

**Project on**

**“An analysis of Performance Appraisal System of  
Public & Private Banking Sector of Bangladesh”**



# UNITED INTERNATIONAL UNIVERSITY

**Course Title:** Project

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## **Letter of Transmittal**

Date: 2<sup>nd</sup> February, 2019

Piana Monsur Mindia

Assistant Professor

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**Subject:** Submission of report on “**An Analysis of Performance Appraisal System of Public & Private Banking Sector of Bangladesh.**”

**Dear Madam,**

This is my humble attempt to inform you that here is the report you have estimated as to prepare survey on the topic “**An Analysis of Performance Appraisal System of Public & Private Banking Sector of Bangladesh.**”

It is a requirement to fulfil my BBA degree. Despite of several limitations, I hope that the report has attained its purpose to a considerable extent. I am thankful to you for giving me the opportunity to do the report on this topic. I have tried my level best to complete the report in time and with the quality of my expectation. I hope you would be kind enough to accept my report. It will be a great pleasure for me to provide further clarification regarding this report. I hope that my report will aid to make concrete decision and live up to your expectation.

Sincerely Yours,

.....

**Sadia Afrin Tisha**

**ID- 111 142 295**

## Acknowledgement

It gives me an immense enjoyment to thank a large number of individuals for their cordial cooperation and encouragement who have contributed directly or indirectly in preparing this report.

Firstly, I want to express my gratefulness to Almighty Allah who has made be able to pursue my study.

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My special thanks to the branch manager and employees from several banks like Jamuna Bank, Brac Bank, Agrani Bank, Bangladesh Krishi Bank, City Bank, Eastern Bank, Social Islami Bank and so on to conduct survey in their organization. Their warm hospitality made me experience to deal with corporate entity. Furthermore, I would like to thank them for giving time to answer my survey questionnaire. It is a matter of pleasure to get such a warm cooperation from them.

Hence, I would like to gratefully acknowledge my mom, father, and my only one little sister for giving me moral support throughout the research and my study life. Without them I would not be able to finish my final year project.

## **Executive Summary**

This report is done for my project course. It is a great pleasure for me that my honourable supervisor gave me such a wonderful opportunity. I have learnt so many things by conducting this project report. Because I believe that practical orientation is much more helpful for us for better clarification of our course materials what I have learnt during the course.

My project report is based on **Performance Appraisal System** of public and private banking sector of Bangladesh. For prepare this project I have visited several private and public banks of our country for conducting survey which gave me a chance to learn practical experience. Performance appraisal of banking sector establishes a well define job description and employee performance planning which contains the key result area (KRA) and key performance indicators (KPI). It chooses right of people by implementing a proper recruitment and selection procedure. It makes a contract between job requirement and performance standard to measure the appropriate output and productivity against the previously sated performance benchmark.

A performance appraisal system takes measures of ongoing coaching and recompose during the time of allotment of performance. It also helps to measure achieved outcome by ascertaining training and development needs. It apprehends quarterly development and discussion of execution and thereafter compare and appraise employee performance on the basis of performance model. It provides guidance so that manager can ensure employee's performance and outcomes which are congruent the company's goal that assists to achieve competitive advantages over their competitors.

A formal and ethical performance appraisal system scheme forcible compensation and reward system to recognize those employees who conquer on their job by achieving performance set of standard. It assists employee promotion, support, development, and guidance and also makes them able to know the cause employee discontentment.

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## **Chapter 1**

### **Introduction**

## **1.1 Introduction**

In this time of competitive environment across the business firm strategic and human resource experts needs to cooperate each other to design productive strategies so that an organization can remain sustain and competitive. Many researchers said that an organization can who prosecute a focused and mobilized human resource system will be the most successful firm of the twenty first century. According to Marquardt 2004, “The art and science of empowering people, communities and organization to create quality, productivity, opportunity and fulfilment has never encountered so many challenges and opportunity.” As we know that human resource management concentrates in employee related area like human resource planning, recruitment and selection, training and development, performance appraisal and management, compensation and benefit, industrial law and labour relation. Among all of the mentioned functions performance appraisal is the most significant one. Because by the performance appraisal process management can evaluate performance of employee, can compare the achieved performance with standard, can reward best employee performance, and can be able to identify the need of employee training and development.

## **1.2 Background of the Project Report**

In **United International University** students of BBA program has to submit project report for the completion of their graduation program. It is a mandatory requirement and also contains three hours credit course. Thereafter, for the submission of the project report I have selected the topic titled **“An Analysis of Performance Appraisal System of Public and Private Banking Sector of Bangladesh”**. This report is the reflection of three months hard work and collaboration with my supervisor **Piana Monsur Mindia** Assistant Professor of United International University in every step of the report development. I am very grateful to my honourable supervisor for her cordial support, help, and cooperation.

## **1.3 Scope of the Study**

The augmentation of this study is to acquire a practical orientation of Performance Appraisal system of several banks of Bangladesh. By conducting this study I become able to learn about the Performance Appraisal process, practices, and system of several banks which they actually follow. This study helps me to enhance my knowledge of depth and also aid me to relate the theoretical aspect with practical aspect of Performance Appraisal system.

