

**A COMPARATIVE STUDY OF EMPLOYEES' PERCEPTION RELATING  
TO PERFORMANCE APPRAISAL PRACTICES IN THE PUBLIC AND  
PRIVATE BANKING SECTOR OF SINDH**

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**ABSTRACT**

*Performance appraisal is a key human resource practice and source of a motivation for an employee and its success depends on justice perception of an employee towards performance appraisal system. Pakistani banking sector is playing a vital role in the economic growth of the country. Private Banks are innovative and effective in their approach as compared to the public banks. Past studies have compared the public and private banks and found that new private banks are more effective than public banks in terms of technical and economic efficiency. However, there are meager studies available in the context of justice perception of performance appraisal practices in the public and private banks. Data were collected through five-point Likert scale and analyzed with SPSS 24.0 versions. In the result difference of justice is measured by mean differences and independent sample t-test. However, it is found that employees of private banks perceive greater justice as compared to public banks. This study emphasizes the importance of fairness perception of employees in the context of performance appraisal practices and could be used to better understand the problems associated with appraisal practices in public and private banks.*

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**Keywords:** Employee perception, Performance appraisal, Public and Private sector

**INTRODUCTION**

Performance appraisal is an essential practice in an organization as it yields the various activities and decision related to human resource management (Jawahar, 2007). Despite years of research, dissatisfaction and frustration with performance appraisal remained as a common problem at an all-time. With the passage of time organizations are planning to improve the performance management system (Adler *et.al.*, 2016). The usefulness of a performance appraisal system depends on all users of the system i.e. appraisees, appraisers and organizations (Ikramullah, *et.al.*, 2016). Employees' perception of justice at workplace can have an impact on several organizational behaviour aspects such as satisfaction with work (McFarlin &

Sweeney, 1992) commitment with organization (Suliman & Al Kathairi, 2012) trust with organization (Saunders & Thornhill, 2003) organization citizenship behaviour (Muhammad, 2004) and performance of an employee (Suliman & Al Kathairi, 2012). Performance appraisal is the process in which the performance of an employee is evaluated by the supervisor or manager (Shen, 2004). Proper implementation and execution of the performance appraisal system remain a challenge for human resource management effectiveness (Taylor *et.al.*, 1995). Performance appraisal is a practice used in organizations by which promotion decisions, training needs, pay decisions, and employees motivation are evaluated through performance appraisal ratings (Cascio & Bernardin, 1981).

### **Differences in Public and Private Banks**

Banking sector of Pakistan is a healthy and growing sector which is contributing to the growth and development of an economy of the country. Public and Private Banks are two different banks in the term of their control, operations and their structure. Public banks are controlled by the government while private banks are controlled by private owners and their management bodies. Private Banks are more profit-oriented than public banks. Private Banks is using advanced technology, unconventional and innovative approaches on a speedy basis while public banks are slow in implementing the use of advanced technology and using conventional approaches.

The customer feels more satisfied in private banks in comparison to public banks because of appropriate locations of the branches, advanced technology usage, and customer care. However, public banks give a minor advantage to customers in lower charges on services and there are reliable because of government ownership. Private banks employees are more trained, and customer service focused than public bank employees (Haq & Muhammad, 2013). According to Singh (2006) private banks have progressive technology, they have complete control, autonomy and unrestricted from bureaucratic environment which helps them to make quick decisions and in results they satisfy to their customers with their innovative and creative customer-focused approaches and they provide excellent atmosphere of working to their employees to maintain the high efficiency and effectiveness.

### **Organizational Justice**

In literature the terms 'fairness', 'justice' and 'equity' are used interchangeably (Adams, 1963; Moorman, 1991). Organizational justice is usually used by organizations for ethical purposes and fair treatment with an employee (Greenberg, 1990) and it is based on equity-based perceptions (Adams, 1963). Organizational justice is associated with social exchange

