

## EFFECTIVENESS OF PERFORMANCE APPRAISAL SYSTEM IN SUGAR MILLS AT ERODE DISTRICT - TAMILNADU

Dr. M. Nandhini\*

M. Usha\*\*

Dr.P. Palanivelu\*\*\*

### **ABSTRACT**

Performance appraisal is a process of evaluating an employee's performance of a job in terms of its requirements. It as a "process of estimating or judging the value, excellence, qualities or status of some object, person or thing". Performance appraisal has been considered as a most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personal aspects such as promotions and merit increases.

The Government is taking a large number of steps to improve the sugarcane yield, ensuring better milling and recovery, increasing investment for managing mill By-products, revival and rehabilitation of closed and sick mills and above all for providing prompt and better remuneration to sugarcane farmers. It also considers about the various factors that influences the proper implementation and successive running of the performance appraisal system that is implemented by the company.

In every organization, job satisfaction plays a vital role. Employees tend to satisfy if they meet their needs, wants, requirements and most of all job recognition and encouragement from the top management is expected so their work has to be appreciated by a method of performance

\* Assistant Professor, Department of Management (UG), Karpagam University, Coimbatore-21

\*\* Lecturer, Department of Management (UG), Karpagam University, Coimbatore-21

\*\*\* The Controller of Examination, Karpagam University, Coimbatore-21.

appraisal. So by enhancing these appraisal techniques, it helps in level of job satisfaction and healthy work atmosphere.

Performance appraisal is done to maintain individual and group development by informing the employee of his performance standard, to suggest ways of improving the employee's performance when he is not found to be up to the mark during the review period, to identify training and development needs and to evaluate effectiveness of training and development programmers and to plan career development, human resources planning based on potentialities.

## INTRODUCTION

Performance appraisal is a process of evaluating an employee's performance of a job in terms of its requirements. It as a "process of estimating or judging the value, excellence, qualities or status of some object, person or thing". Performance appraisal has been considered as a most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personal aspects such as promotions and merit increases.

McGregor says: "Formal performance appraisal plans are designed to meet three needs, one of the organization and the other two of the individual, namely;

- (i) They provide systematic judgments to back up salary increases, transfers, demotions or terminations.
- (ii) They are means of telling a subordinate how he is performing, and suggesting needed changes in his attitudes, skills or job knowledge. They let him know "where he stands" with the boss.
- (iii) They are used as a base for coaching and counseling the individual by the superior

On the basis of merit rating or appraisal procedures of various companies in India, the main objectives of employee performance appraisal are:

- (i) To enable an organization to maintain an inventory of the number and quality of all managers and to identify and meet their training needs and aspirations.

- (ii) To determine increments rewards and provide a reliable index for promotions and transfers to positions of greater responsibility.
- (iii) To maintain individual and group development by informing the employee of his performance standard
- (iv) To suggest ways of improving the employee's performance when he is not found to be up to the mark during the review period.
- (v) To identify training and development needs and to evaluate effectiveness of training and development programmers.
- (vi) To plan career development, human resources planning based on potentialities.

### **STATEMENT OF THE PROBLEM**

The research intends to study the different approaches of performance appraisals adopted by various sugar mills. The research also focuses on employee attitude, employee Satisfaction and industrial morale. It also analyses the most commonly occurring errors within performance appraisal methods and to understand the level of effectiveness of 360° appraisal in the industry

It also considers about the various factors that influences the proper implementation and successive running of the performance appraisal system that is implemented by the company. As a whole the study considers the complete analysis of the problems that pertains in the current performance appraisal system.

### **OBJECTIVES OF THE STUDY**

- ❖ Measuring the effectiveness of the existing performance appraisal system.
- ❖ To measure the subjectivity and objectivity, which influence the existing performance appraisal system and remove the subjectivity and increase the objectivity
- ❖ To know the actual problem in the working environment
- ❖ To analyze the benefit of the performance appraisal system to the organization and to the individual.

### **RESEARCH METHODOLOGY**

#### **Research Design**

The research design used in the study is Descriptive research design. A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables the research design reveals the study of facts existing.

### Sources of Data

The data were collected from both primary and secondary sources. Questionnaire method is used for collecting the primary data. The data were also collected from published records, Journals and Websites.

### Sample size

Using the random sampling method, the data were collected from 175 employees working in Sakthi Sugars Ltd, Erode.