## **1.4 Objectives of the Report**

The core objectives of the report are to find out the relationship between Performance Appraisal system and employee performance and motivation. Other specific objectives are as follows:

- To find out the difference between Performance Appraisal system of Private and Public banks of Bangladesh.
- To discover employees opinion about Performance Appraisal and attitudes towards their work.
- To give a concentration on performance appraisal system of banking sector of Bangladesh.
- To find out the impact of formal performance appraisal system on employees performance.

## **1.5 Methodology and Material of the Report**

To develop this project I have collected data from two sources such as:

- ❖ **Primary sources of data:** I have visited several public and private banks and had a direct face to face conversation with the branch manager, junior and senior level employees. These types of data were collected in the form of a survey questionnaire.
- ❖ **Secondary sources of data:** For the further development of the study I have gathered information from the web site of those banks, previous research article, journal, books and lecture note.

**Data collection methods, tools, and sampling:** For the development of the project report a five point Likert scale survey questionnaire was formed. All the questions were relevant and structured. The questionnaire was the only tool. This Likert scale formed questionnaires helped respondent to respond quickly. For collecting data total eighty two (28 from public bank & 54 from private bank) respondents were drawn from several banks.

## **1.6 Project Hypothesis**

H<sub>1</sub>: Performance Appraisal has a positive relation with employee's performance and motivation.

H<sub>2</sub>: There is a difference between performance appraisal system of public and private banks.

H<sub>3</sub>: Formal performance appraisal helps employees to improve their performance.

## **1.7 Limitations of the Project Report**

1. Accuracy of the data depends upon the accuracy of the sources as because cross checking was not possible.
2. Due to confidentiality of banking policy restricts disclosing several important data.
3. Deficiency of data required for the study.
4. Field practice varies with the standard practice that also created problem.

## **Chapter 2**

### **Literature Review**

## Literature Review

This paper will probe into the supporting literature of performance appraisal systems and its importance. Furthermore, this study will stick the significance of banking industry and usage of different performance appraisal systems and what is the linkage of motivation, job satisfaction and employee loyalty, support and belief in the current performance appraisal process and organizational success moreover will give suggestions to improve performance appraisal systems.

**Performance Appraisal:** Performance can be defined as the documentation of outcome produced on a specified job function or activity during a specified time function (Bernardin and Russel, 1993). Performance appraisal is not just a once-a-year assessment; effective managers incorporate performance review and feedback as part of their day to day interactions with employees (Webb, 2004). Performance appraisal is a incessant process through which performance of employees is identified, measured, and enhanced in the organization. This process includes practices like appreciation of employees' accomplishment, providing them habitual feedback and offering career development (Aguinis, 2007).

**Performance Appraisal** may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

A significant factor associated to an organization's long-term success is its ability to measure how well employees act upon and then use that information to ensure that performance meets present standards and improves over time. This process is referred to as performance appraisal or performance evaluation. It can also be defined as the process by which an employee's involvement to the organization during a precise period of time is assessed. If used efficiently, it can progress employee enthusiasm and performance.

**Performance Appraisal** can also be defined as the preparation of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for the purposes of supervision including placement, assortment for promotions, providing monetary rewards and other activities which require disparity treatment among the members of a group as eminent from actions affecting all members uniformly. Performance appraisal is a ceremonial system that evaluates the superiority of a worker's performance. An appraisal should not be viewed as an end in itself, but relatively as a key process within a broader performance administration system that associates, Organizational objectives, everyday performance, Professional improvement, Rewards and incentives.

**Key attributes of performance management:** Owned and managed by supervision. Strategic, Long run goals, looking forward, Stable, Incorporated, Management by agreement, Holistic, Managers owned, Supple and adaptable, Focus on individuals' growth, Practical and effective, Qualitative phase of performance, (Rosario, Longo: 2011)

**History of performance appraisal:** Performance appraisal in the commencement was just the way to lessen inequalities and injustice in financial terms as it used to make certain whether employee is paid according to its value it had nothing to do with employees opinion or appreciation then this conception was modified into a multidimensional approach, to align employee performance with organization strategy and which led to the start of performance management (Franzsen, 2003: 133). In early days, appraisal systems had different meanings in diverse circumstances. For example, it could be used to evaluate or audit individuals, as a tool for succession planning, training, controlling, development and motivation. Managers were not equipped or empowered to use appraisals as a management tool and employees did not see the benefit of this tool for themselves. Over time, performance management has become a management tool to ensure effectiveness and alignment of individual and organization goals/objectives (Shelley, 1999: 442-443).

The prominent management specialist, **McGregor** defined the performance appraisal system as “the formal performance appraisal plans are designed primarily to meet the organizational needs and to provide organized judgments. Appraisal also tells the employees as to how they are doing and about the vital changes in their behaviour, attitudes, skills or job knowledge, in other words, making the employees conscious as to where they stand in the eyes of superiors. These form the basis for the training and counselling of employees by their bosses.

**Performance appraisal systems** began as simple methods of earnings validation. That is, appraisal was used to choose whether or not the salary or wage of an individual employee was reasonable. The process was firmly linked to material outcomes. If an employee's performance was found to be fewer than perfect, a cut in pay would follow. On the other hand, if their performance was better than the superior expected, a pay increase was in order. Little reflection, if any, was given to the developmental possibilities of evaluation. If was felt that a cut in pay, or a rise, should provide the only essential motion for an employee to either progress or carry on to perform well. Sometimes this essential coordination succeeded in reaching the results that were projected; but additional often than not, it failed. For example, untimely motivational researchers were sentient that diverse people with nearly equivalent work abilities could be paid the similar money and so far have fairly different levels of inspiration and performance. These annotations were established in experiential studies. Pay rates were imperative, but they were not the only aspect that had an impact on employee performance. It was found that other issues, such as self-esteem and self-esteem, could also have a foremost influence.

