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Analysis of the Effects of Performance Appraisal System on Employee Motivation and Job Satisfaction in Public Bank – A Case Study of SBI

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Abstract*— In this hectic and competitive landscape of the banking industry, human resources are critical to deliver a high-quality service. Human resource management is essential in an organization, as employees play a vital role in achieving organizational objectives. Under these circumstances, performance appraisal acts as an analytical instrument to evaluate the actual efficiency and effectiveness of the personnel working in an enterprise. As human resources are the essence of all organizations, the effective utilization of the workforce is primary necessity. The requisite of appraisal system arises as we move towards performance – driven culture in order to compete with private banks. This study is going to assess the effects of performance appraisal system on employees' motivation and job satisfaction in public banks. It examines that the major components of appraisal system – such as review mechanism, equitability, incentive alignment and their subsequent have psychological effect on employee's motivation and job satisfaction. The study is based on the State Bank of India in Ranchi district. It utilizes both primary and secondary data. The responses of 200 employees have been collected through opinion surveys and structured questionnaires. These data have been examined through percentage analysis, correlation, regression and analysis variance. The research paper possesses a descriptive design. The study concludes that them exist a positive correlation among performance appraisal system to employee's motivation and job satisfaction. The findings suggest that the bank should transition the performance appraisal system from traditional performance measuring tool to a performance management system. The utilization of AI driven appraisal system should be used instead of traditional approach with the intention of equitability and transparency.

Keywords: Performance appraisal system, employee motivation, job satisfaction, human resources, public sector bank

I. INTRODUCTION

A. Background of the study

In this hectic and competitive landscape of the banking industry, human resources are critical to deliver a high – quality services. Human resource management is essential in an organization, as employees play a vital role in achieving organizational objectives. Under these circumstances, performance appraisal systems which are intended to evaluate and improve employee performance are essential. Performance evaluation system serves as an analytical tool in workforce management. Human resources are the essence of any organization. The requisite of appraisal system arises as we move towards performance – driven culture to compete with private entities. It is a systematic procedure to observe and evaluate the potential and engagement of employees in the organization. The major components of appraisal system – such as review mechanism, equitability, incentive alignment and their subsequent have a linear effect on employees. In other words, performance appraisal is an instrument used to measure the performance and efficiency of the personnel to reward through increment, compensation, promotions etc. It is designed in a way to provide talent categorization, justice perception, employee reaction and job satisfaction. In present time, almost every organization has means of evaluation system. It helps in management and proper utilization of workforce. It aids organizations to discover how employees can contribute towards the organization's objectives. The appraisal system supports and uplift organizational culture, openness and teamwork. It initiates realization of individuals, modernizes and enhances themselves with the ball mark. It is the strategic approach by which human resources are viewed and treated in the organization. The appraisal system helps organization in evaluating employees' performance against expectations on the basis of set benchmarks and standards. PAS acts as a catalyst for both employee growth and institution excellence. It supports the organization and personnel to survive and prosper, form a strong association.

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B. Statement of Problem

In the modern , highly competitive banking sector delivering high – quality service depends heavily on optimal workforce performance. While organizations implement performance appraisal system (PAS) to systematically evaluate talent, maintain equity, and align incentives, the actual impact of these systems on core psychological outcomes remains complex. Specifically, public sector banks often struggle to balance standardized evaluation metrics with employee perceptions of fairness, transparency and recognition. If a performance appraisal system is perceived as inequitable or lacks a clear review mechanism, it can severely damage employee motivation, distort justice perception, and lead to diminished job satisfaction. So, there is a need to examine the current appraisal mechanism which directly impact employee motivation and job satisfaction, specifically focusing on the workforce within the State Bank of India (SBI) in Ranchi district.

C. Significance of the study

The study helps to find out importance of employee motivation and job satisfaction through performance evaluation process in a bank. For organizations like State Bank of India (SBI) in the Ranchi district the findings offer critical insights into how existing review mechanism, compensation alignments, and talent categorizations influence ground-level “justice perception” and individual development. By highlighting the strengths and gaps within the current appraisal framework, this research serves as a practical guide for HR managers aiming to design transparent, equitable system that foster as open organizational culture rather than a rigid bureaucratic yardstick. Ultimately the study bridges a vital gap in human resource literature by delivering fresh regional data on public sector banking dynamics, demonstrating how structured performance systems can successfully act as a catalyst for both employee growth and institutional benchmark standards.