theory. The social exchange theory explains that people perceive justice when they feel that their efforts and their contributions are balanced with the rewards (Adams, 1963). According to Greenberg's (1993) organizational justice concept, in which he crosscut two determining factors of justice (structural and social) and two justice dimensions (distributive and procedural) and in the result he originated four justice factors (configural, systematic, interpersonal and informational). Bies and his fellows introduced another type of justice emphasis on interaction quality among peoples in the workplace (Bies & Shapiro, 1987). There were three forms of justice (Procedural, Distributive, and Interactional) supported in the meta-analysis (Cohen-Charash & Spector, 2001). Greenberg (1993) discovered in his study that interactional justice comprised of two types. The first type is interpersonal justice, it means how an individual is treated and the second type is informational justice that means reasoning and justification for why something occurred (Colquitt *et.al.*, 2001). Colquitt (2001) also supported four justice types (procedural, distributive, interpersonal and informational justice). Roch & Shanock (2006) integrated four factors of justice into one conceptual framework by using exchange theory. Thurston (2010) applied justice dimensions in the framework of performance appraisal practices and found the impact of justice on satisfaction with the appraisal system, appraisal ratings and with a supervisor.

#### FOUR JUSTICE DIMENSIONS

**Procedural Justice:** Three specific procedures (setting performance expectations, assigning raters and seeking appeals) have shown importance in appraisal research (Leventhal, 1980). Taylor *et.al.*, (1995) underscore the significance of seeking an appeal and setting performance criteria. Alexander & Ruderman (1987) also found the perception of appeal were positively associated with the assessment of supervisors, job satisfaction and trust in management. It is also found in the literature that individuals accept injustice up to limit where they find that fair procedures are applied (Greenberg, 1990; Leventhal, 1980).

**Distributive Justice:** Distributive justice is also termed as equity theory (Adams, 1963). There are two components linked with distributive justice, first type is equity (Leventhal, 1980) and the second type is raters personal goal (e.g. to teach, motivate or avoid conflict). Employees may ponder fair appraisal if they observe that the rate is trying to encourage them and helping to improve their performances. Distributive justice includes accuracy of rating and concern over rating.

**Interpersonal Justice:** Interpersonal justice perception means that an employee receives a treatment from a supervisor. Greenberg (1986) investigated that individuals inclined by the sensitivity shown by the

supervisor and it is also found that raters' expression of remorse shown can overcome the ratees' unfairness perception.

**Informational Justice:** Informational justice perception is socially determined, and it is based on clarifying performance expectations, explaining rating decisions and providing feedback.

The purpose of this research is to find justice perceived by an employee in the public and private banking organization of Pakistan. This study will be helpful to confirm the four-factor model in public and private banks of Pakistan which is different from the west and secondly sector-wise comparison of public and private banks would give better results to identify the problems associated with performance appraisal practices.

There are meager studies available that compared the public and private banking organizations in the context of justice perception of performance appraisal practices.

Therefore, a comparative analysis of performance appraisal practices would give the better understanding to analyze justice prevailing in public and private banks as perceived by employees.

#### **RESEARCH OBJECTIVES**

- To examine and comparatively analyze employees' perception relates to procedural justice dimensions (rater confidence, setting performance expectations, seeking appeal) between Public and Private banks.
- To examine and comparatively analyze employees' perception relates to distributive justice dimensions (accuracy of rating, concern over rating) between public and private banks.
- To examine and comparatively analyze employees' perception relates to interpersonal justice dimensions (respect in supervision and sensitivity in supervision) between public and private banks.
- To examine and comparatively analyze employees' perception relates to informational justice dimensions (clarifying expectations, providing feedback, explaining rating decisions) between public and private banks.

#### **RESEARCH HYPOTHESES**

- H1: There is a significant difference in employees' perception relates to procedural justice dimensions (rater confidence, setting performance expectations, seeking appeal) of a performance appraisal system between public and private banks.
- H2: There is a significant difference in employees' perception relates to distributive justice dimensions (accuracy of rating, concern over rating) of a performance appraisal system between public and private banks.

- H3: There is a significant difference in employees' perception relates to interpersonal justice dimensions (sensitivity in supervision and respect in supervision) of a performance appraisal system between public and private banks.
- H4: There is a significant difference in employees' perception relates to informational justice dimensions (clarifying expectations, providing feedback, explaining rating decisions) of a performance appraisal system between public and private banks.

#### **LITERATURE REVIEW**

Ahmed (2018) studied the employee's justice perception of appraisal system in the Pakistani telecom sector. In his study, he revealed the relationship of justice dimensions with satisfaction towards appraisal system, appraisal rating and with a supervisor. Data were collected from 350 respondents of the telecom sector by using survey method. In the finding, it is confirmed that significant relationship exists in four constructs of justice with three dimensions of satisfaction. Furthermore, it is emphasized that this study would be helpful to improve and upgrade the performance appraisal practices in the telecom sector of Pakistan.

