

Nexus of Performance Appraisal and Employees' Motivation: A Case of Commercial Banking Sector

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Abstract: Employees' performance has intensively been accorded vital focus of concentration by managers nowadays. Consequently, various performance appraisal techniques have been utilized to enhance employees' performance. Performance appraisal are being used to assess additional factors, including as motivation, in addition to how well people performed. Consequently, the current study aims to explore the impact of performance appraisal on employees' motivation in the commercial banking sector of southern region of KP, Pakistan. Scales were adopted from previous literature. Questionnaire was used as data collection instrument. 234 responses from respondents were completed in all aspects and then were considered for data analyses. Results revealed a significant positive association of performance appraisal with employees' motivation in the present study context.

Introduction

Today's businesses should emphasize performance in order to meet competitive requirements. It is essential to achieving both competitive goals and organizational sustainability. Organizations use a variety of resources, including human resources, physical resources, financial resources, and natural resources, to achieve their goals. The most important, valuable, and unstable resource among all those employed by businesses is regarded to be the human resource (Kassaye 2018). The effectiveness of the workforce, or human resource, determines the performance of the organization as a whole. Therefore, businesses must create efficient performance appraisal systems to encourage employees to produce their best work.

Performance appraisal is the greatest and most effective management approach for assessing the outstanding performance of a workforce within an organization (Grote, 2002). The term "performance appraisal" describes the entire procedure used by management to assess and enhance the workforce's individual and team performances over the course of a given time period. Promoting organizational and personnel growth is crucial to human resource development.

Even though it is possible for workers to be let go, information from these types of performance appraisal programs may be useful for organizational management in making a variety of administrative and development decisions, such as hiring, placing, paying fairly, promoting, and

appreciating workers (Muogbo, 2013). Performance evaluations can encourage workers to maintain a better standard of work, inform workers of the organization's objectives, and promote positive relationships between management and workers.

According to Manuel and Holmes (2009), the aforementioned activity is carried out while preserving employee motivation. As a result, employee productivity increases in both quantity and quality, enabling them to significantly contribute to the accomplishment of the organization's short- and long-term objectives. Employees need to be motivated if they are to develop the motivation to work long hours on their specialized duties. An individual's propensity to increase their work efforts might be characterized as motivation (Bloisi, Cook & Hunsaker, 2007). In actuality, the success of the organization depends on maintaining a pleasant working atmosphere. The importance of Content Theory and Process Theory in relation to motivation was determined by Miner (2005). The content theory, often known as the content hypothesis, maintains that living nature's intellectual goals frequently support human behavior. Process theory, which is based on cognitive psychology, looks at how people are frequently motivated. They assume that humans often engage in thorough calculation while achieving specific goals. Included are the theories of expectations, goals, equity, and emotional agreement (Nimri & Bitar 2015).

In comparison to the other theories mentioned above, the Expectancy Motivational Theory (EMT) is thought to be more appropriate to the current study and to professionals like bankers and accountants. Therefore, it is believed that, following thorough consideration of totally created evidence, expectancy theory will be extremely helpful for this research. Expectation theory is thought to be universally applicable in order to analyze the relationship between performance appraisal attributes namely fairness, appreciation & promotion and compensation and employees' motivation in the commercial banking sector of the southern region of KP, Pakistan.

Literature Review

Although studies like Esther and Doreen (2019) show that the primary purpose of performance appraisal, despite its apparent simplicity, is frequently to gauge each employee's organizational resilience and brittleness. The direct impact model is used in research to assess the accessibility of consistency based on a variety of instances, including the belief of 229 employees of publicly traded companies in Malaysia's Klang Valley and the belief of 133 leaders of international organizations (Sudin, 2011). In their studies, scientists have used direct effects models (Ismail & Mohamad, 2014). The study's findings demonstrated that when the assessor could accurately define the objectives, plans, and methods of the evaluation framework, the cognitive value and perceived appropriate handling of results rose. When determining representative execution scores, you also need to give the right comments. Additionally, numerous studies have thoroughly examined the influence of the social context of performance appraisals on typical responses to these evaluations (Pichler, 2012). Employee reviews of the entire performance evaluation process, comments on performance evaluations, or employee evaluations of the process as a whole, as well as the fairness and fairness of the performance evaluation system, are a few examples of employee evaluations that meet recognized standards (Gupta & Tiwari 2013).