D. Scope of the study

The scope of this study is conceptually and geographically confined to investigating how the performance appraisal system (PAS) impacts employee motivation and job satisfaction. Geographically, the research is restricted to branches of the State Bank of India (SBI) within the Ranchi district. It focuses on the experiences of permanent banking personnel, including both clerical and officer cadres, regarding recent appraisal cycles. While the findings provides deep, actionable insights into public sector banking dynamics in this specific region, they may not be fully generalizable to private banks or other geographical areas.

II. LITERATURE REVIEW

1) Mehta,A.K (2014) : states that performance appraisal system has a significant impact on employee motivation. Performance appraisal is the primary task of human resource management . In addition to being helpful for management , it also aids in better understanding employee performance from a management perspective. This study evaluates the interconnection of performance appraisal system on work motivation of employees. This study concluded that there is an insignificant correlation of employee work performance with performance review and motivation . This study lack to explain ‘how’ there is an insignificant relationship of employee performance with performance evaluation and motivation.
2) Rana,S., & Singh, S. (2022) investigates the effects of performance evaluation on the organizational commitment. The study states performance appraisal is the oldest and universal practice of human resource management. It involves all the methodical process used in an organization to evaluate the work performance of an employee.
3) Kaur et al.(2018) : this study investigates the effect of performance evaluation on the organizational commitment of banks in India. The capacity and expertise of human working in an organization are the most valuable assets of an enterprise. The primary objective of performance evaluation of personnel is to identify the efficiency of an employee. It determines the dedication and motivation of a person or employee towards achieving organizational goals. Performance appraisal helps in transforming an inefficient person into efficient employee by providing a positive and negative motivation.
4) Latif, M. (2015): evaluates employee perception of performance appraisal in banking sector. A good performance appraisal of an employee helps to achieve effectiveness in banks. It benefits both employees and the bank. They aid common understanding of employees needs , motivation and objectives of work. It initiates the growth and development of employees.
5) Sastry, S.K & Selvarasu, A., (2014) studied the effects of performance review on employee engagement in an organization. Performance appraisal plays a vital role in human resource management. This study explores the correlation between employee perception of fairness performance review and employee engagement in the enterprise.

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In modern economy , leaders of the business are aware of the importance of high – performance workforce for the survival and growth of the organization. The work ecosystem and job satisfaction have a significant impact employee engagement.

6) Jain,S. &Jain,R. (2015) : studies the assess employee reaction to performance review system in Indian Banks. System for performance evaluation play a crucial role in personnel development and management. This study compares and measures the level of performance.

7) Dangol,P.(2021) studied the parts of appraisal system and its significant impacts on employee. The study is driven by significant objectives: to determine the degree to which performance evaluation process affects personnel engagement, to determine the extent to which staff motivation is impacted by appraisal, to determine the consequences for evaluating worker performance.

8) Bansal, A. & Rani, P., (2023): in his article “effectiveness of performance appraisal system” states that in order to compete in the market place best performance of their personnel is required , which could be effectively achieved through performance appraisal system. It encourages employees to stay motivated and perform well. This research paper brought before the importance of periodical performance evaluation to find out the efficiency level of an employee.

9) Lavanya & Rao (2023) research to measure the consequences of performance appraisal attributes on the job satisfaction of IT employees. The research identifies the six specific attributes of a performance appraisal that have a significant impact on the job satisfaction. This suggests the managers in the IT sector to prioritize these six designing and executing performance reviews. This study lacks a breakout of how satisfaction is directly linked to actual productivity. How the six attributes identified relevant to performance of employees.

