

PERFORMANCE APPRAISAL & ITS EFFECTIVENES IN HDFC STANDARD LIFE INSURANCE

Chitra Krishnan*

Amrish kumar Choubey*

Abstract

The importance of **Performance Appraisal** is capturing importance in the industry. It has become a focal point in all stages in the industry, since all companies have their appraisal system. Hence, the concept of Performance Appraisal is a pivotal point to judge the performance of the employees. Nowadays, employers are becoming more and more demanding, thus forcing the HR department to evolve or judge the performance of the employees.

OBJECTIVE OF THE STUDY

- This paper explains the meaning of Performance Appraisal, different methods used to evaluate the performance of employees, its effective implementation and the benefits of the system.
- Study the challenges faced during performance management process and also provide solution for them.
- It also aims at understanding the problems associated with performance appraisal and suggests measures to be adopted to overcome these issues.

PURPOSE AND NEED OF THE STUDY

- ✓ Provide information about the performance ranks basing on which decision regarding salary fixation, confirmation, promotion, transfer and demotion are taken.
- ✓ Provide feedback information about the level of achievement and behavior of subordinate. This information helps to review the performance of the subordinate, rectifying performance deficiencies and to set new standards of work, if necessary.

* Assistant Professor, AIBS, Amity University

- ✓ Provide information which helps to counsel the subordinate.
- ✓ Provide information to diagnose deficiency in employee regarding skill, knowledge, determine training and development needs and to prescribe the means for employee growth provides information for correcting placement.
- ✓ To prevent grievances and in disciplinary activities.

Thus, through this project report one can:

- ❖ have a reasonable understanding of the term performance appraisal;
- ❖ understand what needs to be done for its effective implementation;
- ❖ know the key areas of performance indicators;
- ❖ understand the benefits of the system;
- ❖ know how it helps in designing the Performance Rated Pay system;
- ❖ know how it helps in planning of career of employees;
- ❖ know how it helps in the future requirement of the organization as it grows.

INTRODUCTION

The study of “**Performance Appraisal in HDFC STANDARD LIFE INSURANCE**” highlights the importance of “Performance Appraisal” in special reference of banking industry. As we know the banking sector is one of the fastest growing sectors of our country, the study highlights the perspective of HR in banking sector.

In this study we strive to find out the need of “Performance Appraisal” for banks, and try to understand how the “Performance Appraisal” is done in banking sector. We take the case of one of the leading bank as our sample and try to find out their techniques used for “Performance Appraisal”.

The process of HRD helps the employee’s to acquire and development technical, managerial and behavioral knowledge, skill, and abilities, belief and attitudes necessary exists to achieve goals; the degree of success obtained by the individual employee in achieving individuals’ goals

directly determines the organizational effectiveness. The assessment of the degree of success of an individual employee is an important part of HRM that leads to the Performance Appraisal. The process of Performance Appraisal helps the employees and management to know the level of employees Performance compared to the standard or predetermined level.

Performance Appraisal is important to understand and improve the employee's performance through HRD. In fact, Performance Appraisal is the basis of HRD. It was viewed that Performance Appraisal was useful decide employee's promotion or transfer, salary determination. But the recent developments in HRD indicate that Performance Appraisal is the basis for employee development. Performance Appraisal indicates the level of desired performance level and actual performance and the gape between these two. This gap should be bridged through training, counseling and motivation etc.

In American business, the Performance Appraisal is done to determine wage increase, promotion, transfer, regarding the emphasis for the feedback to the employee's and assessing the need for their training is very less or we can say it's little. In contrast, Indian companies use Performance Appraisal for training and development, providing feedback to the employee's and personal research. They also use it in determining wages and transfers as they do it in the American companies.

The purpose of Performance Appraisal to make a distinction between performer and non performer on the job.

The aim of the project is to focus on the **Performance Appraisal system** undergone in **HDFC Standard Life Insurance Co Ltd (HDFC SLIC)**. This project aim to study the need for Performance Appraisal; how it helps the employees of the Organization to improve their abilities so as to meet both the personal and organizational present and future requirements. Whether the organization is reaching its standards by Performance Appraisal resulting in increase in quality and productivity of the employees observed.

The overriding purpose of Performance Appraisal is to help HDFC Standard Life Insurance Company Limited employees to improve and thus to improve organizational effectiveness. Performance Appraisal therefore institutional needs as well as staff member needs, abilities, motivation and expectancies.

Banking sector In India

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the 'State Bank of India'; a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India, which in 1935 formally took over these responsibilities from the then Imperial Bank of India, relegating it to commercial banking functions. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers. In 1969 the government nationalized the 14 largest commercial banks; the government nationalized the six next largest in 1980.

Currently, India has 88 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

The banking industry in India seems to be unaffected from the global financial crises which started from U.S in the last quarter of 2008. Despite the fallout and nationalization of banks across developed economies, banks in India seems to be on the strong fundamental base and seems to be well insulated from the financial turbulence emerging from the western economies. The Indian banking industry is well placed as compare to their banking industries western counterparts which are depending upon government bailout and stimulus packages.

The strong economic growth in the past, low defaulter ratio, absence of complex financial

products, regular intervention by central bank, proactive adjustment of monetary policy and so called close banking culture has favored the banking industry in India in recent global financial turmoil.

Although there will be no impact on the Indian banking system similar to that in west but the banks in India will adopt for more of defensive approach in credit disbursal in coming period. In order to safe guard their interest; banks will follow stringent norms for credit disbursal. There will be more focus on analyzing borrower's financial health rather than capability.

The report "Indian Banking Sector Forecast to 2012" contains comprehensive research and rational analysis on various segments, like assets size, income level and number of cardholders, in the Indian banking industry. It also analyzes the current performance and key market trends, and helps clients to understand various products available in the market and their future scope.

The forecast given in this report is not based on a complex economic model but is intended as a rough guide to the direction in which the market is likely to move. The future projection is done on the basis of the current market scenario, past trends, and rules and regulations laid by the regulator and supervisor of the financial system, Reserve Bank of India (RBI).

The Economic Liberalization process has increasingly exposed the Banking Sector to international competition. The role of Banking in the process of financial intermediation has been undergoing a profound transformation, owing to changes in the global financial system. Consequently, the revolution in information technology has brought about sea changes in the way banking transaction are carried out.

Almost 80% of the businesses are still controlled by Public Sector Banks (PSBs). PSBs are still dominating the commercial banking system. Shares of the leading PSBs are already listed on the stock exchanges.