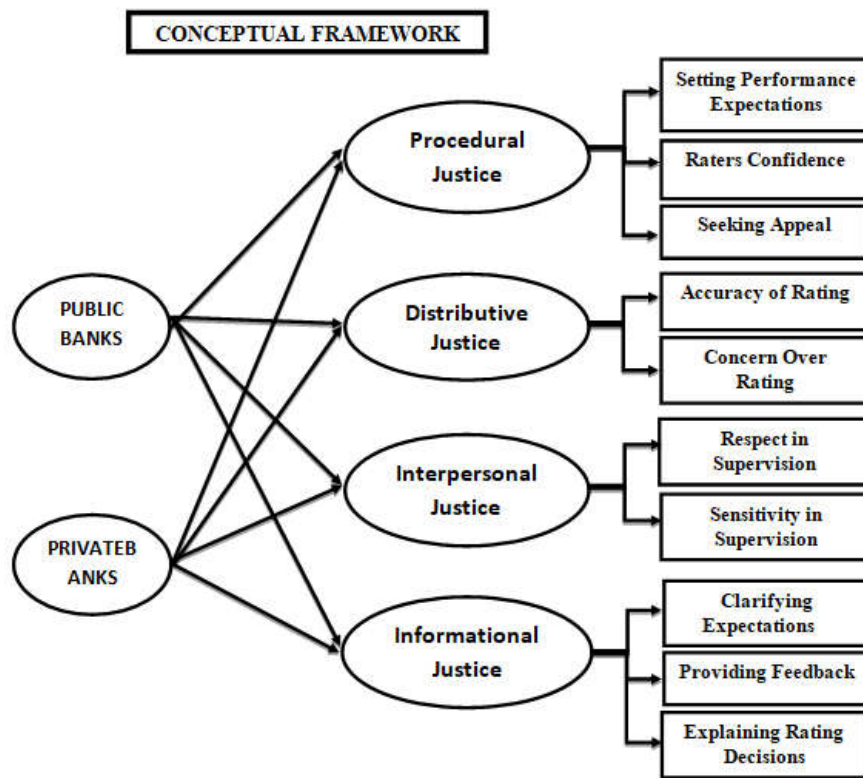
Shrivastava and Purang (2011) conducted his research on the comparative study of performance appraisal of private and public banks in India. There was a total 340 sample size consisting of 230 respondents from public banks and 110 respondents from private banks. Both qualitative and quantitative methods were used. Data were collected from two private and two public banks. Purposive method of sampling was used for selecting different appraisal practices of different banks. Nine factors of justice perception of appraisal system and performance appraisal system satisfaction compared between two banks. In result, it was found that seven factors out of nine factors perceive greater justice perception in private banks than public banks. In addition, it is also observed that employees perceive higher appraisal system satisfaction in private banks in comparison to public banks.

Thurston and McNall (2010) studied on fairness perception of appraisal practices in which he developed ten multi-item scales to measure the justice of appraisal practices. Data were collected from 188 respondents and data were analyzed quantitatively. Four correlated constructs of justice were used after evidence of confirmatory factor analysis. It is found that a positive association existed between distributive justice and performance appraisal rating satisfaction, procedural justice with appraisal system satisfaction, information and interpersonal justice with supervisor satisfaction. Furthermore, it is found that there is a positive relationship between procedural justice and citizenship behaviors towards the organization via satisfaction with appraisal system; distributive justice with

satisfaction with current appraisal; and informational and interpersonal and citizenship behaviors towards supervisor via satisfaction with a supervisor.

Nassar and Zaitouni (2015) conducted his research on Egyptian chain hotels relates to justice perception of performance appraisal. This research aims to examine the association between perceived supervisor competence, support of supervisor and perception of organizational justice in the employees of the hotel. In data analysis, hierarchical regression was used for hypothesis testing, perceived supervisor support that mediates the association between supervisor competence and organizational justice. It is found in the result that where the employees find their supervisor is supportive and fair organizational justice exists then they accept that their supervisors are very competent. The finding of the study reveals that policies may be developed by an organization that can create a transparent and supportive relationship in between employee and manager.