**Modern Methods of Performance Appraisal:** In contemporary times Performance appraisal may be defined as a structure prescribed interface between a subordinate and supervisor, that typically takes the form of a episodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for progress and skill improvement.

In many organizations – but not all appraisal result are used, either directly or indirectly, to settle on reward outcomes. That is, the appraisal outcomes are used to discover the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions (Goel, 2008).By the same token , appraisal result are used to identify the poorer

performers who may involve some form of counselling, or in intense cases, demotion, discharge or decreases in pay.

**Techniques of Performance Appraisal:** There are **diverse techniques** of performance appraisal in the modern times, 360 Feedback System and Management by Objectives (MBO). There is a relationship between Performance appraisal and motivation, job satisfaction and loyalty (bonnie, 2002). It could be also used as a technique to create a completion between employees to get the job done with all the linked targets and benchmarks (Robert, 1984). It is also mandatory that employees get the truthful performance appraisal outcome to get inspired, if the feedback of appraisal is according to their performance over the span of time that will be a great source of motivation to them they will trust, believe and support the company's current performance process.

**Inefficient performance** can create dissatisfaction from job and ultimately can decrease the loyalty with organization. One employee always wants that evaluator recognize as well as appreciate his efforts and achievement in the professional life and also support him to dominate on his failure and give them opportunity to make advancements in his performance in future (bonnie, 2002). If the performance appraisal has some flaws in it and is actually creating some discrepancy in the procedure, then it will affect the motivation level of the workforce and ultimately it will affect their efforts and the risk taking ideas and hinders creativity and innovation for the betterment of the organization. Also they will lose their interest in the affairs of the organization and their motivation level will decrease (Robert & Kim, 2007). This demotivation leads the employees to low level of loyalty and they will look other alternatives of good job and better opportunities (bonnie, 2002). Employees who tend to get an accurate performance appraisal over the period of time the rewards associated with that appraisal is most motivated employee among all of them and similarly he is more satisfied with job and more loyal to the organization. Therefore, the process should be fair enough as this is the critical way to motivate, satisfy employees with their job and creates the loyalty (Storey&Sisson, 1993).

**Importance of Performance Appraisal:** Employee motivation, satisfaction and loyalty leads towards the organizational success. It will help in getting employees support and believe in current performance management process. The managers are well aware of the importance and sensitivity of performance appraisal and its ultimate effect on the motivation, loyalty, and job satisfaction. It has a big effect on the growth and success of the organization, so while documenting, communicating, and talking about the job particulars, they are more concerned.

It has been observed that in the present time, job performance systems have much improved to get employees loyalty, but still the outcome shows that it has a negative effect on the job satisfaction and motivation of the employees if it is not appraised truly and thoroughly (Robert, 2002). If employees are demoralized and lose their loyalty, then it would have a negative effect on the aims and objectives of organization. Human resource officials use performance appraisal for decision making like planning payments and salary scale of the employees, as it helps managers in provision of training and development of employees which is needed after proper feedback.

**Performance appraisal** can also help the managers and leaders to decide what are the factors or major key steps should be made to increase the productivity of employees (Natalie&Ann2005). As performance appraisal encourages the high performers, meanwhile performance appraisal also highlights the performance that's not up to the mark and tells about the areas that needs improvements and it helps the management to remove the leaning hurdles and ambiguities thus made them get aligned with the already set objectives and aims. This system also identifies the employee who needs training and development, guidance and counselling from management to improve their performance and work on the areas where they lack at work. Organization believes that it's the best tool to monitor the level of employees and their performances and making the decision about their increments in salary, promotions, demotions and penalties (March, 1982).

**Keeping people motivated to get better performance:** It has been proven (Blignaut, 2009: 14) that a motivated workforce will make the organization successful Organizations can ensure this in the following ways:

**Involve employees in problem-solving;** employees must become part of the solution as they will implement it in a better way when they participate and have the assurance that their suggestions are valued thus start identifying themselves as a part of the process.

**Treat employees as customers** acknowledge that every individual has different needs and aspirations and should be treated differently.

**Ensure that new employees are a cultural fit** in terms of the organization and will take time in socialization. Offer opportunities for growth and development continuously put flexible work arrangements in place, e.g. flex time, salary structure, Provide regular feedback on team and individual participation, and give clear them guidelines on task and role.

**Communicate regularly,** openly and truthfully to tell them what they are good at and performing well and where they lack.

**Reward outstanding performance;** recognize and appreciate in a fair and consistent way and according to their worth to the organization.

**Recognize the importance of a balanced life style,** stay in tune with the core family of employee so that employee make a balance in work-life and give full attention to task and targets on job. Provide employees with the support and resources as needed to do their job.

