SBI), Bank of India (BOI), ICICI Bank, HDFC Bank, Axis Bank, Yes Bank, Standard Chartered Bank, and Hongkong & Shanghai Banking Corporation (HSBC) have been selected. The first two banks represent Indian public sector banks, next four banks represent Indian private sector banks and remaining two banks represent foreign banks operating in India. The selection of branches/ administrative offices for the survey was based on convenience sampling. For the purpose, three cities, viz.,

Bhopal, Indore and Ujjain from the state of Madhya Pradesh have been selected. The three levels of bank managers, viz., senior managers, middle-level managers, and junior managers working in various administrative offices as well as branches of the chosen banks were selected for the purpose of the survey. Out of the 318 participant managers, one hundred and thirty six (42.7%) were from public sector banks, one hundred and twenty five (39.3%) were from private sector banks and fifty seven (18%) from foreign banks operating in India. The sample included 12.3% senior level managers, 36.8% middle level managers and 50.9% junior level managers. The coverage of sectors and managers are presented in Table 1.

Respondents of the survey represented different age groups, educational and professional qualifications and experience levels. The average age of the members of the final sample was 35 years and these respondents had total experience for an average of 11 years. Seventy-five percent of the selected managers were male and twenty five percent were female managers. Eighty one percent of managers were married and nineteen percent were unmarried. Thirty two percent of the respondents in the final sample indicated a graduate degree, majority of them (sixty six percent) were holding a post graduate degree and two percent were having a doctoral degree. Out of the total respondents, around sixty five percent were holding some or other professional degree which includes, thirty eight percent MBA, three percent CA/CS/ ICWA, five percent engineers, nineteen percent other qualifica-

**Table 1 Sector-wise and Level-wise Distribution of Managers in the Sample Survey**

Managerial Levels Covered in the Sample Survey	Public Sector (N=136)		Private Sector (N=125)		Foreign Banks(N=57)		Total(N=318)	
	No.	Sampling % Corresponding to the No. of public sector managers in the Sample	No.	Sampling % Corresponding to the No. of public sector managers in the Sample	No.	Sampling % Corresponding to the No. of public sector managers in the Sample	No.	Sampling % Corresponding to the No. of public sector managers in the Sample
Senior Level Managers	22	16.2	10	8	7	12.3	39	12.3
Middle Level Managers	55	40.4	40	32	22	38.6	117	36.8
Junior Level Managers	59	43.4	75	60	28	49.1	162	50.9
Total	136	100	125	100	57	100	318	100
Sampling Percentage Corresponding to Total Number in the Sample		42.7		39.3		18.0		100

tions such as law, CAIIB, etc. The demographic characteristics of the respondents are given in Table 2.

A five-point Likert scale has been administered to three hundred and eighteen managers of the selected banks for the purpose of collecting primary data. The scale consists of nine items that measure employee reactions to PA system and has been developed by the researchers specifically for the purpose of this study. The reliability coefficient, that is, Cronbach's alpha ( $\alpha$ ) score was found to be 0.91 which indicates the overall reliability of the scale. Statistical tools such as mean, standard deviation, correlation analysis, t- test and ANOVA test have been used for the purpose of analysis and inference.

**Key Variables**

*Performance Improvement* indicates improvement in an employee's job performance. *Employee Development* refers to employee competence development in terms of development of knowledge, skills and attitudes to enable him/ her for performing better not only in existing job but also for future tasks and assignments. *Fairness in PA Rating*: When the rating provided after the completion of PA process is devoid of any bias and subjectivity, it is said to be fair rating. It indicates that the procedure used to evaluate an employee's performance is fair. *Accuracy of PA Rating* indicates that the rating given to employees is actually based on their efforts, abilities and performance during

**Table 2 Demographic Statistics of the Sample**

	No. of Respondents(N=318)	Sampling % Corresponding to Total Number in the Sample
City		
Bhopal	114	36
Indore	125	39
Ujjain	79	25
Gender		
Male	237	75
Female	81	25
Marital Status		
Married	256	81
Unmarried	62	19
Highest Qualification		
Doctoral	7	2
Post-Graduate	209	66
Graduate	102	32
Professional Qualification		
MBA or Equivalent	121	38
CA/ CS/ ICWA*	11	3
Engineering/ Technical	14	5
Others	61	19
No Professional Qualification	111	35
Age Group		
< = 30 years	144	45
31 - 40 years	93	30
41 – 50 years	39	12
51 – 60 years	42	13
Experience as a Bank employee		
< = 03 years	84	26
04 - 10 years	135	42
11 – 20 years	34	11
21 – 30 years	40	13
31 – 40 years	25	8

