

The Impact of Performance Appraisal on Organizational Commitment of Bank Employees

Prof S. P. Singh¹, Shikha Rana²

¹Professor, Faculty of Management Studies, Gurukul Kangri University, Haridwar, Uttarakhand, India

²Research Scholar, Faculty of Management Studies, Gurukul Kangri University, Haridwar, Uttarakhand, India

Abstract: *The present study investigated the impact of performance appraisal on the organizational commitment of 172 bank employees randomly selected from 10 public sector banks of Uttarakhand state in India. The results of the study concluded that performance appraisal has a significant and positive impact on the organizational commitment of employees. The awareness of performance appraisal, fairness in the appraisal & performance based payment practices significantly predicted the organizational commitment of bank employees.*

Keywords: Performance Appraisal, Organizational Commitment

1. Introduction

Performance appraisal is one of the oldest and most ubiquitous practices of management and it includes all the systematic procedures used in organizations to assess the performance of employees (P.C.Tripathi, 2010). Performance evaluation has been considered as an important foundation of human resource development as it is used for taking important decisions like training & development, promotion (Subba Rao, 2009). As it is an important aspect of human resource management many researchers studied this concept from different angles like Whiting, Kline & Sulsky, 2008 studied performance appraisal in context with the perception of fairness, objective of appraisal, rater. Performance appraisal have also been associated to distributive justice as Berrin Erdogan (2002) concluded that distributive justice in performance appraisal has a positive relationship with the perception of accountability. Additionally procedural & interactional justice were found to have a positive relation with appraisal satisfaction and motivation to improve performance (Selvarajan & Cloninger, 2011). Contemporary research studies have also linked performance appraisal to performance of employees as Resella, 2011; Rosemond Boohene, 2011; Liza Daoanis, 2012; Warokka, Gallato & Moorthy 2012 revealed that performance evaluation practices have a significant and positive impact on the performance of employees. Former studies have also reported that performance appraisal is positively related to productivity. Doris Resella Senyah, 2011; Anne Wanjiru Gichuhi, Owili Abaja & Isaac Ochieng 2013 concluded that productivity is significantly and positively affected by performance appraisal's criteria, frequency and feedback system. Performance appraisal has been found to have significant relationship with promotion, rewards, bonus & salary increments (Horsoo,2009; Femi,2013). Further, performance appraisal has been studied in relation to job satisfaction as reported by Monis & Sreedhara, 2010; Karimi, Malik & Hussain, 2011 that performance appraisal positively and significantly predicts the satisfaction of employees.

Several studies have been done linking human resource management practices like recruitment & selection, training

& development, performance appraisal & pay practices etc with organizational commitment. M.G. Shahnawaz & Rakesh C. Juyal (2006) found that performance appraisal is the significant predictor of organizational commitment. It has both administrative as well as individual development inclination and organization's sincerity towards performance appraisal helps in enhancing commitment and trust among employees. Further, Yasemin Bal, Serdar Bozkurt & Esin Ertemsir (2014) revealed that along with various other human resource functions performance appraisal too has a positive & significant relationship with affective & normative commitment. Munir Salleh, Aziz Amin, Shaladin Mudal & Muhammad Abi Sofian Abdul Halim (2013) concluded that perceived fairness of performance appraisal has a positive influence on the employee commitment towards organization through the mediating factor of satisfaction.

In spite of these studies, very few studies have been conducted predicting the impact of performance appraisal on commitment of bank employees. Hence, to bridge this research gap this study was conducted linking performance appraisal with organizational commitment of employees in the banking industry.

2. Research Methodology

The main objective was to examine the impact of performance appraisal on the commitment of bank employees of public sector banks situated in two districts of Uttarakhand.

2.1 Research Design

This study employed the ex-post-facto survey design. This design is suitable for the study as it sought to examine the impact of performance appraisal on the commitment of employees of public sector banks. **Sample and Sampling Technique** A sample of 172 bank employees of scale 1 to scale 4 categories of ten public sector banks was randomly selected from the two districts of Uttarakhand region i.e., Dehradun & Haridwar.

2.2 Instrument

In order to measure performance appraisal a questionnaire was adapted (B.K.Punia, 2009) consisted of 34 items measuring 5 dimensions of performance appraisal namely, awareness of existing performance appraisal, significance of existing performance appraisal, fairness in appraisal, views towards rater & performance based payment practices.

Questionnaire on organizational commitment by Allen & Meyer (1990) was adopted consisted of 16 items measuring 2 dimensions of organizational commitment namely affective commitment & continuance commitment.

5 point Likert scale ranging from 1=strongly disagree to 5=strongly agree was used for the purpose of this study. The internal reliability of the scale was measured by Cronbach's Alpha method. For the whole scale Cronbach's alpha $\alpha = 0.915$

2.3 Data Analysis & Interpretation

The data collected was analyzed using percentages, frequencies, Multiple Regression Analysis. The dependent variable was organizational commitment, while the independent variable was performance appraisal.