### STATISTICAL TOOLS FOR ANALYSIS

The collected data were analyzed by employing the statistical tools like

- ◆ Percentage analysis
- ◆ Chi-square test

### LIMITATIONS OF THE STUDY

- The respondent attitude did not allow getting their true feelings.
- Most of the employees were busy with their tight work and they don't want to be disturbed.

### SUGAR MILLS

Sugar consumption rate is highest in India as shown in the statistics received from USDA Foreign Agricultural Service. However, as per production is concerned, India has notched up 2nd position following Brazil, the largest sugar producer.

The Indian sugar industry uses sugarcane in the production of sugar and hence maximum number of the companies is likely to be found in the sugarcane growing states of India including Uttar Pradesh, Maharashtra, Gujarat, Tamilnadu, Karnataka, and Andhra Pradesh. Uttar Pradesh alone accounts for 24% of the overall sugar production in the nation and Maharashtra's contribution can be totaled to 20%. There are 453 sugar mills in India. Co-operative sector has 252 mills and private sector has 134 mills. Public sector boasts of around 67 mills..

The State of Tamilnadu with 37 operational Sugar Mills is a significant sugar producing State of the country contributing roughly 9 to 10% of the national sugar production. Lately, the sugarcane production is surpassing consumption levels at International, National and State levels. The sugarcane and sugar production are generally arrived for sugar season ranging from the month of October to September for each year. The details of production of sugar at All India level

and in the State of Tamil nadu for the last few years including estimated figures for the current year are furnished in Table 1

**Table 1**  
**Details of Production of Sugar**

Sl. No.	Year (from October to September)	All India (in Lakh Tons)	Tamilnadu (in Lakh Tons)	% of sugar produced in Tamilnadu compared to All India	Co-op. and Public Sector (in Lakh Tons)	Private Sector (in Lakh Tons)
1	2002-2003	201.45	16.43	8.40	5.26	11.17
2	2003-2004	139.95	9.20	6.57	2.78	6.42
3	2004-2005	126.91	11.09	8.74	3.12	7.97
4	2005-2006	193.21	21.38	11.06	5.87	15.51
5	2006-2007	282.00	25.39	9.00	8.09	17.30
6	2007-2008 (Estimation)	260.00	24.25	9.33	7.33	16.92

The surplus sugar production during 2006-2007 season led to drop in sugar price from Rs.1800/- to Rs.1370/- per quintal in January, 2008.

The Government is taking a large number of steps to improve the sugarcane yield, ensuring better milling and recovery, increasing investment for managing mill By-products, revival and rehabilitation of closed and sick mills and above all for providing prompt and better remuneration to sugarcane farmers.

#### **Physical Performance of Sugar mills in Tamilnadu**

The sugar industry in Tamil Nadu has achieved a high degree of stability and there has been a steady increase in the out put in Tamil Nadu. There is a record production of sugar at 25.39 lakh MT in our State during 2006-07 season. The details of total quantity of cane crushed, sugar produced, average recovery percentage and capacity utilization of sugar mills for 2003-04 to 2006-07 sugar seasons and estimate for 2007-08 seasons are furnished in Table 2.

The details of mill-wise performance of crushing, sugar production and capacity utilization for 2006-07 crushing season are given in Annexure-II. The estimated crushing, sugar production, recovery and capacity utilization for 2007-08 season are given in Annexure III. During crushing season 2006-07 the Government took a conscious decision to crush the entire cane production to support the farmers by extending the crushing season. During 2007-08

crushing season the cane planning was done to achieve the timely completion of crushing and the Co-operative and Public Sector Sugar Mills are envisaging 110% capacity utilization.

**Table 2**  
**Performance of Sugar mills in Tamil Nadu**

Item	2003-04			2004-05			2005-06			2006-07			2007-08		
	Coop & Public sector	Private sector	Total / Average	Coop & Public sector	Private sector	Total / Average	Coop & Public sector	Private sector	Total / Average	Coop & Public sector	Private sector	Total / Average	Coop & Public sector (Estimated)	Private sector Estimated	Total Estimated
No of Working sugar mills	16	18	34	16	18	34	17	18	35	17	19	36	17	20	37
Cane crushed (in Lakh tons)	28.05	64.75	92.80	31.65	83.27	114.92	62.68	168.78	231.46	87.88	186.61	274.49	76.33	178.75	255.08
Sugar produced (in Lakh tons)	2.78	6.42	9.20	3.12	7.97	11.09	5.87	15.51	21.38	8.09	17.30	25.39	7.33	16.92	24.25
Average Recovery	9.91	9.92	9.92	9.86	9.57	9.65	9.37	9.19	9.24	9.20	9.27	9.25	9.60	9.46	9.50
Capacity Utilization (%)	43	65	55	49	83	70	90	146	125	126	154	144	110	137	128