## **Chapter 3**

**An overview of several Public & Private Banks of Bangladesh**

To prepare this project report survey data was collected from three Public Banks and thirteen Private Banks. The following is the short bio of each bank:

**Public Banks:** Agrani, Pubali and Bangladesh Krishi Bank are the three public banks of my survey data.

**Agrani Bank:** Agrani Bank a leading state owned commercial bank. It is now having 952 branches which is automatically situated in all commercial area in Bangladesh. With subsidiary company in Singapore it ejected as a nationalized mercantile bank in 1972. It began a public limited bank in 2007. This bank is ruled by eleven board of director and performing as general, agriculture and rural, green, merchant, Islamic, and agent banking. This bank provides various services like cash, value added, foreign remittance, fund transfer, atm, lockers, and utility bill collection.

**Bangladesh Krishi Bank:** It is the largest specialized and state owned bank in Bangladesh. It was inaugurated with an aim to protect people financially and risky and uncertain climate dependent sector in 1973. It has 1034 branches and 381 are online which helps them to maintain foreign remittance activity. They are now one step advance, digital and recognize them to offer modern banking facility and with this goal they are going to introduce “**Bangla Cash**” a mobile banking service under the supervision of mobile finance service. Services of these banks are online, computerized banking, atm, bach, sms, school banking and foreign remittance.

**Pubali Bank:** Pubali bank was formed as nationalized and Governmental bank in 1972. It has now having 173 branches with online banking system. Services of the banks are retail, corporate, sme finance, trade finance and Islamic banking.

**Private Banks:** The following is company overview of several private banks:

**Brac Bank:** It was formed in 2001 as a private commercial bank the objective to focus on small and medium enterprises and to capture a numerous number of target audience to fulfill their modern bank facility. They have 186 branches with 447 atm booth outlets. The services of these banks are retail, sme, probashi, foreign remittance and custodial banking. Bkash is the renowned mobile banking services of Brac bank. This bank provides sponsorship for national cricket team of Bangladesh with a pre-specified time period of 2016-2020. These banks atm services are now arranged in **Omnibus shared network**.

**Mutual Trust Bank:** It was formed as a local private bank in 1999 with having a complete extent of experienced, expert professional employees with the aim to give excellent and customized services of business, trade, capital market, lease financing, and

foreign exchange. As they have excellent number of workforces so they want creates a picture as bank of difference on their customers mind. This bank provides their employees **three percent of pre-tax profit** as **performance bonus** on the basis of their work performance.

**NRB Bank:** NRB bank was formed in 2013 as a new generation bank and corporate financial bank with the aim to get more flow from foreign remittance and also to get an opportunity of investment so that it can boot up our economy. It has now 68 branches with 46 atm booths. They want to be the most preferable financial service provider for both domestic and international clients with the collaboration of expertise, professionals and financial strength. This bank is dynamic and techno centric so the performance level goes to progress. Their services are corporate, sme, retail, digital, and green banking. For the very first time this bank going to launch impenetrable **VISA EMV** card for **fourth generation** in the history of Bangladesh.

**City Bank:** In 1983 City bank started their journey as a private commercial bank. It is the top five and most oldest bank of Bangladesh. It has now having 87 branches with 46 atm. Services of this bank are term deposit, treasury, wholesale, sme, Islamic and agent banking, and supply chain finance. In 2018 City bank achieved country **Award of Finance Asia** for the best premium bank of Bangladesh.

**Jamuna Bank:** Jamuna bank is a registered private commercial bank of Bangladesh which established in 2001. They take measures for confirmation to commerce, finance, and trade. They provide Islamic and conventional banking with having diversified, highly expertise, and professional team. This bank is renowned for the quality service provider. Jamuna bank formulate different types of strategies for satisfying anticipated customers needs, utilizing and managing change for the development of human capital. They have **Smart IT-Backbone** by which they perform real time online banking.

**Prime Bank:** Prime bank founded in 1995 by a team of successful local entrepreneur. It is a license and private commercial bank of Bangladesh. Services of this bank are retail, investment, atm, corporate, Islami banking, and personal banking. They serve their customers need technological agenda named **capacity building** by this they have captured a strong market position and momentous progress.

**Southeast Bank:** Southeast bank started their operation in 1995 with the aim to be a leading banking industry of Bangladesh. Services of this bank are conventional, islami, sme, and internet banking. They also provide foreign trade, remittance, locker, bill payment, e-statement, and mobile finance services. They encourage their employees to perform their best job by giving them a trust and discipline environment. This form of

culture possesses the employees to reach that level of performance which is out of the boundary of management expectation.

**Social Islami Bank:** Social islami bank started their journey in 1995as a second generation private Islamic commercial bank ground on **Shariah** proposition. Social islami bank securities and investment limited are the two subsidiary companies of this bank and are now operating with 155 branches. With the help of informal finance and investment they are acting as a non formal banking sector. In the history of banking industry they are the first that inaugurate **Cash Waqf** system to mobilize capital. Their services are financing trade, investment in less costly casing, real estate management, deposit account, bill collection, acquire and sale on instalment capital goods, well being project, letter of credit and guarantee etc. This various services are highly secured and maintained by upgraded IT Infrastructure. This bank formed a CSR Portfolio by which they donate in health, education, and habitat sector.