10) Thomas et. al (2024) studied to find out the reason to evaluate the performance appraisal and to analyze the impact of performance appraisal on employee performance. This study reveals that performance appraisal makes it easier for employees to identify the area of improvement and can set a goal that will lead to promotion and career development.In the universities there are two distinct workforce : teaching staff and non teaching staff (administrative staff). The study left the clarification that the same appraisal tool works for both.

11) Perwaize ,M. (2025) studied the difference between public and private sector banks of India in terms of appraisal method. It utilized quantitative survey and qualitative interviews with banking personnel and human resource professionals. The research demonstrates that both public and private sector banks seek to optimize performance management, a universal approach ineffective. This study concludes by analyzing the contextual factors (job security, cultural and feedback quality) that meditate the relationship between an appraisal and an employee’s happiness. The study does not specify which specific alternative approach is effective for the sector and how happiness is translated into hard organizational outcomes.

12) Wagh,D., &Adhangale, S.P.(2025): studied the complex relationship between performance appraisal system and their effects on employee motivation and job satisfaction in contemporary organizational setting. The study reveals that contribute to the body of knowledge available already in human resource management with useful suggestions for managers and HR specialists overview to enhance their performance management system. The study lack to explain how these mechanism function (your specific target sector,location) particularly regarding long term sustainability of motivation and performance.

13) Vasumathi, A. & Mohan, P. M. (2024): study examines the effect of technology on performance evaluation process within IT sector. Modernization has transformed the classical appraisal method, understanding this change is important for the organization to optimize performance management strategies. The use of technology for evaluation processes in the IT sector has led to numerous problems or challenges that have negative impact. The data is collected through surveys and questionnaires. This data was collected from 100 professionals of the industry. The findings of the study demonstrated that job satisfaction is strongly correlated with environment – related variables. The study highlights the changes in appraisal system due to role of technology

14) Agarwal, R. N., & Mehta, A. (2014) conducted the study to witness talent retention as a massive problem for business and organization in new millennium. The research covered the three tier companies of IT industry (Delhi NCR, Bengaluru and Pune). The study finds out whether performance appraisal has correlation with job satisfaction and its variables. The study reveals that there is no relation between PA and variables of working environment. The research lacks critical factors such as career development, financial rewards and training and development programs.

15) Mathew, U., & Johnson, J. (2015) conducted research to examine the correlation of work performance with the performance evaluation and motivation. The result states that there exists a positive relationship between PA and work performance but no positive relationship between work performance and motivation.

The study concludes that implementing good appraisal process acts as a employee motivator. This research lags to explain the relation between them in depth. The appraisal system acts differently for different organizations.

16) Iqbal.et.al.,(2012) studies the major issues faced by organizations related to employees' performance. It focuses on investigating the impacts of appraisal system on human resource performance and analysis of the relationship between them. The study reveals that motivation acts as a moderator that builds positive correlation between PA and human resource performance. This study concludes that banks can use PA as tactical approach by consolidating it policies, standards and HR practices of the business in order to improve the performance of the workforce.

17) Jabeen,M. (2011) study examines the relationship between employee appraisal and employee commitment. Under the man dominance management, the appraisal acts as a vital tool and has been practice appropriately which leads organization to achieve its objectives and ambition and employee well – being.

18) Wahyono et. al (2018) study examines whether human resource management is the practice that determines the relationship between PA and workplace contentment. The study is conducted Syarikat Air Melaka Berhad (SAMB) a state-owned company in Malaysia. The study reveals that the quality of relation between employee and supervisor has an effective impact in enhancing employee commitment. The study provides some suggestions to improve and enhance relationship effectiveness. Lastly, it also recommends ways how relationship between employee and supervisor can elevate the job satisfaction level.

19) Daoanis.L. E. (2012) states that PA is an evaluation tool which measures employee performance in an organization.it track the employee works, performance and contribution against organization goal and serves company's future plans. This research examined the position of performance evaluation system of Nass Construction Company. The study reveals that PA system of the organization is aligned with the mission and vision of the company.

20) Mensah.et.al (2012) states that PA is considered effective in performance evaluation and management of human resources. It is usual that perception influences the attitude and judgment of the people towards PA. The study was done to find out if the educational institution holds diverse opinions regarding the PA system. The study reveals that management has serious implications regarding training, motivation and provision of workforce for effective appraisal system.