3. Results

Table 1 presents the demographic profile of the respondents

Table 1: Demographic profile of the respondents

Demographic Variables		Frequency	Percentage
Gender	Male	99	57.6
	Female	73	42.4
Age	20-30	74	43
	30-40	43	25
	40-50	5	2.9
	50 & Above	50	29.1
Qualification	Graduation	83	48.3
	Post Graduation	31	18.0
	Professional Qualification	58	33.7
Scale Category	Scale 1	62	36
	Scale 2	97	56.4
	Scale 3	8	4.7
	Scale 4	5	2.9
Organization	SBI	58	33.7
	PNB	12	7
	OBC	34	19.8
	Allahabad Bank	15	8.7
	Union Bank of India	12	7
	Canara Bank	3	1.7
	IOB	23	13.4
	Bank of Baroda	3	1.7
	Syndicate Bank	8	4.7
	State Bank of Patiala	4	2.3
Total Experience	0-10yrs	104	60.5
	10-20yrs	11	6.4
	20-30yrs	27	15.7
	30yrs & Above	30	17.4
Experience in present organization	0-5yrs	72	41.9
	5-10yrs	44	25.6
	10-15yrs	6	3.5
	15yrs & Above	50	29.1

Table No.1 indicates that majority of the respondents were male (57.6%), in the age group of 20-40 years (68%), with graduation (48.3%), in the scale category of 2 (56.4%), with a total experience of 1-10 years (60.5%) and 0-5 years of experience (41.9%) in the present organization.

Multiple Regression Analysis

Table 2 presents the results of multiple regression analysis

Table 2: Multiple Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	8.105	4.573		1.773	.078
Awareness	.918	.209	.340	4.388	.000*
Significance	-.142	.173	-.072	-.816	.415
Fairness	.736	.212	.334	3.476	.001*
Views towards rater	.142	.197	.055	.723	.471
Performance based pay	.407	.097	.261	4.191	.000*

*Multiple Regression is significant at the 0.05 level.
 Dependent Variable: Organizational Commitment
 R= .751, R²= .563, Adjusted R²= .550

Table 3: Multiple Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	11.114	2.456		4.526	.000
Awareness	.188	.112	.156	1.677	.095
Significance	-.081	.093	-.092	-.873	.384
Fairness	.322	.114	.326	2.831	.005*
Views towards rater	.160	.106	.137	1.518	.131
Performance based pay	.149	.052	.214	2.862	.005*

*Multiple Regression is significant at the 0.05 level.
 Dependent Variable: Affective Commitment
 R= .610, R²= .372, Adjusted R²= .354

Table 4: Multiple Regression Analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	-3.009	4.105		-.733	.465
Awareness	.729	.188	.352	3.885	.000*
Significance	-.060	.156	-.040	-.387	.699
Fairness	.414	.190	.245	2.178	.031*
Views towards rater	-.018	.177	-.009	-.103	.918
Performance based pay	.258	.087	.215	2.957	.004*

*Multiple Regression is significant at the 0.05 level.
 Dependent Variable: Continuance Commitment
 R= .635, R²= .403, Adjusted R²= .386

The multiple regression analysis was performed on the data collected from the respondents of banks to determine the impact of performance appraisal on organizational commitment of bank employees (Table 2). A significance level of 5 per cent was used for the analysis. Since, the value of $p < 0.05$ for the awareness, fairness and performance based payment practices, therefore it is inferred that

performance appraisal have a significant impact on organizational commitment of bank employees.

The fairness in performance appraisal ($p = .005$) & performance based pay ($p = .005$) significantly predicted the affective commitment of bank employees (Table 3) while, the awareness of existing appraisal ($p = .000$), fairness ($p = .031$) and performance based pay ($p = .004$) predicted continuance commitment of bank employees (Table 4).

4. Discussion

The results of the study revealed that performance appraisal had a statistically significant impact on organizational commitment of bank employees. These results are supported by findings of previous studies which reported that performance appraisal is a significant predictor of organizational commitment (M.G.Shahnawaz & Rakesh Juyal, 2006; Ram Kumar & Krishnaveni, 2008; Elaine Farndale, Veronica Hope Hailey & Clare Kelliher, 2010). The study also revealed that performance appraisal demonstrated a significant impact on both affective and continuance commitment. This finding is in tune with the results of a previous study which revealed that performance appraisal is significantly associated with the affective commitment of employees (Yasemin Bal, Serdar Bozkurt & Esin Ertemsir, 2014; Abraham Zewdie Bekele, Assegid Demissie Shigutu, Assefa Tsegay Tensay, 2014). In the present study the fairness of performance appraisal and performance based payment practices emerged as the significant predictors of commitment of bank employees. These findings were also in tune with the previous studies which found that fairness of performance appraisal (Thanuja Rathanveera, 2010; Munir Salleh, Aziz Amin, Shaladin Muda & Muhammad Abi Sofian Abdul Halim: 2012) & performance based compensation (Thanuja Rathanveera, 2010) significantly predicted the organizational commitment of employees. However, there were studies which revealed that performance appraisal had no significant impact on the organizational commitment of employees (Guy Paré, Michel Tremblay, Patrick Lalonde, 2001; Muhammad Adnan Sial, Syed Mukhtar Ahmed Jilani, Rabia Imran and Arshad Zaheer, 2011; Harold Andrew Patrick & Shiju Sebastian, 2012).

5. Implications

The present study has some important implications for the HR administration & top management of public sector banks. The study reveals that there is a positive and significant impact of performance appraisal on the organizational commitment of bank employees. Most importantly these banks should focus primarily on three aspects of performance appraisal i.e., the awareness of existing appraisal, fairness in the appraisal & performance based payment practices.

The above mentioned aspects of performance appraisal increase the organizational commitment of employees. Policy makers of these banks must do a practice to increase the awareness of performance appraisal in the employees so that they come to know the objective behind appraising their performance and also become aware what areas require improvements in their performance.

Secondly, fairness in performance appraisal has emerged as an important predictor of organizational commitment so fair appraisal practices should be adopted by the management of these banks in order to raise the commitment of its employees.

Lastly, performance based payment practices has an impact on the organizational commitment therefore these banks must link performance appraisal with compensation & rewards to enhance the commitment of employees.

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