The RBI has given licenses to new private sector banks as part of the liberalization process. The RBI has also been granting licensees to industrial houses. Many banks are successfully running in the retail and consumer segments but are yet to deliver services to industrial finance, retail

trade, small business and agricultural finance.

The PSBs will play an important role in the industry due to its number of branches and foreign banks facing the constraint of limited number of branches. Hence, in order to achieve an efficient banking system, the onus is on the Government to encourage the PSBs to be run on professional lines.

To promote banking sector in India, Govt. has taken many steps and formed several committee to review the banking needs and the prospect the current scenario along with the safeguarding the interest of the customers

LITERATURE REVIEW

“Performance Appraisal” In Banking Sector

“Performance Appraisal” is a vehicle to (1) validate and refine organizational actions (e.g. selection, training); and (2) provide feedback to employees with an eye on improving future performance.

Validating and refining organizational action or banks action

Employee selection, training and just about any cultural or management practice—such as the introduction of a new pruning method or an incentive pay program—may be evaluated in part by obtaining worker performance data.

The evaluation may provide ideas for refining established practices or instituting new ones. For instance, appraisal data may show that a farm supervisor has had a number of interpersonal conflicts with other managers and employees. Some options include:

- 1) Paying more attention to interpersonal skills when selecting new supervisors,
- 2) Encouraging present supervisors to attend communication or conflict management Classes at the local community college, or
- 3) Providing the supervisor one-on-one counseling.

For validation purposes, it is easier to evaluate performance data when large numbers of workers are involved such as in banks. Useful performance data may still be collected when employees are evaluated singly, but it may take years to obtain significant data trends.

Employee need for feedback

Although employees vary in their desire for improvement, generally workers want to know how well they are performing. A successful farmer recalled with sadness how as a youth he had worked very hard, along with his immigrant family, for a farmer who never seemed to notice the effort. Years later he met the former employer and asked why he had never made any positive comments about their work. The response from the former boss was, "I feared you would stop working as hard."

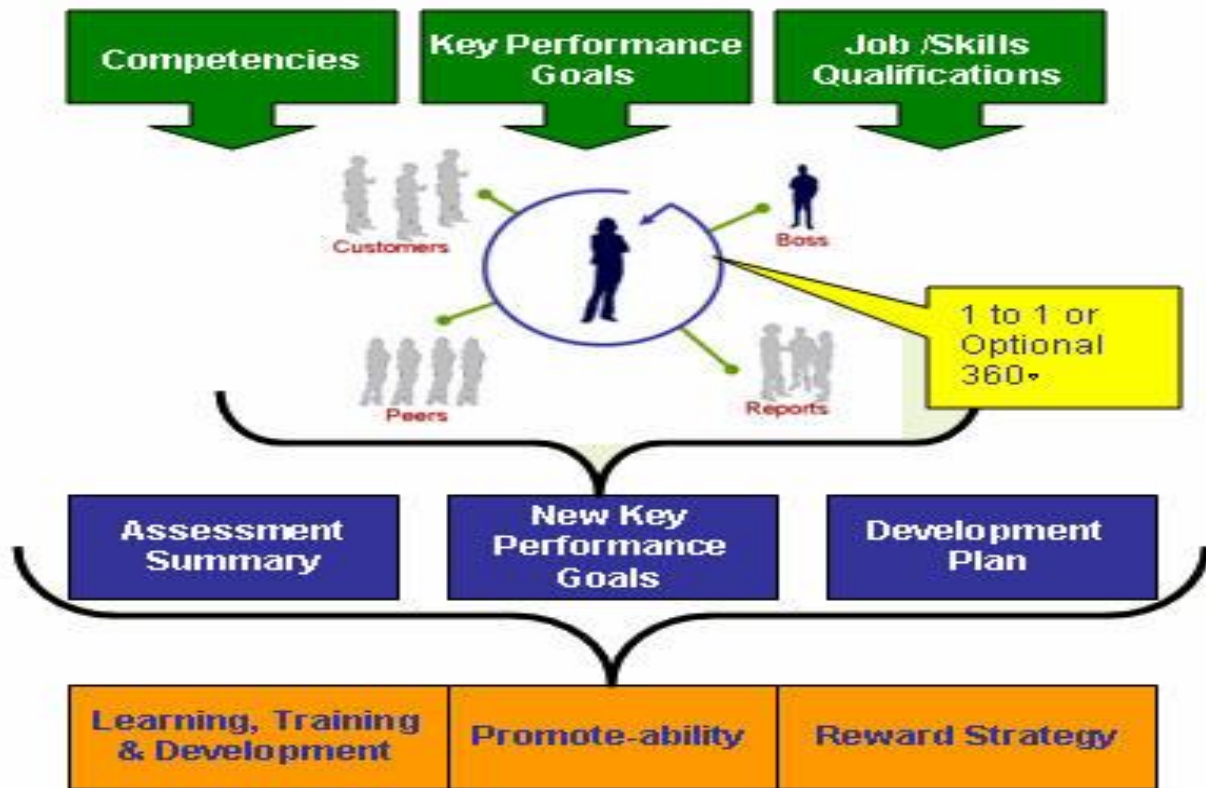
People need positive feedback and validation on a regular basis. Once an employee has been selected, few management actions can have as positive an effect on worker performance as encouraging affirmation. These are, in effect, good-will deposits, without which withdrawals cannot be made. This does not mean you should gloss over areas needing improvement. When presented in a constructive fashion, workers will often be grateful for information on how to improve shortcomings. Such constructive feedback, however, "can happen only within the context of listening to and caring about the person." In general, supervisors who tend to look for worker's positive behaviors—and do so in a sincere, non-manipulative way—will have less difficulty giving constructive feedback or suggestions. Furthermore, in the negotiated approach, the burden for performance analysis does not fall on the supervisor alone, but requires introspection on the part of the individual being evaluated.

Feedback may be *qualitative* or *quantitative*. Qualitative comments are descriptive, such as telling the shop mechanic you appreciate the timeliness and quality of her repairs. In contrast, quantitative feedback is based on numerical figures, such as the percentage of plant grafts that have taken. Some researchers feel feedback is particularly useful when workers have an achievement objective

By focusing the attention on performance, performance appraisal goes to the heart of **personnel management** and reflects the management's interest in the progress of the employees.