III. RESEARCH GAP

A lot of research has been already done on this topic and various prominent literatures has also been written describing the impacts of performance appraisal system on employee motivation and job satisfaction but the thing that seems to be missing is that most studies has focused on metropolitan cities or areas , and cities like Ranchi have not been explored. Metro cities possess socio – demographic structures and work life dynamics that differ fundamentally. Therefore, the geographical constraints suggests that findings may not be generalizable to localized contexts.

Furthermore, many studies rely on secondary data available such as annual reports and RBI bulletins which may lead to data inaccuracies, and as per these prerecords may often fail to capture the real time banking ecosystem of the specific cities like Ranchi. Finally, there exist a technological lag which leads to inefficient and inadequate process of appraisal system. technological and AI driven appraisal system must be initiated for conducting unbiased, clear and transparency in appraisal system.

IV. RESEARCH QUESTIONS

1) What extent does the bank's existing performance appraisal system affect employee motivation?
2) What effects does the performance appraisal system have on bank staff's motivation?
3) What is the relationship between bank employee's job satisfaction and the performance appraisal system?

V. RESEARCH OBJECTIVES

1) To evaluate the existing performance appraisal system.
2) To investigate the impact on employee motivation.
3) To assess the relationship between performance appraisal and job satisfaction.

VI. HYPOTHESIS

- H0 : There is no significant relationship between the performance appraisal system and job satisfaction among SBI employees in Ranchi.

- H1 : There is a significant positive relationship between the performance appraisal system and job satisfaction among employees in Ranchi.

VII. RESEARCH METHODOLOGY

A systematic method adopted by the researcher to analyse the data collection and measure the value. The study adopted a descriptive and analytical research design to examine the impacts of performance appraisal system on employee motivation and job satisfaction of public banks- A case study of SBI. A quantitative method has been adopted, and data were collected from primary sources through a structured questionnaire. The data was taken from 110 respondents through random sampling.

A. Research Design

The study adopted a descriptive and quantitative approach. The data were collected from 110 respondents through a questionnaire in which demographic questions and likert scale items were included. The data was analysed using Simple Regression and ANOVA to investigate the impact of performance appraisal system on employee motivation and job satisfaction, and the data is displayed using tables and bar graphs, which will help to understand clearly.

B. Data Sources

The study is based on both primary data and secondary data. Primary data is collected directly from randomly selected 110 employees respondents through survey and personal interview. It provides necessary informance , experience and personal point of view.

C. Sampling Techniques and Sample size

Sampling technique – The study used Simple random sampling for the conducted survey.
Sample size – 110 employee respondents

D. Data Collection Method

Data was collected through a structured questionnaire in which all necessary questions were involved and data was gathered from various branches of SBI of Ranchi district.

E. Data Analysis Tools

Descriptive statistics: The study adopted descriptive statistics method like percentage and regression tools to analyse the data. This analysis was done to investigate the impact of performance appraisal system on employee motivation and job satisfaction in public bank. Statistical tools : Statistical tools such as regression analysis, ANOVA ,p -Value were used to analyse the relationship between independent and dependent variables. Software Used – SPSS software was used to analyse the data.

VIII. DATA ANALSIS

A. Demographic Factor

1) Gender

TABLE 1

GENDER	RESPONSE	PERCENT
Male	53	48.20%
Female	57	51.80%
Other	00	0.0%

Source : Primary Data

Interpretation: table 1 exhibits that out of 110 respondents, 53 (48.20%) responses are from male and 57 (51.80%) responses from female and 0 responses from others. This reveals that the majority constitutes are the female in the banking sector and ensures that the findings of the study cannot be biased on the basis of single gender perspective. There is heavy balance gender distribution.