**Shahjalal Islami Bank:** This bank was introduced in 2001 in terms of private commercial bank based on **Islami Shariah**. They are operating as **interest free** banking and deals with various trades so that they can contribute to our GDP growth. Their products are two types one is deposit contains school banking, mudaraba deposit, mudaraba double money, mudaraba monthly income, mudaraba haji deposit, mudaraba cash waqf; the second one is investment including small and medium enterprise investment, housing durable, cash investment, education, executives and doctors scheme.

**Uttara Bank:** The bank was formed in 1965. It is a former and immense bank of our country. They have 235 branches which are in full form of online branches that deliver fastest service for their customers. It has six hundred foreign correspondents over the world. The bank has several division such as human resource, central account, IT and communication, international, corporate banking, and treasury division and so on. Services of the bank are retail, general, corporate, sme, investment, and consumer banking.

**Modhumoti Bank:** The bank started its journey in 2013 as a fourth generation and private commercial bank of Bangladesh with the aim to deliver fastest service to customer. The bank are operating with the objective to follow and maintain sustainable customer growth, business ethics, explore non banking area, attract and retain valued customer by providing quality full financial services. Services of the bank are agriculture banking, sme banking, agent banking, retail deposit, retail loan, corporate banking, international division and Modhumoti credit card.

**Eastern Bank:** In 1992 Eastern Bank started its operation as a private commercial bank in Bangladesh. Now the bank is performing with fifty nine branches. In Calcutta eastern bank going to open foreign branch for the first time in outside of Bangladesh. Services of the bank are corporate finance, equity brokerage, retail banking, security and assets management. By this types of services eastern bank constantly predict the future and promote productivity for creating customer value, sustainable growth.

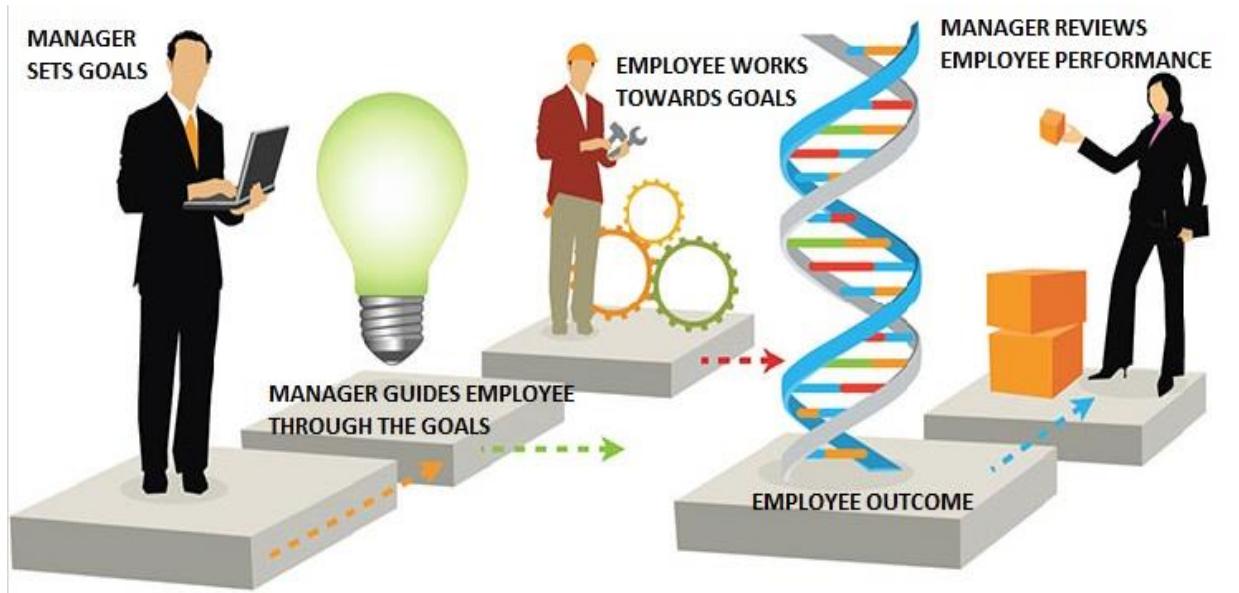
## **Chapter 4**

### **Performance Appraisal Process of Bangladesh Banking Sector**

In Bangladesh both private and public bank try to follow a good system of performance appraisal. For conducting performance appraisal management of banks formulate several strategies so that performance appraisal system becomes more organized, gives a coherent and ratiocinate result to the employees. The steps of performance appraisal are as follows:

#### **4.1. Creating a planning for performance**

This step is the reflection of collaboration approach of management and employees. The planning is formed in the basis of employee's competencies, behaviour, result, and developmental plan. This is acting as a base of performance appraisal. To carry out a proper range of ditties by employees it is supervisor job to set a realistic, relevant and achievable performance objective.



#### **4.2. Setting performance standard**

In this second step management need to find out the key area of goal, objectives, which need to be clearly defined so that employees can keep themselves on track to attain those sated goals. During these period employees decide the targets and the key area of performance which they need to perform throughout the year and then reporting the officer and employees finalize it by a mutual agreement. The objective here is needed to be a smart one.

Specific	Objectives should be specific including dates, dollar amounts and resources
Measurable	Objectives should have metrics like date of completion and appropriate units
Achievable	You should be able to complete at least part of your objectives
Realistic	Objectives should be realistic so they can be accomplished
Time-Specific	Objectives should have a start and end date

#### 4.3. Carrying out performance

This is the step where the execution of performance is done. This define two sets of responsibility such as,

**Responsibility of manager:** This includes keeping records of employees, coach employees, giving employees' feedback and suggestion, update goals and objectives if needed.