Gupta and Kumar (2012) studied on effects of performance appraisal fairness on the engagement of an employee. This study comprised of two parts. One part explores the association between one dimensional concept of engagement and perception of justice and the second part focused the association of three-dimensional engagement concept and perception of justice. Data were analyzed with regression and correlation. This study finds a positive relationship between informational and distributive justice dimensions and engagement of an employee. Furthermore, it is found that the engagement of an employee is strongly influenced by informational and distributive justice.



## RESEARCH METHODS

Data were collected from various branches, regional offices and head office of public and private banks located in the province of Sindh, Pakistan. The sample was randomly chosen to collect the data. Initially, 150 questionnaires were distributed and data were collected from 125 respondents. The scale of 56-item used to measure the ten variable of justice perception in the context of Performance Appraisal System (PAS).

Thurston (2001) developed the scale which was also later on used by Walsh (2003) in her study. The same scale used in this study with little change to suit the context in the Pakistani banking sector. The Five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree) was used for data collection.

The reliability of the questionnaire is measured through Cronbach's alpha which internal consistency of the items that measures the variable. In Table-1, it shows that Cronbach's alpha is ranging from 0.70 to 0.90 that is acceptable values (Tavakol & Dennick, 2011).

**TABLE-1**  
**REALIABILITY STATISTICS**

Sr. No.	Variables	Number of Items	Cronbach's Alpha
1	Rater Confidence (Procedural Justice)	5	.875
2	Setting Performance Expectations (Procedural Justice)	6	.898
3	Seeking Appeal (Procedural Justice)	6	.906
4	Accuracy of Rating (Distributive Justice)	5	.900
5	Concern Over Rating (Distributive Justice)	7	.858
6	Respect in Supervision (Interpersonal Justice)	5	.874
7	Sensitivity in Supervision (Interpersonal Justice)	5	.843
8	Clarifying Expectations (Informational Justice)	6	.890
9	Providing Feedback (Informational Justice)	6	.918
10	Explaining Rating Decisions (Informational Justice)	5	.896

## RESULTS

### RESPONDENT'S PROFILE- FREQUENCY DISTRIBUTION

Data were collected from 125 respondents, 65 respondents from the public banks and 60 from the private banks. There were 87.7 % (n =57) male and 12.3 % (n=8) female from public banks and 75 % (n= 45) male and 25% (n =15) female from private banks. With regards to age wise frequency distribution shown in Table-2, experience wise data is given in the Table-3 and qualification wise data is given in Table-4 and in Table-5 job category wise data is given.

<b>TABLE-2</b> <b>AGE WISE FREQUENCY DISTRIBUTION</b>			Frequency	Percent
Public Sector	Banking Valid	21-30	13	20.0
		31-40	30	46.2
		41-50	14	21.5
		51-60	8	12.3
		Total	65	100.0
Private Sector	Banking Valid	21-30	21	35.0
		31-40	22	36.7
		41-50	16	26.7
		51-60	1	1.7
		Total	60	100.0



<b>TABLE-3</b>				
<b>EXPERIENCE WISE FREQUENCY DISTRIBUTION</b>				
			Frequency	Percent
Public Banking Sector	Valid	1-3 years	18	27.7
		4-5 years	18	27.7
		6-10 years	20	30.8
		Greater than 10 years	9	13.8
		<b>Total</b>	<b>65</b>	<b>100.0</b>
Private Banking Sector	Valid	Less than one year	4	6.7
		1-3 years	17	28.3
		4-5 years	17	28.3
		6-10 years	20	33.3
		Greater than 10 years	2	3.3
		<b>Total</b>	<b>60</b>	<b>100.0</b>

<b>TABLE-4</b>				
<b>QUALIFICATION WISE FREQUENCY DISTRIBUTION</b>				
			Frequency	Percent
Public Banking Sector	Valid	Bachelor's Degree	32	49.2
		Master's Degree	33	50.8
		<b>Total</b>	<b>65</b>	<b>100.0</b>
Private Banking Sector	Valid	Bachelor's Degree	24	40.0
		Master's Degree	35	58.3
		Ph.D.	1	1.7
		<b>Total</b>	<b>60</b>	<b>100.0</b>