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2) Age

TABLE 2

AGE	**RESPONSES**	**PERCENT**
Below 30 yrs	38	34.50%
Between 30 to 45 yrs	55	50%
Above 45 yrs	17	15.5%

Source : Primary Data

Interpretation : table 2shows that in SBI Bank out of 110 respondents , 38 (34.50%) are belongs to the age group of below 30 years , 55 (50%) of the respondent staffs belongs to age group of between 30 to 45 years , 17 (15.5%) of the respondents belongs to the age group of above 45 years .From the data above it can be state that most of the respondents are between 30 to 45 years which fall under middle-aged categories which represents the active and mature workforce.

3) Education Qualification

TABLE 3

EDUCATION LEVEL	RESPONSES	PERCENT
Graduate	66	60%
Postgraduate	26	23.60%
Professional	14	12.70%
Other	4	3.70%

Source : Primary Data

Interpretation :Table 3. states that out of 110 respondents **,**66 (60%) of the respondents are graduates, 26 (23.60%) are postgraduates, 14 (12.70%) of the respondents are professional and 4 (3.70%) are of other education. Majority of the respondents are of graduate level, it seems that highly educated are opting for another profession where recognition, clear career path and cognitive engagement is closely related to their motivation and job satisfaction.

4) Employment status

TABLE 4

EMPLOYMENT STATUS	RESPONSES	PERCENT
Temporary	13	11.8%
Permanent	88	80%
Trainee	4	3.6%
Contractual	5	4.5%

Source : Primary Data

Interpretation :Table 4shows that out of 110 respondents, 13(11.8%) of the respondents have a temporary status, 88 (80%) of the respondents are permanent, 4(3.6%) are trainees and 5 (4.5%) are contractual.The data present in table 4 shows the nature of employment which states that security significantly shapes employee engagement, attitudes, commitment and satisfaction level.

5) Designation

TABLE.5

DESIGNATION	RESPONSES	PERCENT
Cashier	30	27.3%
Clerk	29	26.4%
Assistant Manager	10	9.1%

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Manager	10	9.1%

Source : Primary Data

Interpretation : table 5 shows that out of 110 respondents, 30 (27.3%) of the respondents are cashier which forms the largest segment of the sample, 29 (26.4%) of the respondents are clerks, 10 (9.1%) of the respondents are assistant manager, 10 (9.1%) of the respondents are managers, 21 (19.1%) of the respondents are probationary office and 10 (9.1%) of the respondents are of the other designation. This data interprets that research must be ensuring employee motivation and job satisfaction among all designations or posts in the bank.

6) Year of experience

TABLE 6

TOTAL YEARS OF EXPERIENCE	RESPONSES	PERCENT
Less than 5	39	35.5%
5 to less than 10	21	19.1%
10 to less than 15	35	31.8%
15 to less than 20	10	9.1%
Above 20	5	4.5%

Source : Primary Data

Interpretation : table 6 shows that out of 110 respondents, 39 (35.5%) of the respondents have an experience of less than 5 years , 21 (19.1%) of the respondents have 5 to less than 10 years of experience, 35 (31.8%) of the respondents have 10 to less than15 years of experience, 10 (9.1%) of the respondents have 15 to less than20 years of experience, 5 (4.5%) of the respondents have above 20 years of experiences. This data of respondents shows the combination of young and experienced workforce. Years of experience shape the attitude and expectation of employees towards the organization.

7) Monthly Income

TABLE 7

MONTHLY INCOME	RESPONSES	PERCENT
Below 25,000	12	10.9%
25,000 – 50,000	41	37.3%
50,000 - 100,000	48	43.6%
Above 100,000	9	8.2%

Source : Primary Data

Interpretation : table 7 shows employee's monthly income out of 110 respondents, 12 (10.9%) of the respondents have the monthly income below 25000 , 41 (37.3%) of the respondents have the income 25000 – 50000,48 (43.6%) of the respondents have the monthly salary of 50000 – 100000, and 9 (8.2%) of the respondents have income above 100,000.This data demonstrates that large segment of employee earn between 50,000 – 1,00,000. Its income level shapes the level of job satisfaction and motivation.