**Responsibility of employees:** Employees need to understand the purpose of performance objectives, give hundred percent of their concentration and effort to achieve objectives, and share information with supervisor.

#### 4.4. Measure and compare performance with standard

Here performance of employees are evaluated and then compare this performance with the predefined standard. This makes a comparison between actual outcomes with the benchmark. This process helps management to identify the employees have attained and reached the level of standard and who are not.

#### **4.5. Giving feedback (reward or punishment) and suggestion to employees**

Employees who have reached the level of standard and captured the targeted goals get reward and those who did not pass the standard get punish to lower level job, do not get promotion, increment and so on. Employees who get reward this will create a positive impact on their self esteem, employees will feel more motivated, employees become loyal and ethical to the organization; that ultimately result a huge success for the organization.



## **Chapter 5**

### **Project Findings and Analysis**

The following will show the result and discussion part of the project hypothesis which was established for the findings & analysis from the eighty survey data.

**5.1. Testing the hypothesis H<sub>1</sub>:**“Performance appraisal has a positive relation with employee’s performance and motivation.”For this hypothesis test I have selected the followings as variables

**Dependent variable** is “An effective performance appraisal system keeps the employees motivated.”

**Independent variable** is “The financial benefit is linked up with the performance.”

**Table 1: Pearson’s Correlation**

	Effective PA system keeps the employee motivated	Financial benefit is linked with PA system
Effective PA system keeps the employees motivated	1.00	0.52553301
Financial benefit is linked With PA system	0.52553301	1.00
Key word Performance Appraisal (PA)		

**Table 2: Regression Coefficient**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	SE of the estimate
1	0.525	0.276	0.2671	0.6057

**Table 3: ANOVA**

Models	Sum of square	df	F	Significance F
Regression	11.198	1	30.525	3.98663E-07
Residual	29.349	80	-	-
Total	40.548	81	-	-

**Discussion:** In **Table 1** the Pearson's correlation is 0.525. The value of correlation 0.525 is a positive value which indicates that a moderately positive relationship exists between the two variables. If the value of one variable increases then the value of the second variable also increases. This indicates that change in one variable is moderately correlated with the change in another variable. So, it can be sum up that there is a moderately strong relationship between effective performance appraisal system keeps employee motivated and the financial benefit is linked with performance appraisal system. The persons' correlation implies there is a linear relationship between two variables if one variable gets larger the second variable also gets larger in a reasonable proportion and this relation follow a straight line.

In **Table 2** the  $R^2$  emphasizes as a statistical tools that explains how closely data are fitted to regression line. This value also constitutes the portion of variance accounted for the independent variable. From the **Table 2** we can found that around 27% of the variability in the financial benefit can be accounted for the significance between employees motivation. The higher the  $R^2$  value the better the model fits the data.

The first hypothesis of this project is also supported by the ANOVA (Analysis of variance) which is **Table 3**. Here the value of F is 30.525 and Significance F is 3.986.

So after the above analysis it can be conclude that the first hypothesis "**Performance Appraisal has appositive relation with employee's performance and motivation**" is accepted.

**5.2. Testing the hypothesis H<sub>2</sub>:** “There is a difference between performance system of public and private banks.” To test this hypothesis I have selected the followings as variables.

**Dependent variable** is “The nature of the organization”.

**Independent variables** are “The bank has a proper PA system”.

“Appraisal is done on a regular basis”.

“Performance is evaluated formally by the organization”.

**Table 4: Pearson’s Correlation**

Variables (Pearson’s correlation)	Nature of organization	The bank have a proper PA system	Appraisal is done on a regular basis	Performance is evaluated formally by organization
Nature of organization	1	0.736	0.608	0.533
The bank have a proper PA system	0.736	1	0.666	0.515
Appraisal is done on a regular basis	0.608	0.666	1	0.685
Performance is evaluated formally by organization	0.533	0.515	0.685	1

**Table 5: Regression Coefficient**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	SE of the estimate
1	0.761	0.579	0.563	0.568

**Table 6: ANOVA**

Model	Sum of square	df	F	Significance F
Regression	34.761	3	35.880	1.1246E-14
Residual	25.189	78	-	-
Total	59.951	81	-	-

**Discussion:** Here the values of Persons' correlation of all the independent variables are 0.736, 0.608, and 0.533 which is close to 1. That indicates the variables are positively related with each other. The value emphasized if the value of one variable increases the value of the second variable also increases. So, change in one variable is correlated with the change in second variable. There is a linear and moderately strong relationship between the variables. So the second hypothesis "**There is a difference between performance appraisal system of public and private bank**" is accepted.

In the proper performance evaluation, and regular performance appraisal is accounted around 57.9% of the variance for the difference types of bank. The second hypothesis was developed to find out that there is a difference between performance appraisal of public and private bank. The hypothesis is also supported by the ANOVA result in **Table 6**. So after the above discussion we can conclude that there is a difference between performance appraisal system of public and private bank.

**5.3. Testing the hypothesis H<sub>3</sub>: Formal performance appraisal helps employees to improve their performance.** To test the hypothesis I have selected the followings' as variables.