“Performance Appraisal” And Performance Management in HDFC Bank

- The facilitation of high achievement by employees. Performance management involves enabling people to perform their work to the best of their ability, meeting and perhaps exceeding targets and standards. Performance management can be coordinated by an interrelated framework between manager and employee. Key areas of the framework to be agreed are objectives, human resource management, standards and performance indicators, and means of reward. For successful performance management in HDFC , a culture of collective and individual responsibility for the continuing improvement of business processes needs to be established, and individual skills and contributions need to be encouraged and nurtured as the bank deals in service sector where the employees are the main factor of making the difference . One tool for monitoring performance management is “Performance Appraisal” that the banks use for rewarding its employees. For the bank, performance management is usually known as company performance and is monitored through business appraisal.



Reasons for “Performance Appraisal” in HDFC

- Increase motivation to perform effectively
- Increase staff self-esteem
- Gain new insight into staff and supervisors
- Better clarify and define job functions and responsibilities
- Develop valuable communication among appraisal participants
- Encourage increased self-understanding among staff as well as insight into the kind of development activities that are of value
- Distribute rewards on a fair and credible basis
- Clarify organizational goals so they can be more readily accepted

Modern Trends In Banks for Performance appraisals

A growing number of front running banks like HDFC, and others have adopted a “Performance Appraisal” model in which best-to-worst ranking methods are used to identify poor performers. The identified poor performers are then given a time period during which they have to show an improvement in their performance.

In cases where the employee fails to improve his performance he is asked to leave the organization gracefully and a severance package is offered to him. If the employee refuses to leave then his service is terminated and no compensation is offered. This system is called “rank and yank strategy”. Advocates of this system feel that it continually motivates employees to better their performance since nobody would like to be included in the poor performance band. But the flip side of this strategy is that employees become too competitive and team spirit is not nurtured.

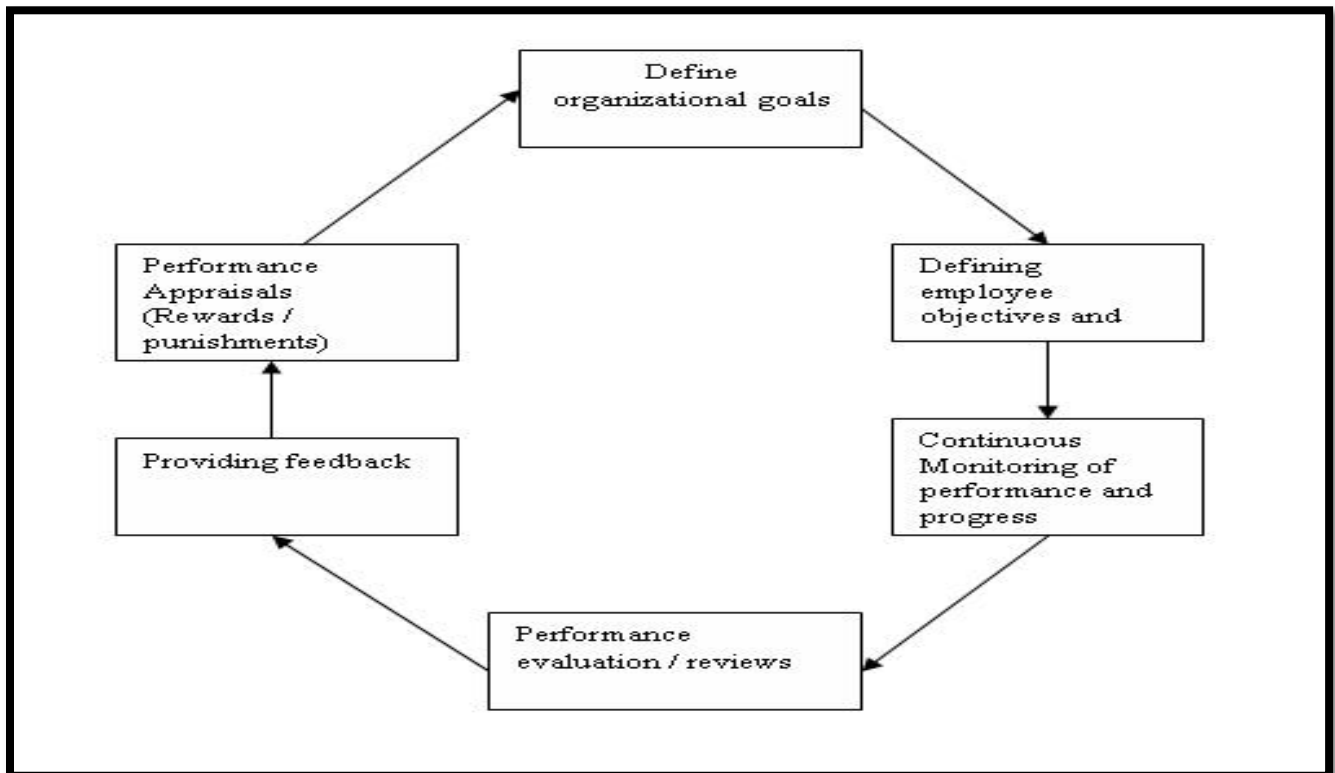
Effective banks are not build merely on investment and returns but more on the quality of the workforce, its commitment to the organizational goals and investments made to attract train and retain superior human capital. An integrated Performance Management system is essential to get the best out of its people. Employee performance is linked to the bank’s performance. This helps in achieving the organizational goal and creates a performance culture in the bank. Invention, creativity, diversity of perspectives is fostered. Employees act as one bank one brand.

HDFC BANK PEFORMENCE APPRAISAL ENVIRONMENT

The bank is using the Management by Objectives (MBO) method. In this method the subordinate in consultation with the supervisor chalks out short term objectives followed by specific actions that he has to carry out. The goals are finally set and are action oriented. The goals set are specific, measurable, achievable, review able and time bound and most importantly they use to be aligned with the goal of the organization. At the end of a specified time period, the activities are jointly reviewed by both the subordinate and his supervisor. Depending on the performance of the subordinate, the goals are modified or redesigned for the next period of time.

The MBO is thus a performance oriented system. A well thought out MBO system provides multiple benefits. It establishes a link between the performance of the individual and the bank. It

is easy to implement because those who carry out the plan also participates in setting it up. Each employee becomes aware of the task he has to perform in the bank. This leads to better utilization of capacity and talent. It promotes better communication and information sharing. It provides guidelines for self evaluation as well as evaluation by the superior against set tasks and goals. It facilitates guidance and counseling.