Additionally, there is a correlation between an employee's involvement in the performance appraisal and beneficial outcomes of perceived fairness and recognition of such practices of performance appraisal system (Kim & Holzer, 2016). Brown and Bensen (2010) assessed the relationship between the ease of the performance rating process, trust, communication, and justice by taking a sample of almost 2300 Australian employees. Following that, the performance appraisal's quality is assessed utilizing the

commitment and performance appraisal. The study discovered that all those employees who have some types of trust and faith issues with the organizational management and their supervisors obtained low level of performance evaluation results and hence showed low level of performance and work output.

Getachew (2020) additionally discovered that the simplicity of performance expectations' motivation had a sizable impact. An important factor was the evaluation process and the goal of the friendly reception. Integrity and fairness seem to have a significant impact on job performance and employee motivation. Moreover, job performance was only slightly influenced by distributional equity. This study discovered that during the previous five years, design and advancement, presence and perception, and punctuality have all improved. According to this study, motivating employee evaluation can be achieved by defining goals, providing training and development to help employees reach desired performance levels, and creating specific long-term objectives. Workers have been provided with the chance, or another way to put their level of process control, through communication, to use.

The direct effect of appraisal system on employees' motivation was also proven by Megira (2017). Additionally, according to his research, performance reviews significantly boost workers' motivation.

According to Zainuddin and Isa (2011), organizational motivation, fairness, and participation in the budget all have a role in managerial performance. A large benefit of organizational fairness on employee motivation was also disclosed by him.

Because it demonstrates how happy you are with the appraisal system, your supervisor's credibility is quite important. As well as inadequately addressing employees' specific needs, trait-based assessments fall short in terms of training design and development plans that address well-known technical deficiencies. Performance evaluation procedures have been shown to have a noteworthy and favorable impact on employee performance, according to Tsegaye (2018). However, more recent research studies have also found a connection between performance evaluation and employee motivation. A clear evaluation system is necessary for the organization, and Najeeb (2011) revealed the results of a performance appraisal evaluation at Habib Bank Limited. He came to the conclusion that these results had a significant impact on employee motivation, which then affected the performance of all employees.

By examining the academic staff at Ethiopia's Jimma University, Negash (2014) demonstrated the effects of compensation, including promotions, payments, and recognition, on employees' motivation. Motivated employees get paid more, according to research (Negash, 2014)

Employer payments to employees in exchange for their services include all forms of compensation and benefits. Enhancing the compensation system is one of the following crucial aspects of the human resource process. This is because an advanced compensation system helps an organization to attract and retain talented workers who can help it compete in the market and maintain its worth (Dessler & Varrkey 2005).

According to De Frank and Ivencevich (1998), one of the most significant motivators of people is pay. Additionally, they noted that building and fostering quality in higher education is mostly dependent on motivation. According to Clalista (2009), pay can increase employee motivation if it is well-structured and developed. If an organization doesn't have a proper pay system in place, it will encounter issues in the market because employee turnover is a major factor. Compensation deals with higher performance and keeps employees focused on their duties (David, 2002). Employee compensation includes all types of stipends, such as those for travel and medical expenses, in addition to incentives, rewards, and benefits.