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B. HYPOTHESIS TESTING

MODEL SUMMARY				
Model	R	R Square	Adjusted R square	Std. Error of the Estimate
Job satisfaction	.521a	0.272	0.265	0.39146
a. Predictor: (Constant), Performance appraisal				

Source : computed by researcher using SPSS software

The table describes that for the model, the value of R is 0.521 which represents the positive moderate relationship between performance appraisal system and job satisfaction. The value of R Square is 0.272 which reveals that performance appraisal system (independent variable) explains 27.2% of the variance in the job satisfaction (dependent variable). The remaining variance of 72.8% is influenced by the external forces or factors.

ANOVA[a]						
Model		Sum of Square	df	Mean Square	F	Sig.
Job satisfaction	Regression	6.178	1	6.178	40.317	<.001 b
	Residual	16.550	108	0.153		
	Total	22.728	109			
a. Predicators: (constant) performance appraisal						

Source : Computed by researcher using SPSS software

The table represents the ANOVA output from the regression analysis. The value of F represents the variation explained in the regression model. The ANOVA results indicate the performance appraisal system (independent variable) significantly predicts job satisfaction (dependent variable) as $F = 40.317$, $p < .001$. This demonstrates that employee job satisfaction significantly and consistently affected by the performance appraisal system.

IX. ACHIEVEMENT OF OBJECTIVES

The data obtained from the respondents helps to analyse the impact of performance appraisal system on employee motivation and job satisfaction in public sector banks. The study successfully achieved its core objectives by analysing the operational effectiveness, motivational impact, and statistical significance of the performance appraisal system at the bank. Regarding motivation, 83.6% of employees feel driven by PA system to achieve bank goals, 85.5% are encouraged by PA based recognition and 76.3% stay actively motivated because the system focuses on future potential rather than past mistakes. For job satisfaction, the system provides workplace security and satisfaction for 80.9% of staff, with 92.7% linked performance based financial rewards directly to their satisfaction .Finally hypothesis testing statistically shows the positive moderate relationship between PA system and job satisfaction. The null hypothesis was successfully rejected.

X. FINDINGS

The research findings indicate that the State bank of India's performance appraisal system is highly effective, with 72.7% of the 110 surveyed employees viewing it as transparent and equitable. In terms of motivation , 83.6% of staff agree that the PA system drives them to achieve organizational goal, 85.5% feel encourages by PA-driven recognition, and 76.3% maintain job motivation through the evaluation process. this success is heavily supported by the system's development focus, as 78.2% of respondents appreciate that it emphasizes future potential over past mistakes, while 84.5% note it successfully highlights their individual strengths and weaknesses.

Regarding job satisfaction , the PA system secures workplace fulfilment and security for 80.9% of employees with 92.7% directly linking performance – linked financial rewards and salaried to their overall satisfaction. Statistical hypothesis testing further solidifies regression analysis reveals a positive moderate relationship between performance appraisal system and job satisfaction .The ANOVA test yield that appraisal system is highly significant predicator of job satisfaction allowing the null hypothesis to be safely rejected.

XI. CONCLUSION

A performance appraisal system is an integral part of workforce management in public sector banks. It plays an important role in maintaining work ethics and discipline in the workplace. In this digital banking era, where workforce is stressed to deliver high quality service it is critical to establish an effective performance appraisal system for employee welfare. Where banks are strengthening its legacy of consistent growth it's important to integrate performance appraisal management with employee development. The performance management system must be aligned with transparency, objective and credibility. The study conclude that in order to maintain the status of lead banker State Bank of India (SBI) has to start prioritizing improvement of performance appraisal system to boost employee's motivation and job satisfaction. There exists a significant linkage between well – structured performance evaluation system and employee motivation. The findings indicates that while the system is highly successful in providing professional security and role clarity, its influence is most profound when it is operated as open , two way conversation as opposed to a top – down assessment.

XII. SUGGESTION

A. *Continuous feedback*

The annual review must be replaced by quarterly or monthly review. To receive timely recognition to the efforts and to identify employee's effectiveness.

B. *Standardized criteria*

Ensuring equitable and clear criteria used to evaluate the performance of the employee. This built the trust among employees.

C. *Employee development plans*

The manager should focus on future potential than past mistakes of the employee. The training and development programs must be conducted to develop professional skills and effectiveness.