The Effective Components of HDFC Performance Appraisal System

- Performance Planning (includes employee goal setting / objective setting)
- Ongoing Performance Communication
- Data Gathering, Observation and Documentation
- “Performance Appraisal” Meetings
- Performance Diagnosis and Coaching

An effective “Performance Appraisal” system in HDFC bank emphasizes individual objectives, Bank objectives and also mutual objectives. From the viewpoint of individual objective the “Performance Appraisal” talks about

- a) What task the individual is expected to do?
- b) How well the individual has done the task?
- c) How can his performance be further improved?
- d) His reward for doing well.

From the bank view point a “Performance Appraisal” should generate manpower information, improve efficiency and effectiveness serve as a mechanism of control and provide a rational compensation structure. In short the appraisal system establishes and upholds the principle of accountability in the absence of which bank failure is the only possible outcome.

Finally, talking about mutual goals, the emphasis is on growth and development, harmony, effectiveness and profitability of the bank

RESEARCH METHODOLOGY OF THE STUDY

METHODOLOGY OF THE STUDY

Methodology is said to be the procedure or way in which the project work has been done. In the project work, the methodology adopted is data collection and sample plan.

SOURCES OF DATA

The data for the study has been collected from various primary and secondary sources.

I. Primary data:

Primary data is collected of facts on the subject of the study by the researcher. It can be collected through questionnaires.

Questionnaire:

It is formalized set of question, with are logically and systematically arranged to collect the information useful for the proposed study. The questionnaire in this study is structured

containing a limited number of questions which are easy and to understand. The layout of their questionnaire is farmed in such a way that confusing and rerecording error are minimized. The Questionnaire is mainly desired to measure the effectiveness of performance appraisal system for executive in SCR.

II. Secondary data:

Secondary data reface to the use of information already collected and published or unpublished. The sources are books, journals, reports etc.

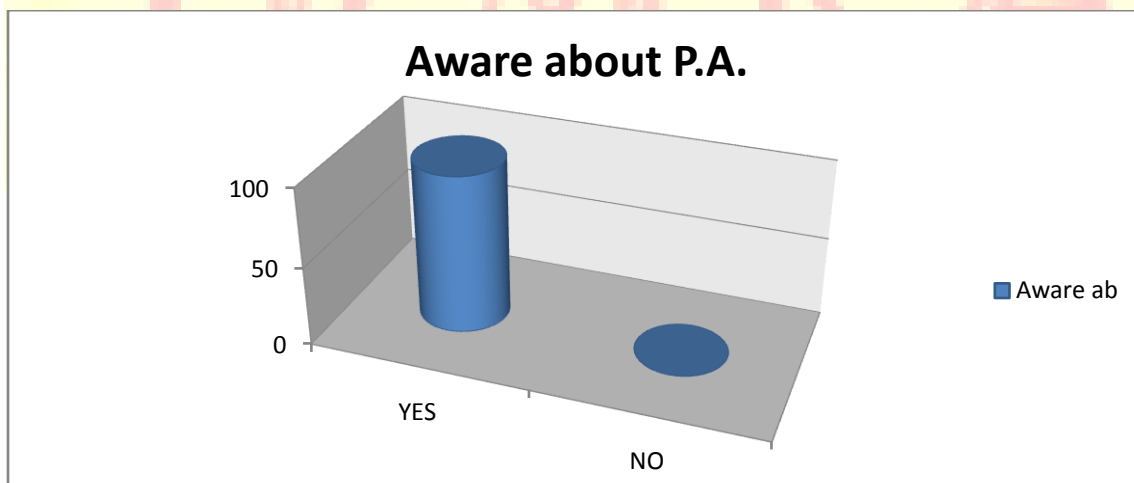
SAMPLE DESIGN

1. Population: The population for the present study consists of all the employees of Bank.
2. Sample size: The size of the sample for the present study is confined to 100 employees belonging to personnel. Administration, marketing department of Bank. The size is confined due to time and availability.
3. Sample Technique: The sample for the present study is selected using simple random technique.

DATA ANALYSIS AND INTERPRETATION

1) Are you aware about the organization Performance Appraisal?

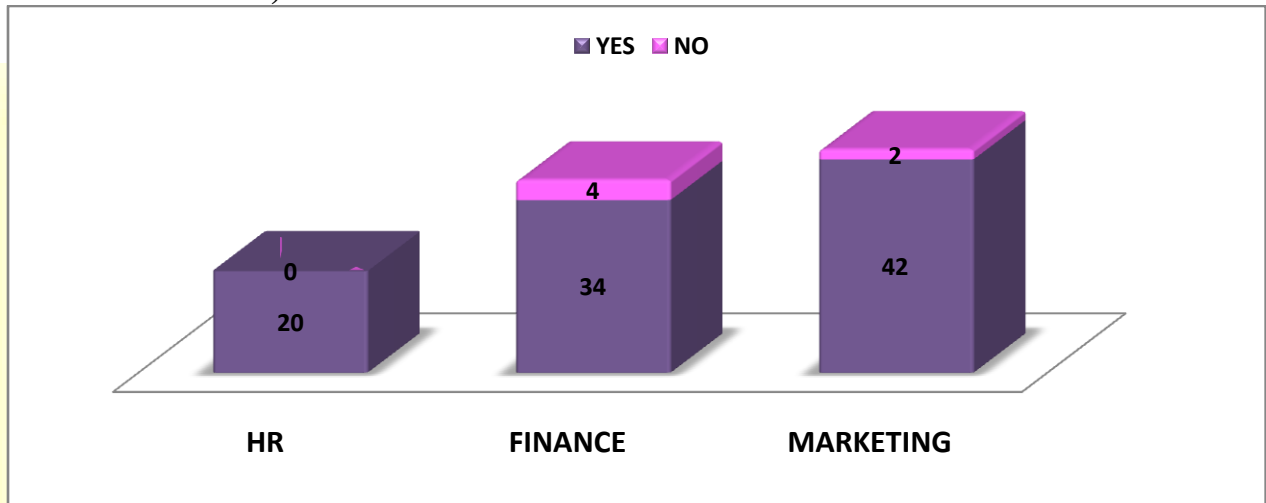
- a) Yes b) No



From the above it is evident that 100% of the employees feel that performance appraisal is quit essential for any organization.

2) Do you think that Performance Appraisal is essential?