<b>TABLE-5</b>				
<b>JOB CATEGORY WISE FREQUENCY DISTRIBUTION</b>				
			Frequency	Percent
Public Banking Sector	Valid	First-line Management	39	60.0
		Middle Management	21	32.3
		Upper Management	5	7.7
		<b>Total</b>	<b>65</b>	<b>100.0</b>
Private Banking Sector	Valid	First-line Management	42	70.0
		Middle Management	17	28.3
		Upper Management	1	1.7
		<b>Total</b>	<b>60</b>	<b>100.0</b>

This study will examine the mean differences in ten factors of employee justice perception of private and public banks. The results show that significant mean difference between private and public banks. Table 6 and 7 show that in private banks, employees (N=60) performance criteria are clearly described (**MPR** = 3.5167, **MPB** = 2.8436,  $t = - 5.618$ ,  $P < .001$ ), their raters have good knowledge relating to performance appraisal (**MPR** = 3.4367, **MPB** = 2.8892,  $t = - 4.517$ ,  $P < .001$ ), they can appeal if they find any injustice in rating (**MPR** = 3.5389, **MPB** = 2.8026,  $t = - 6.318$ ,  $P < .001$ ) and they are positive relates to rating accuracy and concern over rating (**MPR** = 3.4167, **MPB** = 2.8215,  $t = - 4.567$ ,  $P < .001$ ) (**MPR** = 3.5286, **MPB** = 2.8308,  $t = - 6.413$ ,  $P < .001$ ) in comparison to public sector banks (N=65). Further, result demonstrates that employees are treated in better way in private banks (**MPR** = 3.7500, **MPB** = 3.3969,  $t = - 3.935$ ,  $P < .001$ ) (**MPR** = 3.8167, **MPB** = 3.4031,  $t = - 4.571$ ,  $P < .001$ ) expectations are clarified, timely feedback is given and rating decision are justified (**MPR** = 3.3361, **MPB** = 2.8359,  $t = - 4.226$ ,  $P < .001$ ) (**MPR** = 3.5056, **MPB** = 2.8410,  $t = - 5.190$ ,  $P < .001$ ) (**MPR** = 3.5633, **MPB** = 2.7815,  $t = - 6.644$ ,  $P < .001$ ) as compared to public banks.

**TABLE-6**  
**GROUP STATISTICS**

<b>Variables</b>	<b>Sector</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
Setting	Public Banking Sector (PB)	65	2.8436	.74819	.09280
Performance Expectations	Private Banking Sector (PR)	60	3.5167	.57137	.07376
Rater Confidence	Public Banking Sector (PB)	65	2.8892	.75749	.09395
	Private Banking Sector (PR)	60	3.4367	.57695	.07448
Seeking Appeal	Public Banking Sector (PB)	65	2.8026	.72042	.08936
	Private Banking Sector (PR)	60	3.5389	.56612	.07309
Accuracy of Rating	Public Banking Sector (PB)	65	2.8215	.71425	.08859
	Private Banking Sector (PR)	60	3.4167	.74223	.09582
Concern Over Rating	Public Banking Sector (PB)	65	2.8308	.66090	.08198
	Private Banking Sector (PR)	60	3.5286	.54433	.07027
Respect in Supervision	Public Banking Sector (PB)	65	3.3969	.46836	.05809
	Private Banking Sector (PR)	60	3.7500	.53441	.06899
Sensitivity in Supervision	Public Banking Sector (PB)	65	3.4031	.49433	.06131
	Private Banking Sector (PR)	60	3.8167	.51722	.06677
Clarifying Expectations	Public Banking Sector (PB)	65	2.8359	.73686	.09140
	Private Banking Sector (PR)	60	3.3361	.56789	.07331
Providing Feedback	Public Banking Sector (PB)	65	2.8410	.72074	.08940
	Private Banking Sector (PR)	60	3.5056	.70908	.09154
Explaining Rating Decision	Public Banking Sector (PB)	65	2.7815	.66118	.08201
	Private Banking Sector (PR)	60	3.5633	.65302	.08430