Source: Authors' research work

Note: \*CA: Member of Institute of Chartered Accountants of India; CS: Member of Institute of Company Secretaries of India; ICWA: Member of Institute of Cost and Works Accountants of India

the appraisal period rather than any bias, favoritism or rating error (such as halo effect, central tendency error, recent-incident effect, leniency or strictness effect, etc.). It also indicates that an employee's performance rating is based on some pre-set standards of performance. *Providing Feedback* refers to providing information

about the level of achievement in relation to pre-defined performance standards and behavior of employees during the performance period and to prescribe the ways for taking appropriate actions in the future. Such information helps to review past performance of employees, rectifying performance deficiencies and to set new stan-

dards of work, if required. *Explaining Rating Decisions* refers to clear communication and justification of rating decisions made as a result of PA process. It involves open discussions between the appraiser and employee about the reasons of positive or negative deviations from the pre-set objectives. *Overall Satisfaction with PA system* indicates overall satisfaction with performance appraisal system being practiced and includes its factors viz., policy, design, development, implementation and use of appraisal outcomes.

**Data Analysis & Findings**

The following findings (based on the analysis of data given in Tables 3 -7) have emerged.

1. The seven dimensions of performance appraisal system that have been assessed are: Performance Improvement, Employee Development, Fairness in PA Rating, Accuracy of PA Rating, Providing Feedback, Explaining Rating Decisions and Overall Satisfaction with PA system. All these factors have been found at moderate levels across the banking sectors. This indicates that managers agree to a moderate extent on the above aspects of PA system implementation and its outcomes in the selected banks (Table 3).
2. Analysis through Karl Pearson’s coefficient of correlation (r) indicates that a high degree of positive correla-

**Table 3 Assessment of Performance Appraisal Reactions of Managers of Selected Banks Operating in India**

Reactions to Performance Appraisal (PA) System	Mean(N = 318)	SD	Level of PA Reaction
Performance Improvement	3.95	.737	Moderate
Employee Development	3.89	.777	Moderate
Fairness in PA Rating	3.77	.947	Moderate
Accuracy of PA Rating	3.72	.941	Moderate
Providing Feedback	3.75	.870	Moderate
Explaining Rating Decisions	3.65	.966	Moderate
Overall Satisfaction with PA system	3.67	.979	Moderate

Note: Standards for analysis: If mean value of the specific PAS reaction is above 4.0, it has been regarded as ‘High’; if the mean value is between 3 and 4, it has been considered as ‘Moderate’; and, if the mean value is less than 3, it has been regarded as ‘Low’.

tion exists between all the study variables viz., Performance Improvement, Employee Development, Fairness in PA Rating, Accuracy of PA Rating, Providing Feedback, Explaining Rating Decisions and Overall Satisfaction with PA system. It means that all the variables of performance appraisal

**All the variables of performance appraisal reactions are positively and strongly related with one another.**

reactions are positively and strongly related with one another (Table 4).

Table 4 Inter-correlation among the Various Dimensions of Performance Appraisal Reactions in the Selected Banks

	1	2	3	4	5	6	7
	Performance Improvement	Employee Development	Fairness in PA Rating	Accuracy of PA Rating	Providing Feedback	Explaining Rating	Overall Satisfaction with PA system
Performance Improvement	1						
Employee Development	.671**	1					
Fairness in PA Rating	.472**	.602**	1				
Accuracy of PA Rating	.499**	.612**	.743**	1			
Providing Feedback	.409**	.536**	.573**	.644**	1		
Explaining Rating	.400**	.482**	.503**	.522**	.647**	1	
Overall Satisfaction with PA system	.524**	.579**	.609**	.687**	.681**	.597**	1

Notes: (i) \*\*, Correlation is significant at the 0.01 level (2-tailed). (ii) N = 318

Correlation coefficient of 0.5 or even 0.4 is considered to be a fairly high degree of correlation. A correlation coefficient of 0.5 means 25% of the variation and a correlation coefficient of 0.4 means only 16% of variation. In view of these standard interpretations, the researchers considered correlation coefficient of 0.5 or higher as a fairly high degree of correlation and correlation coefficient less than 0.3 as negligible or ignorable degree of correlation.

3. It was found that all the dimensions of Performance Appraisal (PA) reactions viz., Performance Improvement, Employee Development, Fairness in PA Rating, Accuracy of PA Rating, Providing Feedback, Explaining Rating Decisions and Overall Satisfaction have been perceived at moderate levels across both the groups (males and females) that too without any variation at 0.05 level of significance. It indicates that reactions to performance appraisal system in the selected banks are not gender biased (Table 5).