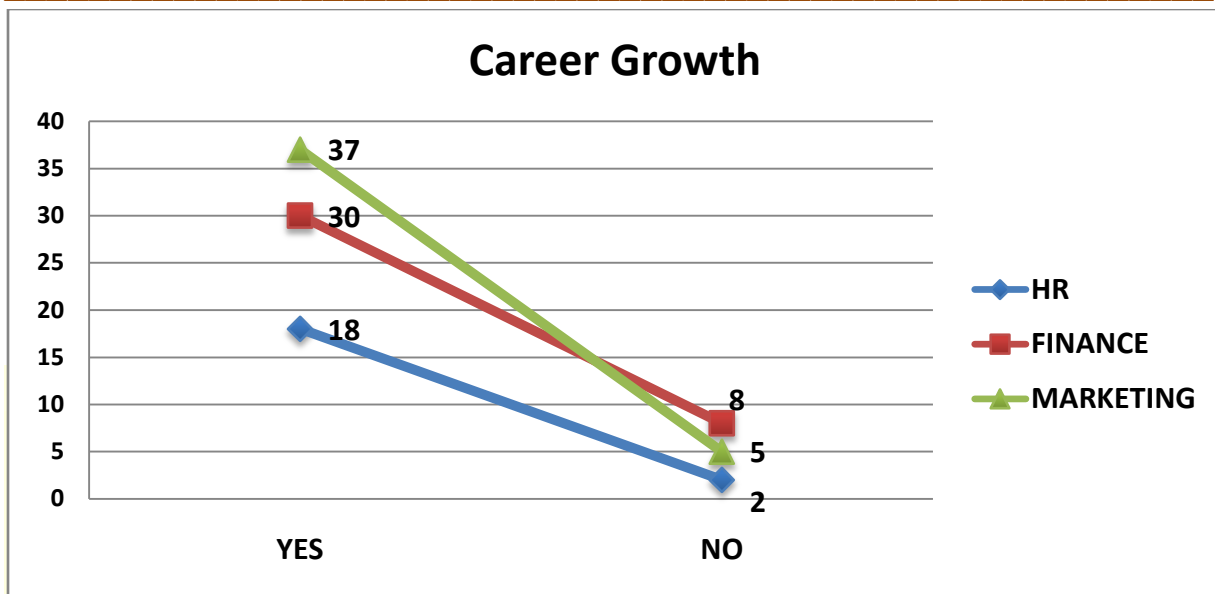
a) Yes b) No



From the above data it is evident that 94% of the respondents feel that performance appraisal is very essential in the organization, where as 6% employees feel it is not essential in organization.

3) Does Appraisal System of your organization facilities career Growth & Learning of employees?

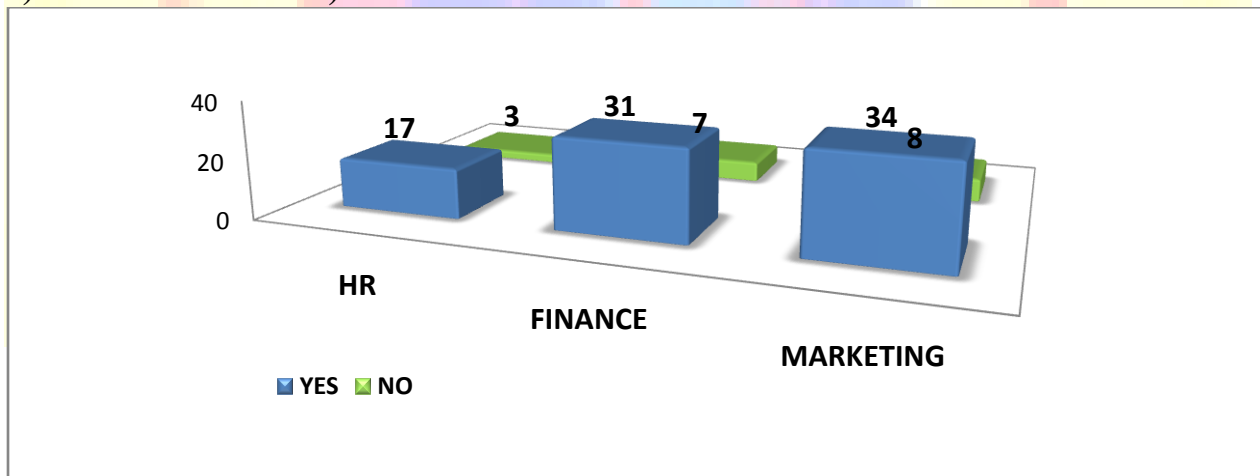
a) Yes b) No



From the above data it shows that 85% of employees feel that organization facilitate growth & learning due to performance appraisal, where as 15% of employees feel that organization does not provides growth & learning of employees

4) Performance Appraisal System really assesses the quality of an employee. Do you agree?

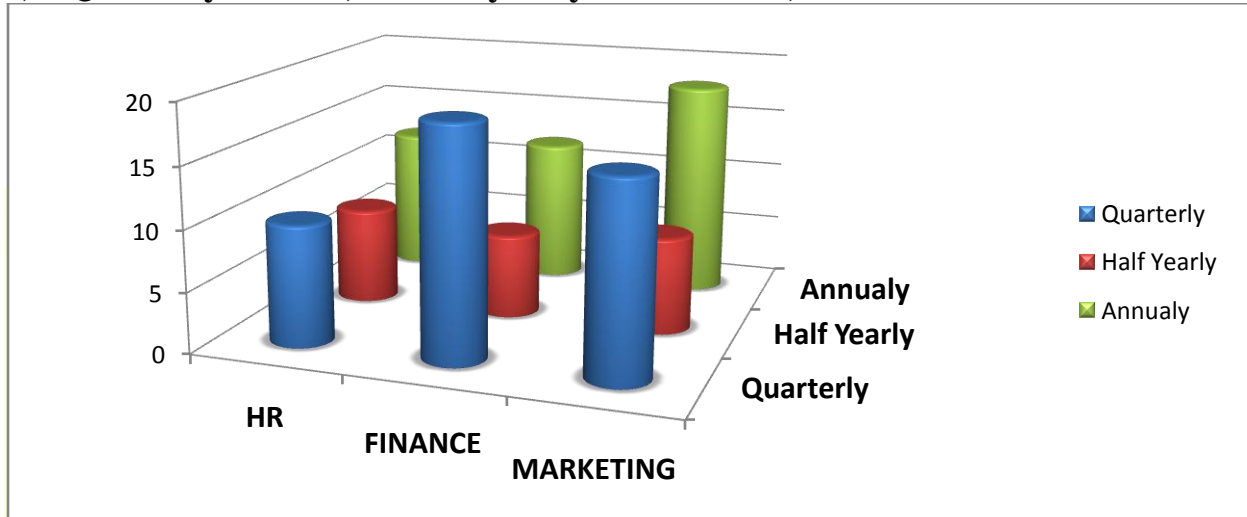
a) Yes b) No



From the above data it is evident that 82% of the employees feel that the performance appraisal system really assesses the quality of an employee, where as 18 feel that it does not assesses the quality of an employee.