**Dependent variable** is “Supervisor opinions help to improve performance”.

**Independent variables** are “Supervisor evaluates the employees’ performance”.

“Appreciation of my contribution to the department”.

“PA has an impact on performance”.

“PA result is communicated”.

**Table 7: Pearson’s Correlation**

Descriptions	Supervisor’s opinion helps me to improve performance	Supervisor evaluates the employees performance	Appreciation of my contribution to the department	PA has an impact on performance	PA result is communicated
Supervisor’s opinion helps me to improve performance	1.00	0.567	0.297	0.485	0.386
Supervisor evaluates the employees performance	0.567	1.00	0.510	0.499	0.485
Appreciation of my contribution to the department	0.297	0.510	1.00	0.291	0.227
PA has an impact on performance	0.485	0.499	0.291	1.00	0.418
PA result is communicated	0.386	0.405	0.227	0.418	1.00

**Table 8: Regression Coefficient**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	SE of the estimate
1	0.617	0.381	0.349	0.612

**Table 9: ANOVA**

Models	Sum of square	df	F	Significance F
Regression	17.805	4	11.863	1.46962E-07
Residual	28.890	77	-	-
Total	46.695	81	-	-

**Discussion:** In Table 7 it can be shown that all the value of independent variables is positive. Persons' correlation of first independent variable is 0.567 which indicates there is a moderately strong relationship between the two variables. If the value of independent variable increases and the value of the dependent variable is also increases. Similarly if the value of independent variable decreases then the value of the dependent variable is also decrease. This indicates the change in one variable is moderately correlated with the change in another variable. The rest of the independent variables correlation value is 0.297, 0.485, and 0.386; which indicated that there is weak but positive relationship between the variables. If the value of one variable increases the value of other variable also increase. Likewise if the value of one variable decreases the value of another variable also decreases.

In Table 8 the value of R<sup>2</sup> is 0.381. This indicates around 38% of the variability in the opinion that formal appraisal helps employee to improve their performance. In Table 9 the ANOVA result also reinforce the objective of hypothesis where the value of F is 11.863 and Significance F is 1.469. So, the third hypothesis "**Formal performance appraisal helps employee to improve their performance**" is accepted.

## **Chapter 6**

### **Recommendation and Conclusion**

## **Recommendation**

The following are some recommendation that will add value on the Performance Appraisal system of Bangladesh Banking sector.

- 1) After having the research findings and analysis it can be conclude that in Bangladesh banking sector bankers are not highly satisfied with the exiting performance appraisal system. So it is to recommend that management and concerning authority should take necessary steps for the betterment of performance appraisal system.
- 2) It is obvious that performance appraisal operate as motivational tools for employee. According to the first hypothesis of the project performance appraisal is positively related with employees' motivation, job satisfaction, performance, and loyalty. So, the management of the banking sector should apply several motivational tools and provides financial and non financial rewards to the employees on the basis of their performance. This will result employee loyalty and boost up the overall performance of the organization.
- 3) Management should let the employee know the different methods of performance appraisal system. There should be a clear and well defined performance appraisal tools. So that employee will be able to know the criteria about the performance appraisal system, and will have an idea about it and also they will make themselves prepare for the performance appraisal system.
- 4) Our third hypothesis did not results a significant amount of satisfaction level of bankers. In our country some of the private bank properly evaluate performance of employees, appreciates them for their contribution, and also the result of performance appraisal is communicated and known to employee. But most of the public banks do not follow the exact process like above. So it is to recommend that performance appraisal system should be designed only by the job related factors.
- 5) In Bangladesh most of the banks the evaluation of employee performance is done only by their supervisor. But this is not a fruitful way to get exact outcomes. So the banking sector should initiate the 360 degree performance appraisal system. Because this is a comprehensive view of employees performance and employees performance is evaluated by their superior, peers, self, subordinates, suppliers, and customers. This will help employee to identify their strength and weakness in a more significant way.
- 6) Management of banking sector should be more concern about introducing and maintaining employee engagement in performance appraisal process with an actual balanced of effort, time, investment, and commitment.

## **Conclusion**

Performance appraisal is the mother of all human resource initiatives. Performance appraisal has a crucial contribution and importance for organizations betterment. In this competitive age needs to use proper performance appraisal tools to get an appropriate outcome. As the time passes the banking sector of Bangladesh is also expanding more. The projects hypothesis demonstrated that the process of performance appraisal system is positively correlated with the employee motivation and performance; also the formal performance appraisal process helps to improve performance. So it is certain that performance appraisal is a tool for straighten the organization and employee performance. This helps management to identify the importance of improvement of operation, terminating, compensation, training, promotion, transfer, employee recognition, and pay increase. By following the proper performance appraisal system banking sector can run their business more smoothly and will able to get best outcomes.

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## **Appendix A: Survey Questionnaire**

**Dear Sir/ Madam,**

I am Sadia Afrin Tisha student of United International University. I am conducting a survey regarding Performance Appraisal system of your bank. Please go through the following questions and put tick mark. I am assuring you that all your information will be kept confidential and only be used for my project purpose.