**Reactions to performance appraisal system in the selected banks are not gender biased.**

**Table 5 Comparative Study of Performance Appraisal Reactions of Male & Female Managers in Selected Banks**

(Results of t-test)

Performance Appraisal Reactions	Males(N = 237)		Females(N = 81)		T	Sig.*
	Mean	SD	Mean	SD		
Performance Improvement	3.97	.71	3.88	.79	.969	.333
Employee Development	3.91	.76	3.83	.80	.800	.424
Fairness in PA Rating	3.76	.98	3.81	.83	-.488	.626
Accuracy of PA Rating	3.74	.96	3.64	.86	.863	.389
Providing Feedback	3.73	.90	3.80	.74	-.647	.518
Explaining Rating Decisions	3.65	.98	3.65	.92	-.003	.898
Overall Satisfaction with PA system.	3.68	.97	3.64	1.0	.329	.742

Note: \*Significant at .05 level of significance (Table Value = 1.96)  
Standards for analysis: If mean value of the specific PAS reaction is above 4.0, it has been regarded as 'High'; if the mean value is between 3 and 4, it has been considered as 'Moderate'; and, if the mean value is less than 3, it has been regarded as 'Low'

4. Performance Improvement was perceived at high levels by the managers of public sector banks but the same was perceived at moderate levels by the managers of both private sector as well as foreign banks but such a variation among various sectors was not found significant at 0.05 level of significance. The study variable viz., Employee Development, Fairness in PA Rating, Accuracy of PA Rating and Overall Satisfaction with PA system were perceived at moderate levels among the managers of public sector, private sector and foreign banks and there is no significant variation between the perceptions of managers of the various banking sectors. However, two variables viz., Providing Feedback and Explaining Rating Decisions have been perceived at moderate levels by the managers of the three sectors but with significant variation among various banking sectors at 0.05 level of significance. These variables were comparatively at higher levels in foreign banks as compared to public sector and private sector banks (Table 6).

**Table 6 Comparative Study of Performance Appraisal Reactions of Managers in Public Sector Banks, Private Sector Banks and Foreign Banks operating in India**

(Results of ANOVA)

Performance Appraisal Perceptions	Public Sector Banks(N = 136)		Private Sector Banks(N = 125)		Foreign Banks (N = 57)		F	P(Sig.)
	Mean	SD	Mean	SD	Mean	SD		
Performance Improvement	4.02	.60	3.87	.79	3.94	.86	1.28	.279
Employee Development	3.87	.71	3.90	.82	3.92	.83	.12	.886
Fairness in PA Rating	3.88	.80	3.67	1.0	3.74	1.0	1.54	.215
Accuracy of PA Rating	3.82	.80	3.57	1.0	3.79	.92	2.60	.076
Providing Feedback	3.62	.78	3.78	.90	3.96	.94	3.28	.039*
Explaining Rating Decisions	3.43	.93	3.75	.99	3.98	.85	8.05	.000*
Overall Satisfaction with PA system	3.63	.87	3.59	1.0	3.95	.91	2.81	.061

Note: \*Significant at .05 level of significance (Table Value of F =2.6049)

Standards for analysis: If mean value of the specific PAS perception is above 4.0, it has been regarded as 'High'; if the mean value is between 3 and 4, it has been considered as 'Moderate'; and, if the mean value is less than 3, it has been regarded as 'Low'

5. The study variables viz., Performance Improvement, Employee Development and Accuracy of PA Rating have been perceived at high levels by senior managers and at moderate levels by both junior and middle level managers. While Performance Improvement and Employee Development have been found without any significant variation between the three managerial levels at 0.05 level of significance Accuracy of PA Rating was found with significant variation between the three levels. It was found at comparatively higher level among senior managers. Similarly, the other three variables viz., Fairness in PA Rating, Explaining Rating Decisions, Providing Feedback and Overall Satisfaction with PA system have been perceived at moderate level by all the three managerial levels and without any significant varia-

tion at 0.05 levels of significance. Thus, senior level managers strongly believed that PA system has helped them to improve their job performance, competence development as well as their self development as compared to the middle level and junior level managers. At the same time senior level managers found the PA system in their banks as more accurate than the middle level and junior level managers (Table 7).

### Discussion & Implication

In the present study all the dimensions of employee reactions towards the Performance Appraisal system such as Performance Improvement, Employee Development, Fairness in PA Rating, Accuracy of PA Rating, Providing Feedback, Explaining Rating Decisions and Overall Satisfaction with PA system were

**Table 7 Comparative Study of Performance Appraisal Reactions of Senior, Middle and Junior Level Managers in Selected Banks**

Performance Appraisal Perceptions	(Results of ANOVA)							
	Senior Level (N = 39)		Middle Level (N = 117)		Junior Level (N = 162)		F	P(Sig.)
	Mean	SD	Mean	SD	Mean	SD		
Performance Improvement	4.17	.71	3.92	.73	3.92	.73	1.949	.144
Employee Development	4.13	.71	3.82	.82	3.88	.75	2.296	.102
Fairness in PA Rating	3.89	1.07	3.73	.73	3.77	.93	.405	.667
Accuracy of PA Rating	4.05	.81	3.72	.91	3.64	.97	2.981	.050*
Providing Feedback	3.81	.87	3.74	.88	3.74	.85	.107	.898
Explaining Rating Decisions	3.57	1.01	3.61	.97	3.70	.95	.502	.606
Overall Satisfaction with PA system	3.92	.82	3.55	1.01	3.70	.97	2.211	.111