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TABLE-7

## Independent Samples Test

Equal variances assumed

Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Setting Performance Expectations	7.014	.009	-5.618	123	.000	-.67308	.11981	-.91024	-.43592
Rater Confidence	7.843	.006	-4.517	123	.000	-.54744	.12119	-.78732	-.30755
Seeking Appeal	6.390	.013	-6.318	123	.000	-.73632	.11655	-.96702	-.50563
Accuracy of Rating	.146	.703	-4.567	123	.000	-.59513	.13030	-.86305	-.33721
Concern Over Rating	3.882	.051	-6.413	123	.000	-.69780	.10881	-.91319	-.48242
Respect in Supervision	2.891	.092	-3.935	123	.000	-.35308	.08972	-.53067	-.17549
Sensitivity in Supervision	.153	.697	-4.571	123	.000	-.41359	.09049	-.59271	-.23447
Clarifying Expectations	6.145	.015	-4.226	123	.000	-.50021	.11838	-.73453	-.26589
Providing Feedback	.312	.577	-5.190	123	.000	-.66453	.12804	-.91797	-.41109
Explaining Rating Decision	.031	.860	-6.644	123	.000	-.78179	.11767	-.101472	-.54887

**DISCUSSION**

In the result, it is clearly shown that employees of private banks perceive higher justice in procedural justice dimensions, distributive justice dimensions, interpersonal justice dimension and informational justice dimensions than public banks.

Procedural justice dimensions (setting performance expectations, rater confidence, seeking appeal) have high mean values in private banks than public banks. Goal Setting is one of an important motivating factor that drives the employees in the organizational with high energy and motivation (Wood, R.A., and Locke, 1990). In the private banking sector performance expectations are plainly set with clear directions at the start of the appraisal period but same intensity for goal setting and achieving the target is not followed in public banks. Employees of public banks show less rater confidence in comparison to private bank employees. According to Jawahar (2006) satisfaction of subordinate increases with a supervisor when the supervisor is knowledgeable relates to subordinate's jobs. It is very necessary to have a trust and confidence in rater/supervisor, subordinates feel confident and satisfied with rater/supervisor, the same energy and feelings also disseminated to the working team (Lind & Tyler, 1988). Private bank employees perceive the strong system of appeal where an employee can object against the rating results while public bank employees are reluctant to appeal against the appraisal ratings.

In private banks, employees perceive greater distributive justice dimensions, the accuracy of rating and concern overrating as compared to public banks. According to Kumar (2005) rater training is also important in the performance appraisal process. Rater training can be very helpful to understand the performance appraisal process and procedures correctly and apply it in the organization that employees may feel satisfied with concern to rating and accuracy of rating.

It is shown in a result that as far as interpersonal justice is concerned, both sectors have positive mean values of respect and sensitivity in supervision, but private banks mean values are higher than public banks.

Furthermore, it is also found that employees of private bank perceive that informational justice dimension, clarifying expectations, providing feedback and explaining rating decisions are fairer and justified than public banks. In the private banks, employees perceive greater contentment relates to clarification of expectations, timely feedback and explaining rating decision as compared to public banks.

**CONCLUSION**

The main purpose of performance appraisal should be motivating and developing the employees along with the measurement of the performance. Performance appraisal may be used to channelize the employees' and

organizations energy to achieve the goals of an organization. Performance appraisal can be used as a strategic tool that integrates the employees' goal with an organizational goal.

This research represents four factor of organizational justice in the context of performance appraisal (Thurston & McNall, 2010) into the public and private banks of Pakistan. It is clear from the obtained data that employee perceptions of public and private banks are different from each other in perspective of justice in the context of performance appraisal. It is found that employees of private banks perceive greater procedural justice (setting performance expectation, rater confidence, seeking appeal), distributive justice (accuracy of rating, concern overrating), interpersonal justice (respect in supervision, sensitivity in supervision) and informational justice (clarifying expectations, providing feedback, explaining rating decisions) as compared to public banks.

It is recommended that there is a need to explore the potential problems prevailing in performance appraisal practices in public banks and may be improved that their employees can perceive impartiality in their appraisal practices.

Furthermore, it is suggested that applying justice dimensions into the organizational practices can be useful for employee promotion, layoffs, rewards and conflict resolutions. This research can also be supportive as a measurement tool for managers and supervisors to measure the performance appraisal system.

Organization justice can "create immense benefits for organizations and employees" including better job performance, improved trust and commitment, greater customer satisfaction, more helpful citizenship behavior and moderated conflict (Cropanzano, Bowen & Gilliland, 2007).

The undertaken research was limited to public and private banks. It is recommended that this research may be expanded that foreign and other banks may be included for further study. Furthermore, this study can be carried out in other sectors and industries of Pakistan to find the latent problem associated with performance appraisal practices as perceived by an employee.

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