### **Questionnaire**

<b>Name (optional):</b>	<b>Name of the Bank:</b>
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#### **Demographic Profile:**

1. I am working in -                            a) Public Bank    b) Private Bank
2. Gender -                                      a) Male                b) Female
3. Age -    a) 25-35    b) 35-45    c) 45-55    d) 55-above
4. Designation -                                a) Junior officer level    b) Senior officer level  
    d) Principle officer level    e) Assistant Manager  
    f) Manager
5. Educational qualification -                a) Bachelors    b) Masters    c) Above Masters

#### **Questions regarding Performance Appraisal of your Bank:**

<b>Statements</b> (Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly Agree=5)	1	2	3	4	5
1. The Bank have a proper Performance Appraisal System					
2. Appraisal is done on a regular basis (yearly, half-yearly, quarterly, monthly)					
3. My performance is evaluated formally by the organization					
4. The performance Appraisal is done regularly by the management					

5. Management have positive attitude towards Performance Appraisal					
6. The performance objective is set by the appraiser/supervisor					
7. Performance objective and standards are known to me					
8. Participation is allowed in case of setting performance objective					
9. The Appraisal process has an impact on employee performance					
10. The result of the Appraisal is communicated to the employees					
11. An effective appraisal system keeps the employees motivated					
12. The financial benefit is linked up with the performance					
13. Bankers are getting increment based on the annual performance review					
14. Promotion is dependent on the performance of individual employee					
15. My organization recognizes my contribution to the department					
16. My organization appreciates my contribution to the department					
17. I am delegated authority and responsibility from my department					
18. I am enjoying the responsibility given by my department					
19. The supervisor evaluate the performance of the employees					
20. The opinion of the supervisor is taken into consideration for appraisal of the employees					
21. The evaluation of the supervisor helps me to improve my performance					
22. I have positive attitude towards Performance Appraisal process					

23. I think the Appraisal system of my organization is fair and ethical.					
24. The Appraisal system of my organization is only for maintaining a formality.					

## Appendix B: Regression Analysis of Respondents from survey questions

Table 1

SUMMARY OUTPUT of Hypothesis 1						
<i>Regression Statistics</i>						
Multiple R	0.525533					
R Square	0.276185					
Adjusted R Square	0.267137					
Standard Error	0.6057					
Observations	82					
ANOVA						
	df	SS	MS	F	<i>Significance F</i>	
Regression	1	11.19896	11.198	30.525	3.99E-07	
			96	47		
			0.3668			
Residual	80	29.34982	73			
Total	81	40.54878				
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	2.807053	0.274946	10.209	3.78E-47	2.259893	3.3542
X Variable 1	0.35225	0.063756	5.5249	3.99E-07	0.4791	0.2253
			86		0.225372	2.2598
					28	3.3542
					72	0.4791
						28

**Table 2**

SUMMARY OUTPUT of Hypothesis 2									
Regression Statistics									
Multiple R		0.76147							
		0.57983							
R Square		6							
		0.56367							
Adjusted R Square		6							
		0.56827							
Standard Error		8							
Observations		82							
ANOVA									
	df	SS	MS	F		Significance F			
Regression	3	34.76 187 25.18	11.58 729 0.322	35.88 059		1.12E-14			
Residual	78	935 59.95	94						
Total	81	122							
	Coefficients	Stand ard Error	t Stat	P-value	Lower 95%	Uppe r 95%	Lowe r 95.0 %	Uppe r 95.0 %	
Intercept	0.45175 5	0.382 392	1.181 394	0.241 036	-0.30953	1.213 038	0.309 53	1.213 038	
1. The Bank have a proper Performance Appraisal System	0.57212	0.097 792	5.850 379	1.09E-07	0.37743 1	0.766 809	0.377 431	0.766 809	
2. Appraisal is done on a regular basis (yearly, half-yearly, quarterly, monthly)	0.13379 5	0.135 295	0.988 91	0.325 765	-0.13556	0.403 146	0.135 56	0.403 146	
3. My performance is evaluated formally by the organization	0.15582 5	0.101 737	1.531 641	0.129 657	-0.04672	0.358 367	0.046 72	0.358 367	

**Table 3**

SUMMARY OUTPUT of Hypothesis 3						
Regression Statistics						
Multiple R	0.617499					
R Square	0.381305					
Adjusted R Square	0.349165					
Standard Error	0.612532					
Observations	82					
ANOVA						
	df	SS	MS	F	Significance F	
Regression	4	17.805 08	4.4512 69	11.863 87	1.47E-07	
		28.890	0.3751			
Residual	77	05	95			
		46.695				
Total	81	12				
	Standar					
	Coefficie	nd	t Stat	P-	Lower	Upper
	nts	Error	Value	95%	95%	95.0%
		0.4369	3.1037	0.0026	2.2262	0.4860
Intercept	1.35614	43	01	73	0.486075	04
19. The supervisor evaluate the performance of the employees	0.338011	0.1035 87	3.2630 6	0.0016 45	0.5442 79	0.1317 43
16. My organization appreciates my contribution to the department	0.001381	0.0924 37	0.0149 4	0.9881 19	0.1854 47	0.1826 9
9. The Appraisal process has an impact on employee performance	0.232673	0.1051 42	2.2129 47	0.0298 63	0.4420 36	0.0233 09
10. The result of the Appraisal is communicated to the employees	0.092062	0.0721 42	1.2761 14	0.2057 51	0.2357 16	0.0515 9
				-0.05159		0.23571 56