Note: \*Significant at .05 level of significance (Table Value of F = 2.6049)

Standards for analysis: If mean value of the specific PAS reaction is above 4.0, it has been regarded as 'High'; if the mean value is between 3 and 4, it has been considered as 'Moderate'; and, if the mean value is less than 3, it has been regarded as 'Low'

found at moderate levels. Thus in the Indian banking sector, most of the managers believe that performance appraisal process has helped them to improve their job performance, competence development and their self development. These managers found the PA rating as fair and accurate and timely feedback was provided to them after the PA process. The rating decisions were also clearly explained and overall the managers were satisfied with the present appraisal system being practiced in the Indian banking sector. Substantiating the claim of earlier researchers (Dipboye & de Pontbriand, 1981; Siegal, 1984; Fisher, 1996) regarding Performance Improvement and Development as the key objectives of Performance Appraisal, our study revealed that Performance Improvement (mean value: 3.95) and Employee Self-development (mean value: 3.89) are the key outcomes of Performance Appraisal practice in the banks.

**Performance Improvement and Employee Self-development are the key outcomes of Performance Appraisal practice in the banks.**

This finding is consistent with the survey results of Cleveland et al. (1989) who found that appraisals have the greatest impact on performance feedback and identification of strengths and weaknesses in addition to salary administration. Levy and Williams (2004) argued that effectiveness of PA can be judged by its fairness, accuracy, usefulness, etc. The present study has further validated this argument revealing the effectiveness of appraisal system in Indian banks in terms of favorable employee reactions on fairness and accuracy of appraisals. The mean values indicate that managers were quite satisfied with overall appraisal process which is the most frequently measured appraisal

reaction (Keeping & Levy, 2000) thus, indicating further effectiveness of PA System in Indian banks.

In an empirical study of middle level managers of Indian banks, Shrivastava and Purang (2011) found that employees' perception of fairness of their appraisal system is significantly different between the public sector and private sector banks. Private sector bank employees perceive performance appraisal factors, namely, Setting Performance Expectations, Rater's Confidence, Clarifying Expectations, Providing Feedback, Accuracy of Rating, Seeking Appeals, and Explaining Rating Decisions to be fairer as compared to public sector bank employees. Our study also found that the perceptions of private sector managers were at higher levels as compared to public sector managers in terms of providing feedback and explaining rating decisions. However, the public sector managers found their appraisal system as more accurate than private sector managers. A fresh insight from the present study is the findings as regards the perceptions of managers of foreign banks in India which were not studied so far in earlier researches.

Our study revealed that PA factors such as providing feedback and explaining rating decisions are perceived at significantly higher levels by the managers of foreign banks as compared to those in public sector and private sector banks. The reason for such differences could be attributed to the fact that the performance appraisal process may be inclined more towards learning and development in foreign banks as against its use prima-

rily for administrative purposes in public sector banks. Challenges before Indian banks is to help people feel being treated fairly and satisfied; as a satisfied employee is a pre-requisite for a satisfied customer (Bhatt, 2012). The most astonishing finding in the present study is the comparatively low scores in the case of private sector banks as regards Performance Improvement, Fairness and Accuracy in PA Rating and Satisfaction with PA System. Such revelations may pose an alarming signal for private banks and could be detrimental to their expansive growth plans in the country. A comparatively better score of foreign banks operating in India on Overall Satisfaction of employees with the appraisal system indicates better PA effectiveness in such banks. The effectiveness of any HRD effort like Performance Appraisal system depends to a large extent on how such effort is being perceived by the employees. Furthermore, employees with a positive view of performance appraisal are more likely to embrace the process, be better motivated and improve their performance overall (Lovegrove & Zhang, 2009). The revelations in the present research indicate a moderate level of employee reactions towards performance appraisal, thus pointing to further scope of improvement in performance appraisal as a key HRD practice

**The effectiveness of any HRD effort like Performance Appraisal system depends to a large extent on how such effort is being perceived by the employees.**

in Indian banks. Indian banking is under revision and in such times of change and challenge, it has become imperative for their HR department to effectively manage the performance and development of human resources for the achievement of competitive advantage.

Future research should focus on broadening the study on employee reactions to PA system to embrace a wider population covering more geographic locations within the Indian banking environment and addressing more number of PA reaction variables. Further investigation is also needed on understanding and comparing the design, development and implementation of the appraisal system among public sector, private sector and foreign banks operating in India.

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