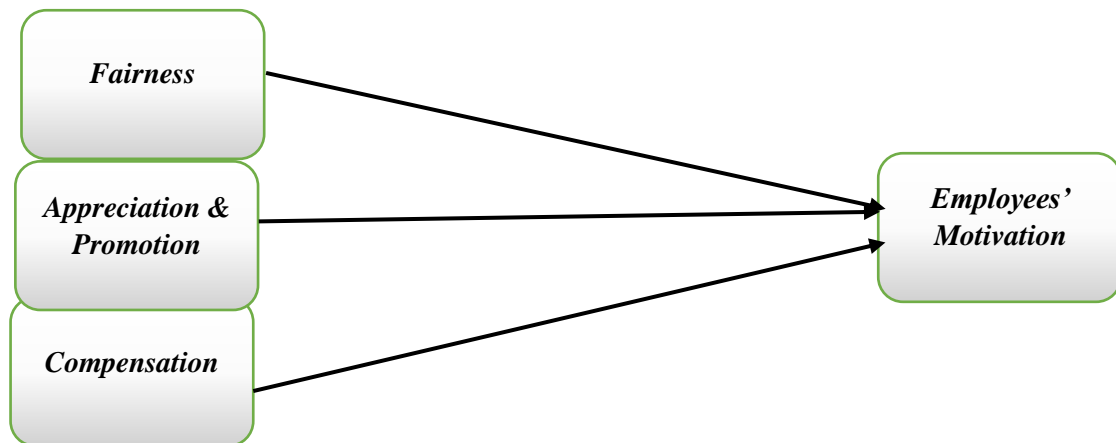
This is vital to know since if any employee feels underpaid, he or she will likely become less motivated to do their duties (Byars 1997). Fairness impression is a motivator for workers, according to Libby (2001). One way to boost employee motivation is to strengthen people's perceptions of fairness. According to Magner (2001), advanced and favorable feelings of fairness matter increase the employees' level of trust with the organization, which immediately have positive or negative impact on employee attitude and behavior. So long as the budgeting process is fair, management has always received positive feedback from the workforce.

Promotion and recognition generally belong under the area of intrinsic rewards, which deal with the good psychological work experience of the employee and directly influence organizational results. Included in this are the pleasures of acquiring new tasks and, in a close second, the sense of satisfaction that comes with finishing a task successfully. As compared to extrinsic reward, intrinsic reward is given more weight in many researcher studies.

Consequently, upon all the above discussed studies, researchers hypothesized that

- H1: Performance appraisal attributes (fairness, appreciation & promotion and compensation) have significant association with employees' motivation among employees of commercial banking sector of southern region of KP, Pakistan
- H2: Performance appraisal attributes (fairness, appreciation & promotion and compensation) have significant impact on employees' motivation among employees of commercial banking sector of southern region of KP, Pakistan

Figure: 1 Conceptual Framework



Source: Developed for the research

Methods and Materials

Current study is based on quantitative research approach which relates with collecting and analyzing numerical data. Quantitative approach deals with estimating averages and patterns and also testing causal relationships with the help of derived sample. The obtained results are afterward generalized to whole population (Malebana & Swaneoel, 2015). Employees working in commercial banking sector of southern region of KP, Pakistan are the target population of present study. The non-probability and practical sampling technique is used to select responders from the target

community because of the homogeneous population. This method is suitable for homogeneous populations when each responder is identical to every other respondent. According to collected data from various commercial banks of target area, almost 460 employees are working in the commercial banks. 214 sample size was derived by applying Yamane (1969) formula. To overcome to the biggest challenge of low response rate in the social sciences area, 280 sets of questionnaires were distributed to the respondents for data collection. Total 234 were get back which were completed in all aspects. Scales for measuring present study variables were adopted from previous literature. Performance appraisal attributes i.e. fairness, appreciation & promotion and compensation were measured through scales developed by Oldhan, Kulik, Stepina and Ambrose (1986), Jescan and Kikoito (2014) and Hain and Francis (2004) respectively. Employees' motivation was measured through scale developed by Kazan and Gumus (2013).