5) Periodicity of Performance Appraisal should be on what basis?

- a) Quarterly b) Half-yearly basis c) Annual basis



From the above data it is evident that 42% of the employees feel that performance appraisal should be done on annual basis & 23% of the employees feel should be in done on half yearly basis 45% of the employees feel should be done in quarterly basis.

6) The present Performance Appraisal of your organization distinguishes the performer & non performers?

- a) Strongly agree b) Agree
c) Disagree d) Strongly Disagree

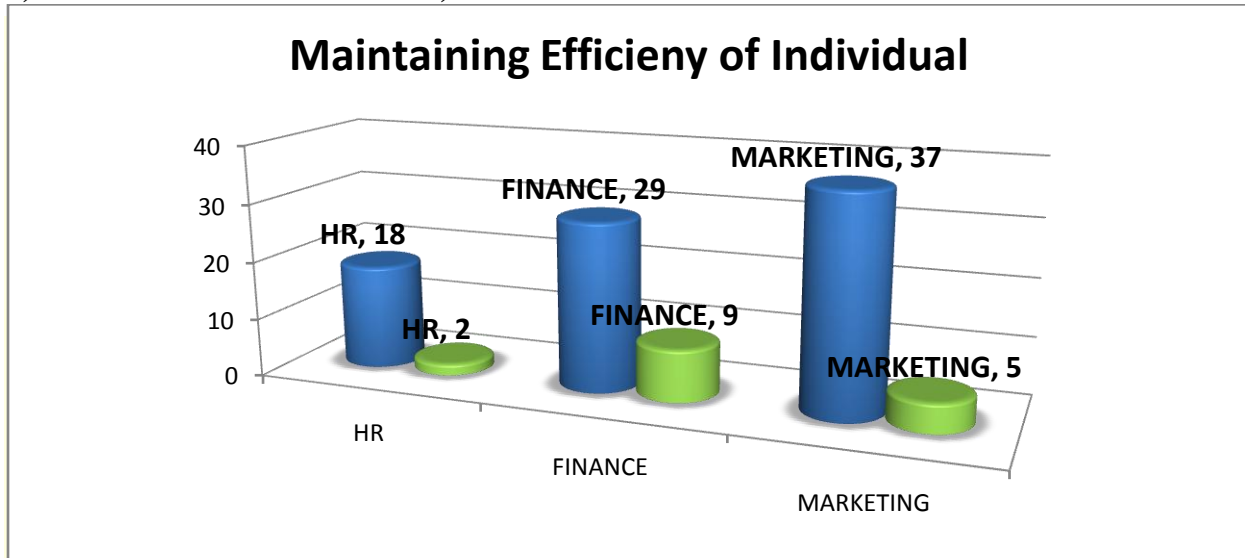


From the above data it is evident that 66% of the employees ‘agree’ that performance appraisal system of the organization distinguishes performs & non performers, where as 22% strongly agree and 11% disagree doesn’t distinguishes performers & non-performers.

7) The Periodical Performance Appraisal of employee is required for maintaining efficiency of individual & organization?

a) Yes

b) No



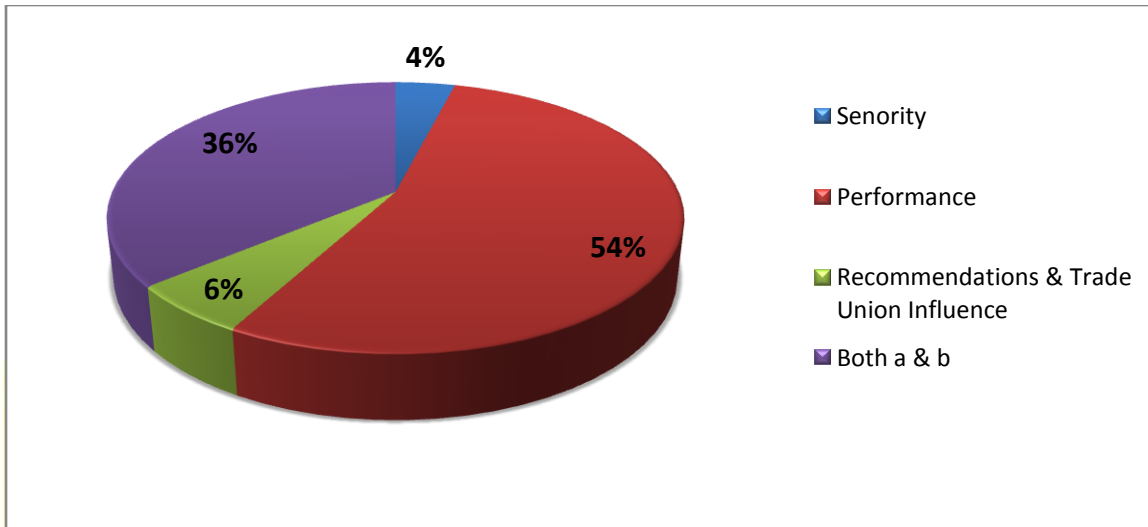
From the above it shows that 84% of the employees feel that periodic performance appraisal of the employee is required for maintaining efficiency of individual and organization and 16% of the employees feel that it is not required to maintain.

8) Performance appraisal is based upon?