Courtesy: tn.gov.in

The Agro based sugar mills play an important role in the economic growth of rural areas with the sole aim to generate large scale direct employment. Apart from that, a lot of indirect employment to rural population is also provided. Tamil Nadu Sugar industry is responsible for about 10% of the total sugar production in India. Majority of sugar units in Tamil Nadu lies with the cooperative sector, with some private players' also gathering momentum.

At present, the sugar industry in Tamil Nadu stands in a total mess similar to that of the other rural industries. The sugar industry had faced a boom in the 1980s but the crisis era started from 1990, all after the economic liberalization. With the surge in the procurement price of sugarcane, surplus production and reduction in the open market sugar price, directed the industry and the sugar factories, thereafter to have a glut of stocks.

At present the Tamil Nadu sugar industry comprises of 41 Sugar Mills in Tamil Nadu, with 16 of them in the co-operative sector, 3 sugar mills in public sector and 22 Sugar Mills in the private sector. At present, around 38 Sugar Mills are operational, while 3 mills viz. Madurantakam Co-operative Sugar Mill (from 2001-02 season) Madura Sugars (from 2002-03 season) and Arunachalam Sugar Mills (from 2003-04 season) have stopped functioning.

**Table 3**

**Sugar Production in Tamilnadu**

Year	Area registered (Lakh Hectare)	Sugarcane crushed (LMT)	Sugar produced (LMT)	Recovery %
2003-04	1.40	92.80	9.20	9.92
2004-05	2.56	114.92	11.09	9.65
2005-06	2.97	231.46	21.38	9.24
2006-07	3.03	274.49	25.39	9.25
2007-08	2.89	229.68	21.41	9.32
2008-09	2.25	166.41	16.16	9.71

## REVIEW OF LITERATURE

Paul falconer (1987)<sup>1</sup> in their study performance appraisal is an opportunity to create an environment of job satisfaction and motivation among employees, inspire retention and build a culture that focus on performance excellence

Fedor etal (1989)<sup>2</sup> in their study it is very important that employees recognize that negative appraisal feedback is provided with a constructive intention i.e. to help them overcome present difficulties and to improve their future performance.

1. Paul falcone (1987) , the study on performance appraisal in Malaysia
2. Fedor etal (1989), the study to improve performance of employees.

## ANALYSIS AND INTERPRETATION

TABLE 4

TABLE SHOWING THE DEMOGRAPHICS FACTORS OF THE EMPLOYEES

S.No.	Demographic Factors	Category	No. of respondents	Percentage
1	Age group	Below 20 years	17	10
		21 to 30 years	74	42
		31 to 40 years	49	28
		Above 40 years	35	20
		Total	175	100
2	Gender	<b>Category</b>	<b>No. of respondents</b>	<b>Percentage</b>
		Male	112	64
		Female	63	46
		Total	175	100
3	Marital status	<b>Category</b>	<b>No. of respondents</b>	<b>Percentage</b>
		Single	107	62
		Married	68	38
		Total	175	100

From the above table it is inferred that 64 percentages of the respondents are male and 46 percentage of the respondents are female respondents. 62 percentage of the respondents are single and 38 percentage of the respondents are married. It is identified from the table that 10 percentage of the respondents were below 20 years.

TABLE 5

TABLE SHOWING THE MONTHLY INCOME, EXPERIENCE AND EDUCATIONAL QUALIFICATION OF THE EMPLOYEES

S.No.	Demographic Factors	Category	No. of respondents	Percentage
1	Monthly Income	Below Rs. 5000	23	14
		Rs.5001-Rs.7000	74	42
		Rs.7001-Rs.10000	61	35
		Above Rs. 10000	17	9
		Total	175	100
2	Experience	Below 2 years	53	30
		2-5 years	64	37
		5-10 years	37	21
		Above 10 years	21	12
		<b>Total</b>	<b>175</b>	<b>100</b>
3	Educational Qualification	HSC	36	21
		Graduates	96	54
		Diploma	25	14



	Other	18	11
	<b>Total</b>	175	100

It is found from the above table that 14 percentage of the respondents have their monthly income below Rs.5000, 42 percentage of the respondents have their monthly income ranging from Rs. 5001-Rs7000. it is found that 21 percentage of the respondents have 5-10 years of experience and 12 percentage of the respondents are above 10 years. it is found from the table that 21 percentage of the respondents have HSC qualification, 54 percentage of the respondents are graduates.