D. *Non monetary recognitions*

The financial rewards and good salaries are important but the recognition attained through performance appraisal is a powerful motivator. "Providing star of the month" or formal commendation letter based on performance evaluation can boost moral.

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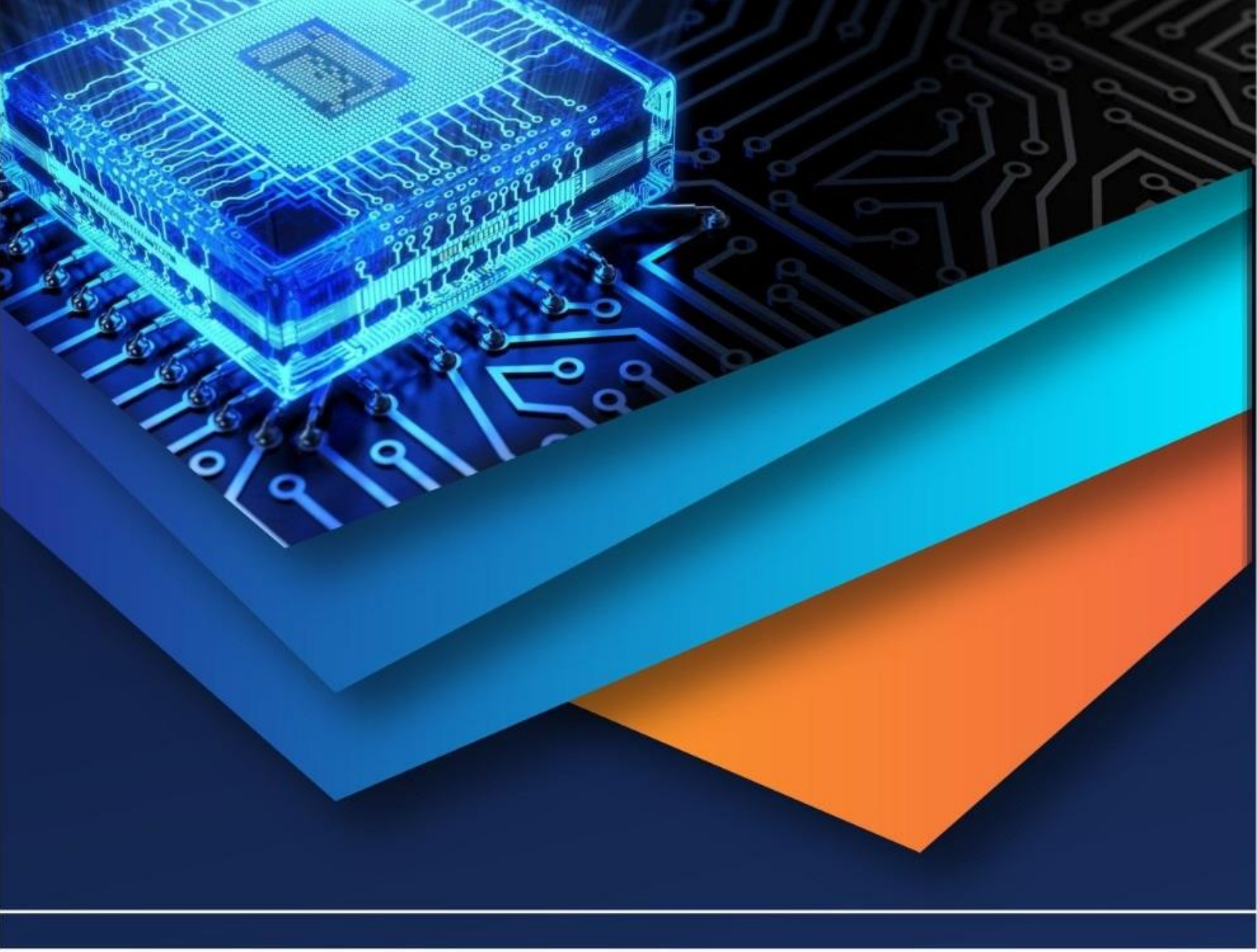

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