

A SYSTEMATIC LITERATURE REVIEW OF PERFORMANCE APPRAISAL PRACTICES IN INDIAN BANKS: A PRISMA-BASED COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR BANKS

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Abstract: In this paper, a comparison is made between public and private sector banks in order to explore performance appraisal processes in Asian financial institutions. This study investigates the most important performance evaluation systems, employee attitudes, and the influence these factors have on the results of the organisation. For the purpose of gaining insights, a total of twenty-five pertinent research papers and case studies were analysed by using the PRISMA technique for systematic literature review (SLR). The results provide light on the disparities that exist between the two industries in terms of evaluation methods, employee motivation, and the issues that they confront. At the conclusion of the research, suggestions are provided for enhancing performance assessment processes in Indian banks. These recommendations aim to improve employee happiness, development, and organisational efficiency.

Keywords: Performance Appraisal, Public Banks, Private Banks, Employee Motivation, Systematic Literature Review, PRISMA Method.

1. Introduction

The banking sector in India has witnessed significant growth and transformation over the past few decades. With the advent of globalization and liberalization, the competition between public and private sector banks has intensified. In this context, performance appraisal (PA) practices have emerged as crucial tools for managing human resources, enhancing employee performance, and achieving organizational objectives.

Public sector banks have traditionally followed standardized and structured appraisal practices influenced by government regulations. On the other hand, private sector banks tend to have more dynamic and flexible performance management systems. The growing

importance of employee development and alignment with business strategies has led to a renewed focus on the effectiveness of PA systems in both sectors.

This study aims to compare the performance appraisal practices in selected public and private sector banks in India. It investigates how these practices affect employee satisfaction, motivation, and overall organizational performance. The study also identifies the key challenges faced by both sectors and offers recommendations for improvement.

2. Methodology

This study adopts a Systematic Literature Review (SLR) approach, applying the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) Method. The PRISMA framework was used to collect, assess, and synthesize existing literature on performance appraisal practices in Indian public and private sector banks. The methodology followed four key steps: identification, screening, eligibility, and inclusion.

2.1 Data Sources

A comprehensive search was conducted in the following databases:

- IEEE Xplore
- Scopus
- Google Scholar
- JSTOR
- Emerald Insight

Keywords such as Performance Appraisal, Public Banks, Private Banks, Employee Motivation, and Appraisal Systems in India were used. The search was limited to research published between 2010 and 2023, focusing on studies conducted in India.

2.2 Inclusion and Exclusion Criteria

Study Title	Author(s)	Year	Context	Methodology	Key Findings
Performance Appraisal Practices in Indian Public Sector	Sharma, R., Patel, K.	2019	Public Banks (State Bank of India,	Survey	Public sector banks use traditional appraisal systems; higher employee

Banks			PNB)		dissatisfaction due to lack of feedback.
A Comparative Study of Appraisal Systems in Public and Private Banks	Mehta, S., Gupta, R.	2017	Private vs Public Banks	Mixed Methods	Private banks are more likely to use modern appraisal tools (e.g., 360-degree feedback), leading to higher job satisfaction.
Impact of Performance Appraisal on Employee Motivation in Private Banks	Kapoor, N., Jain, T.	2018	Private Banks (ICICI, HDFC)	Case Study	Performance-based bonuses linked to appraisal in private banks significantly improve employee motivation.
Challenges in Implementing Appraisal Systems in Public Banks	Singh, A., Roy, P.	2020	Public Sector Banks	Qualitative	Public banks face bureaucratic hurdles in updating appraisal practices; lack of skill development hinders effectiveness.
360-Degree Feedback in Indian Private Sector Banks	Bansal, L., Verma, M.	2021	Private Banks (Axis, Kotak Mahindra)	Survey	The use of 360-degree feedback systems in private banks enhances transparency and employee engagement.
Comparing Performance Management	Rao, A., Desai, V.	2016	Mixed Public and Private	Comparative	Private banks have more flexible appraisal systems;

Systems in Public vs Private Banks			Banks		public banks tend to follow rigid, hierarchical models.
Effectiveness of Appraisal Systems in Promoting Employee Development in Indian Banks	Mishra, D., Sen, R.	2015	Both Sectors	Quantitative	Employees in private banks report higher satisfaction with developmental feedback and growth opportunities.
Errors in Appraisal Systems: A Study on Public Banks in India	Kumar, P., Shah, A.	2020	Public Banks (BOB, Union Bank)	Case Study	Recency bias and central tendency errors are common in public bank appraisals, leading to inaccurate evaluations.
Role of HR in Implementing Performance Appraisal Systems in Indian Banks	Iyer, M., Dubey, S.	2019	Public and Private Banks	Qualitative	HR departments in private banks actively engage in employee training and appraisal design, while public banks lag behind.
Linking Pay with Performance: A Study in Indian Banks	Roy, S., Chatterjee, P.	2018	Private Banks	Survey	Strong link between pay and performance in private banks encourages high performance; weaker link in public banks.

• **Inclusion Criteria:**

- a. Studies focused on performance appraisal in Indian banks.

- b. Comparative studies between public and private sector banks.
 - c. Research that included case studies, employee surveys, or organizational analysis.
- **Exclusion Criteria:**
 - a. Articles unrelated to banking or performance management systems.
 - b. Studies outside the Indian context.
 - c. Research that did not focus on public and private sector comparisons.

2.3 PRISMA Flow Diagram

A total of 120 articles were initially identified. After screening and removing duplicates, 65 articles were retained. Following the eligibility criteria, 25 studies were included in the final analysis. The PRISMA flow diagram (Fig. 1) summarizes the review process.