**TABLE 6**

**TABLE SHOWING THE OPINION OF THE RESPONDENTS**

Particulars	Yes	No
	(In % )	(In % )
Employee work environment	76	24
Performance rating is effective while making mistakes	74	26
Recognition of skills of employees	68	32
Employees awareness about the performance appraisal system	78	22
Assessment level of performance appraisal to identify the training needs	88	12
Self comparison of respondents performance with other employees	78	22
Opportunity level of employees to grow in the organization	72	28
Performance appraisal in motivating the employees	80	20
Appraisal in increasing the salary, bonus and incentives of employees	62	38
Identification of weakness and strength of employees by the superiors using performance appraisal system	84	16
Appraisal as the significant tool in an organization	70	30
Transparency of performance appraisal system	91	9

The above table reveals the opinion of the respondents.

**TABLE 7**

**TABLE SHOWING THE WORKLOAD OF EMPLOYEES**

Category	No.of.respondents	Percentage
Overload	23	13
Sufficient	141	81
Less workload	11	6

<b>Total</b>	175	100
--------------	-----	-----

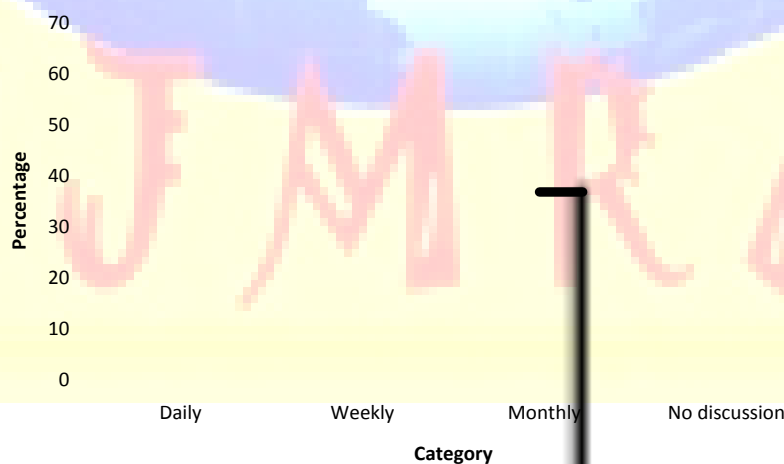
It is clear from table 7 that 13 Percentage of respondents thinks that the work is overload, 80 percentages thinks that the work load is sufficient and 6 percentage thinks there is less work load.

The below table shows that 8 percentage of respondents are having daily discussion with superiors , 24 percentage of respondents are having weekly discussion with superiors , 61percentage of respondents are having monthly discussion with superiors and 4 percentage of respondents have no discussion with superiors.

**TABLE 8**

**TABLE SHOWING THE SUPERIOR’S DISCUSSION ABOUT THE PERFORMANCE OF EMPLOYEES**

<b>Category</b>	<b>No.of.respondents</b>	<b>Percentage</b>
Daily	19	11
Weekly	43	24
Monthly	106	61
No discussion	7	4
<b>Total</b>	<b>175</b>	<b>100</b>



**TABLE 9**

**TABLE SHOWING THE OPPURTUNITY FOR THE SELF APPRAISAL OF EMPLOYEES**

<b>Category</b>	<b>No.of.respondents</b>	<b>Percentage</b>
Fully considered	63	36
Partly considered	88	50