Seniority
influence

b) Performance
d) Both a & b

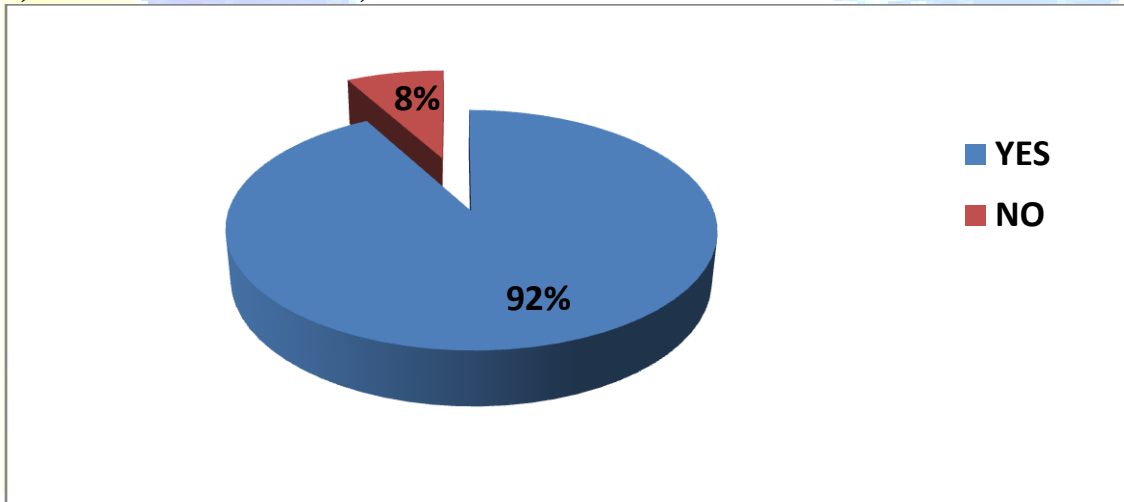
c) Recommendations & Trade Union



From the above data it shows that 54% of the employees feel that performance appraisal in railways is based upon performance 36% feel that it based on both performance and recommendation & trade unions.

9) Performance appraisal is useful to the contributor to encourage people to perform better on their jobs?

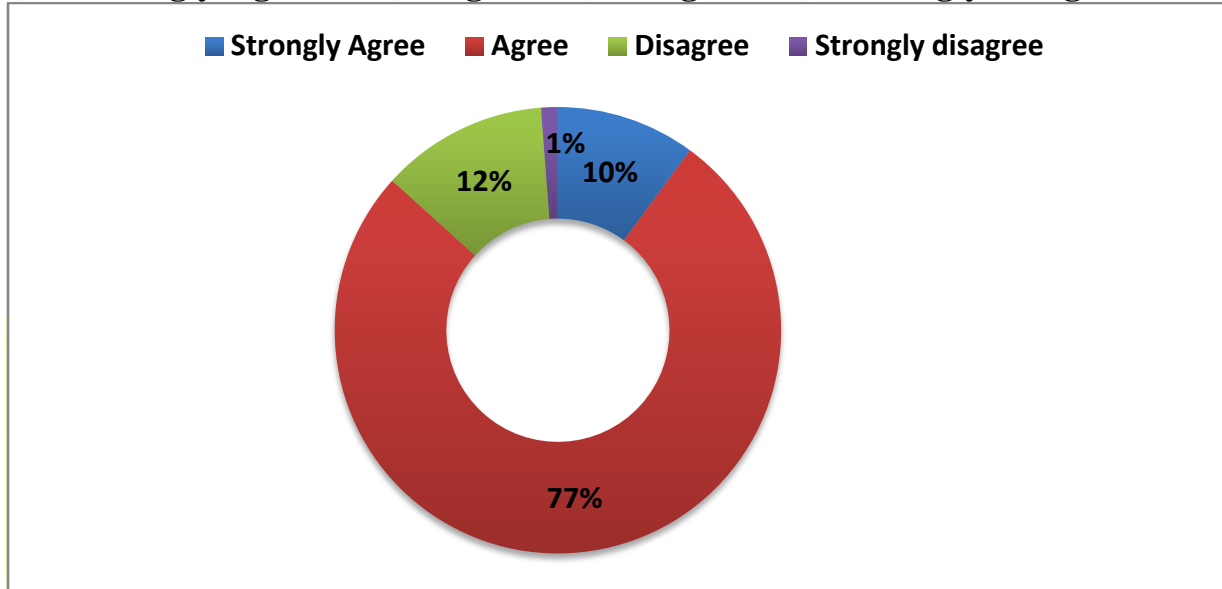
a) YES b) NO



From the above data it shows that 92% of the employees feel that performance appraisal is contributor to encourage better job, but 8% of the employees feel that it is not a contributor for job.

10) The appraisal system is helping each employee to discover his/her potential & make their short comings?

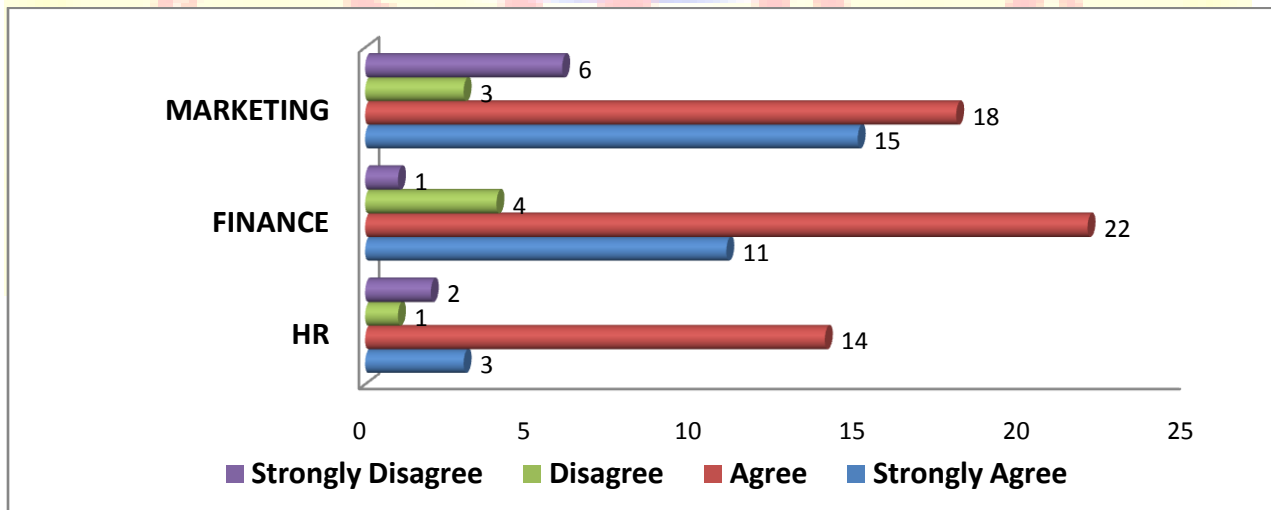
a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree



From the above data it shows that 76% of the employees feel that appraisal system discovers potential and make their short comings and 24% employees feel that it does not discover potential.