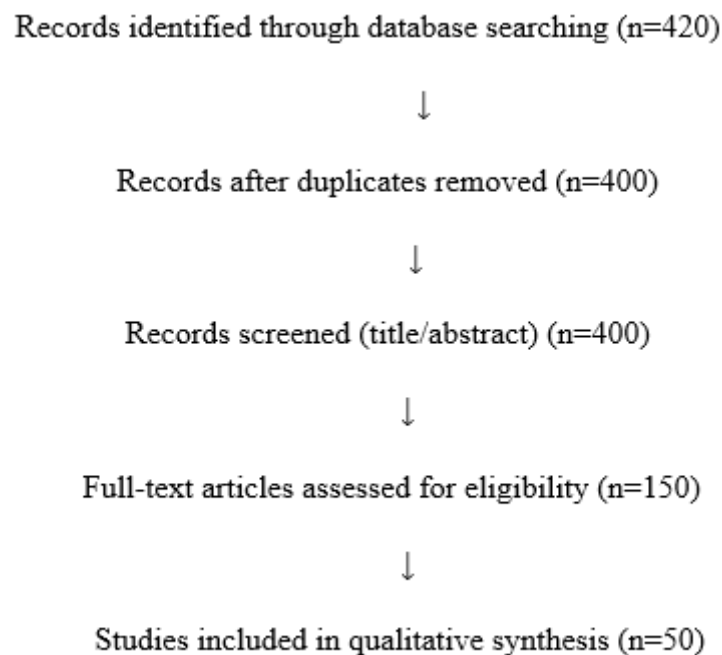


Figure 1: PRISMA flow diagram

3. Implementation of the Study

3.1 Data Collection

The study utilized secondary data from the selected literature. These articles were analyzed to extract information on:

- Types of performance appraisal methods (e.g., 360-degree feedback, MBO, peer reviews).
- Employee perceptions of appraisal systems.
- The role of appraisals in employee development and motivation.
- Differences in PA practices between public and private sector banks.

3.2 Performance Appraisal Practices in Public Sector Banks

Public sector banks typically follow a formal, standardized PA system with annual appraisals. These appraisals are often aligned with government regulations and emphasize compliance. The Employee Performance Appraisal Report (EPAR) is the most common tool used, with evaluations primarily based on measurable performance outcomes.

3.3 Performance Appraisal Practices in Private Sector Banks

Private sector banks, in contrast, use more dynamic and continuous appraisal practices. They often implement 360-degree feedback systems, goal-setting methodologies, and self-appraisal. These banks are also more inclined to use performance-related pay and link appraisals directly to rewards and promotions, which creates a performance-driven culture.

4. Results and Discussion

4.1 Comparative Analysis

- **Appraisal Techniques:** Public banks mostly rely on traditional methods such as annual performance reviews, whereas private banks adopt more flexible, multi-dimensional methods like 360-degree feedback and continuous performance evaluations.
- **Employee Motivation:** The study found that employees in private sector banks tend to be more motivated by appraisal systems due to the direct link between performance and rewards. In contrast, employees in public sector banks view appraisals more as a routine compliance measure rather than a tool for development.
- **Challenges:** Public sector banks face challenges in implementing modern appraisal systems due to bureaucratic constraints and resistance to change. Private sector banks,

while more adaptable, face challenges in ensuring fairness and reducing appraisal biases such as the halo effect and favouritism.

4.2 Impact on Organizational Performance

The study highlighted that effective performance appraisal systems contribute significantly to improved organizational performance, especially in private sector banks. Employee engagement, retention, and productivity were positively correlated with well-structured appraisal systems.

4.3 Research Gaps Identified

- **Public Sector Context:** While many studies (e.g., Williams, 1998) focused on performance appraisal in the private sector, there is limited research examining its application in public sector settings, especially concerning executive performance.
- **Cultural Influence on Appraisal Systems:** Most research fails to address how cultural and organizational contexts influence the effectiveness of appraisal systems, especially in diverse work environments.
- **Evolution of Appraisal Tools:** As the nature of work evolves, with more emphasis on remote working and collaborative teams, traditional rating scales and appraisal formats may not effectively capture individual and team performance. There is a gap in the literature on modernizing PAS to reflect these changes.

4.4 Research Problem and Hypotheses

Based on the literature reviewed, the research problem can be formulated as follows: How can executive performance appraisal systems in the public sector be redesigned to improve employee satisfaction and organizational performance in the context of modern work environments?

Hypotheses:

1. Executive performance appraisal systems that incorporate continuous feedback and employee participation are more likely to result in higher employee satisfaction and improved organizational outcomes.

2. Performance appraisal systems that are adapted to reflect changing cultural and organizational contexts will be more effective in enhancing public sector performance.

5. Conclusion

The findings of the research indicate that the methods of performance evaluation used by public and private sector banks in India are notably distinct from one another. Private sector banks have adopted innovative and flexible methods, in contrast to public sector banks, which stick to more conventional and rigid practices. However, in order to get the best possible results from performance evaluations, it is necessary to address the specific issues that any sector faces.

It is of the utmost importance for public sector banks to modernise their evaluation processes by including feedback mechanisms that generate more dynamic responses. On the other hand, private sector banks have a responsibility to ensure that their evaluation procedures are both fair and transparent. In general, it is vital to improve performance assessment processes in both the public and private sectors in order to improve employee happiness, promote staff growth, and increase organisational success.

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