Not at all considered	24	14
<b>Total</b>	175	100

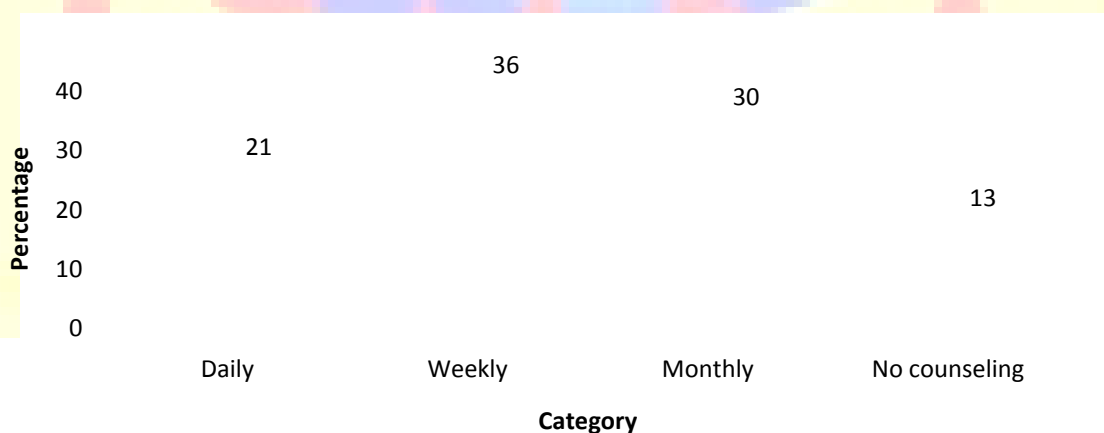
The above table shows that 36 percentage of respondents says that opportunity for self appraisal are fully considered ,50 percentage of respondents says that opportunity for self appraisal are partly considered and 14 percentage of respondents says that opportunity for self appraisal are not at all considered

**TABLE 10**

**TABLE SHOWING THE SUPERIOR’S COUNCELLING ON THE PERFORMANCE OF EMPLOYEES**

Category	No.of.respondents	Percentage
Daily	37	21
Weekly	63	36
Monthly	51	30
No counseling	24	13
<b>Total</b>	175	100

It is interpreted from the above table that 21 percentage of respondents have counseling daily if they make mistake, 36 percentage of respondents have counseling weekly if they make mistake, 30 percentage of respondents have counseling monthly if they make mistake and 13 percentage of respondents does not have any counseling if they make mistake.



From the below table It is interpreted that 50 percentage of respondents performance are evaluated through discussion and 50 percentage respondents performance are evaluated through observation.

**TABLE 11**  
**TABLE SHOWING THE METHOD OF EVALUATION FOLLOWED BY THE SUPERIOR FOR EVALUATING EMPLOYEES PERFORMANCE**

Category	No.of.respondents	Percentage
Through Discussion	89	51
Through observation	86	49
<b>Total</b>	<b>175</b>	<b>100</b>

**TABLE 12**

**TABLE SHOWING THE EFFICIENCY OF PERFORMANCE APPRAISAL SYSTEM IN BETTER PLANNING OF WORK**

Category	No.of.respondents	Percentage
Strongly agree	84	48
Agree	57	32
Disagree	20	12
Strongly disagree	14	8
<b>Total</b>	<b>175</b>	<b>100</b>

It is interpreted from the table 12 that 48 percentage of respondents strongly agree that clarity of performance will help in better work planning, 32 percentage of respondents agree that clarity of performance will help in better work planning, 12 percentage of respondents disagree that clarity of performance will help in better work planning and 8 percentage of respondents strongly disagree that clarity of performance will help in better work planning.

### CHI-SQUARE TEST

#### HYPOTHESIS:

$H_0$  (Null Hypothesis) = There is a no significant relationship between monthly income and total experience in the company.

$H_1$  (Alternative Hypothesis) = There is a significant relationship between monthly income and total experience in the company.

**TABLE 33**

**TABLE SHOWING CHI-SQUARE RESULT FOR MONTHLY INCOME AND EDUCATIONAL QUALIFICATION**

Monthly Income in Rupees	Educational Qualification	Below 5000	5001-7000	7001-10000	Above 10000
		<b>H.S.C</b>	O	5	9
	E	4.73	15.22	12.54	3.49
<b>Graduates</b>	O	5	52	33	6
	E	12.61	40.59	33.46	9.32
<b>Diploma</b>	O	5	10	5	5
	E	3.28	10.57	8.714	2.42
<b>Others</b>	O	8	3	3	4
	E	2.36	7.611	6.27	1.748

**INFERENCE**

Calculated value of  $\chi^2 = 49.019$

Degree of Freedom = (r-1) (c-1)

Where,

r = Number of rows

c= Number of columns

Degree of freedom = 9

Level of Significant = 5%

Table value = 16.92

The calculated value is more than the table value. Hence the Null Hypothesis ( $H_0$ ) is rejected. Alternative Hypothesis ( $H_1$ ) is accepted. So, there is a significant relationship between Educational Qualification and Monthly Income.