11) The Performance Appraisal of your organization assesses Individual Behavior, Discipline, integration, Communication Skill, Leadership Qualities & Growth?

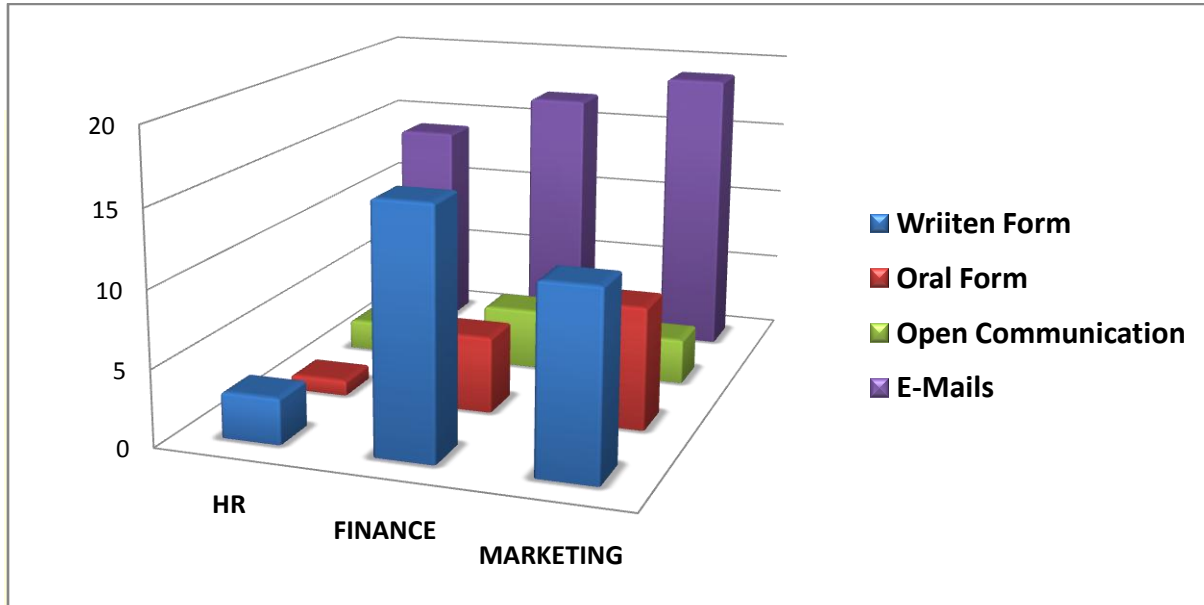
a) Strongly Agree b) Agree c) Disagree d) Strongly Disagree



From the above data it shows that 83% of the employees agree with the above statement and 17% disagree.

12) Hope do you want your performance to be communicated to you?

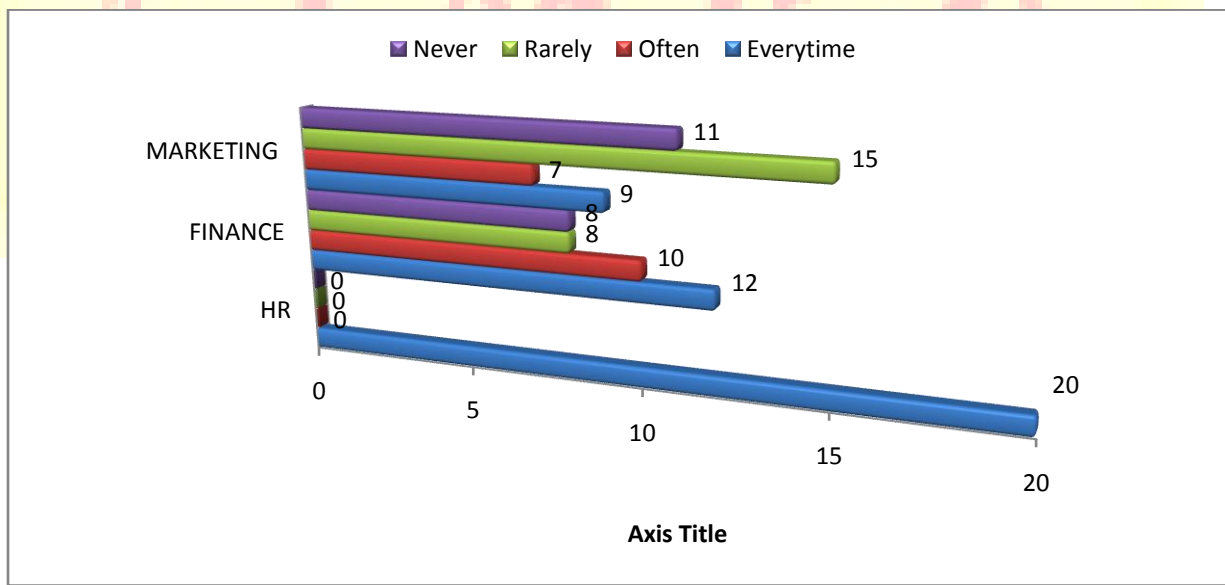
- a) Written Form b) Oral From
c) Open Communication d) E-Mails



From the above data it is evident that most of the employees feel that their performance should be communicated to them through e-mails.

13) Does the employees get the feedback of performance appraisal

- a) Yes, every time b) often, but not always c) Rarely d) Never



FINDINGS

- It has been found that most of the employees think that the performance appraisal is essential and they think it is used as a tool to improve performance, to determine organization needs, and to basis for pay increase, promotions, and transfer.
- The appraisal system facilitates growth & learning of employees and it is used to distinguish performers.
- The existing appraisal system helps the management to identify potentiality of employees as well as useful for maintaining efficiency of the individual & organization.
- Some employees that they do not know which basis their performance is appraised and most of the employees feel that it help them discover their potential and enables to know their short coming.

SUGGESTIONS

- The performance appraisal system should facilitate career growth & learning of employees.
- The short coming of employees should be informed to them after performance appraisal.
- Promotion should be based on performance rather than seniority or any other factors.
- Performance appraisal should be appraised by granting awards/ merit certificate.
- New performance appraisal techniques such as 360 degree performance appraisal system should be used.

- The performance appraisal should not be assessed by biased mind and personal grudge.
- Feedback should not be given to the employees more frequently.
- On what basis performance appraisal should be informed to the employees.
- The feedback to performance appraisal shouldn't only be given to those employees who are rated 'below average' but also to all the employees as it would motivate the employees to perform even better.
- Gauge the potential for performance of each employee.

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