**FINDINGS**

- 64 percent of employees are male.
- 62 percent of employees are single.
- 42 percent of the respondents were 20-30 years of age.
- 42 percent of employees are getting salary between Rs.5001-Rs.7000.
- 37 percent of employees are having experience between 2-5 years.

- 54 percent of employees are graduates.
- 46 percent of employees are satisfied with their income.
- 76 percent of employees are satisfied with the working environment.
- 74 percent of employees think that performance rating is effective while making mistake at work.
- 81 percent of employees agree that they have sufficient workloads.
- 68 percent of employees agree that their skills are recognized by the organization.
- 78 percent of employees are aware about the performance appraisal system existing in the organization.
- 61 percent of employees have monthly discussion with their superiors, about their performance.
- 50 percent of employees agree that the opportunity for self growth is partially considered.
- 88 percent of employees agree to the fact that performance appraisal can identify the training needs.
- 78 percent of employees compare the performance with colleagues.
- 72 percent of employees agree that they have opportunity to grow in the organization.
- 41 percent of employees think that the performance appraisal needs to be carried out monthly.
- 36 percent of employees have weekly counseling with their superiors.
- 80 percent of employees are motivated by the performance appraisal system.
- 62 percent of employees salary ,incentives and bonus have increased by the performance appraisal system.
- 84 percent of employee's strength and weakness is identified by the superiors, using performance appraisal system
- 70 percent of employees agree that performance appraisal is a significant tool in the organization.
- 51 percent of employee's performance is evaluated by the superiors through discussion.
- 52 percent of employees strongly agree that maintaining unity will help in improving efficiency and successful completion of task.
- 48 percent of employees strongly agree that performance appraisal system will help in better planning of work.

- 36 percent of employees strongly agree that they improve themselves by attending various sessions.
- 91 percent of employees agree that the performance appraisal system is transparent.
- There is a significant difference between educational qualification and monthly income according to the chi square test done.

## SUGGESTIONS

- ❖ Maximum of respondents are not satisfied with their performance appraisal system.
- ❖ It is suggested to consider the current appraisal system and there is a need for improvement.
- ❖ Consistent and equitable system of rewards can be formulated.
- ❖ Opportunities for promotions and advancement must be adequately provided for further upliftment of employees.
- ❖ Due recognition should be given to the employees by top management.
- ❖ In order to improve the performance level of employees the organization should create more awareness and to provide feedback regularly to the employees about performance appraisal system.
- ❖ Proper training should be given to the employees, in order to increase their knowledge about the usefulness of the appraisal system.
- ❖ Top management shall continually review the appraisal conducted, which shall be seen as positive support to the system by the appraiser as well as appraisees, and their interest will be maintained.
- ❖ After appraisal program if there is any improvement, the employees should be motivated by Promotion, Increments etc.

## CONCLUSION

In every organization, job satisfaction plays a vital role. Employees tend to satisfy if they meet their needs, wants, requirements and most of all job recognition and encouragement from the top management is expected so their work has to be appreciated by a method of performance appraisal. So by enhancing these appraisal techniques, it helps in level of job satisfaction and healthy work atmosphere.

## BIBLIOGRAPHY

- Dr. C.B. Mamoria, Personnel Management, Mumbai, Himalaya Publishing House.
- C.R.Kothari, Research Methodology, New Delhi, New Age International (P) Limited.
- Robert H.Woods, Managing Hospitality Human Resource .
- Blum. ML and Naylor, JC (1985) theoretical and social foundations, New Delhi , C.B.S publishers
- Tripathi P.C (2002), Personnel Management and Industrial Relations published by Sultan chand & Sons
- Mamoria C.B (2002), Personnel Management published by Himalaya publishing house.
- Malhotara R.K. Sharama S.D.& Nachhathar Singh (1999) Personnel management (New Delhi) Arnold Publications (p) Ltd.,
- C.R. Kothari (1999), Research Methodology, Methods and Techniques, Wishwa Prakasan publication.

## WEB SITES

- [www. hvs International journal.com](http://www.hvs International journal.com)
- [www. google. com](http://www. google. com)
- [www. human resource .com](http://www. human resource .com)
- [www.wikipedia.com](http://www.wikipedia.com)