Data Analysis

For getting empirical evidence, collected data was analyzed through various statistical tools starting with basic descriptive, passes through reliability, correlation and ended with regression analysis. The revealed results are presented as following

Table 1: Descriptive, Reliability and Correlation Statistics

Constructs	N	Mean	SD	α	FS	A&P	CN	EM
Fairness (FS)	234	3.85	.598	.735	1			
Appreciation & Promotion (A&P)	234	3.82	.587	.782	.654**	1		
Compensation (CN)	234	4.10	.541	.810	.543**	.687**	1	
Employees; Motivation (EM)	234	3.70	.631	.751	.480**	.465**	.411**	1

**Correlation is significant at 0.05 level, SD= Std. Deviation, α =Reliability coefficient, FS=Fairness, A&P=Appreciation & Promotion, CN= Compensation, EM=Employees; Motivation

Above table 1 shows results about means, standard deviation, reliability and correlation coefficients. Results revealed that scales employed to measure current study variables are reliable as all the scales reliability coefficients are exceeding the minimum acceptable value which ranges between .735 and .810. Above table 1 also shows the correlation coefficients values between current study variables. Results revealed that fairness is significantly positively associated with employees motivation ($\beta=0.480$, $p>0.05$) among commercial banking sector employees. Appreciation & promotion is also revealed significantly positively associated with employees motivation ($\beta=0.465$, $p>0.05$) in the present study context. Results also revealed that compensation is significantly positively associated with employees motivation ($\beta=0.411$, $p>0.05$) among commercial banking sector employees of southern region, KP,

Pakistan. Hence H1 of present study is accepted as all the three attributes of performance appraisal are revealed significantly positively associated with employees' motivation in the present study context.

Regression Analysis

For testing second hypothesis developed for the current study, regression analysis is conducted. Results obtained from the regression analysis are presented as under

Table 2: Regression Analysis

Model	R	R-Square	Se	F	df	Sig
1	.563	.308	.536	25.474	4	.000
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. error	Beta	t	Sig.
(Constant)		.961	.285		3.324	.001
Fairness		.281	.089	.256	3.504	.001
Appreciation & Promotion		.171	.092	.161	1.861	.009
Compensation		.243	.069	.245	3.561	.001

The above table 2 showing that the overall model predicting employees motivation through various attributes of performance appraisal is significant (p=.000) and shows 56% variation in employees motivation due to all the three attributes of performance appraisal in the current study context. The analysis further calculated the individual β coefficients values for each independent variable in the above table. β coefficient value for fairness is 0.281, for appreciation & promotion is 0.171 whereas for compensation is 0.243 which means that fairness denotes 28 %, promotion denotes 17% while compensation indicates 24% variation in employees' motivation with attaining the significant level at $\alpha=0.05$ in the present study context. Hence Hypothesis 2 developed for the current study is also accepted.

Discussion& Conclusion

Present study amid to examine the association of performance appraisal attributes namely fairness, appreciation & promotion and compensation with employees' motivation among employees working in commercial banks of southern region of KP, Pakistan. 234 employees were surveyed through questionnaire for data collection. Results revealed significant positive association between all the attributes of performance appraisal with employees' motivation in the present study context. These results are consistent with previous results obtained by Megira (2017) who also revealed a significant positive association between performance appraisal and employees' motivation by taking commercial bank of Ethiopia employees into consideration. Researcher on the bases of his study concluded that employees' performance may be improved through enhancing their motivation by ensuring the availability of efficient performance appraisal system in the organization. Zainuddin (2011) concluded in his study by taking fairness and motivation under consideration that fairness prevailed in the organizational setup significantly boosts the employees' motivation level and hence they deliver their best in return. The same results were also obtained by Rumi (2011) who concluded in his study that if employees have provided a positive and good working atmosphere with fair performance appraisal system, they consequently will boost their energy to serve the organization.

On the above findings, it is concluded that the commercial banks should assure the existence of effective and efficient performance appraisal system in the banks for their employees during their jobs so that they may accomplish their assigned duties in smooth and efficient manner. Performance appraisal system for employees should be based on fair policies for the recognition of their job performance so that the employees might be motivated. In addition, management needs to put emphasis on encouraging employee appreciation and advancement. Because employees rarely perform their responsibilities effectively and smoothly in stressed environments, this is a problem. Appreciation, promotion, and mental fulfilment are what employees seek, and these things help them perform tasks with high skill levels. With a fresh perspective, a worker can come up with new solutions, techniques, and technologies to make their job easier and help them reach their goals with the least amount of risk and expenditure possible. All of these things can only occur in a favorable environment because a challenging, tense, and hostile environment would only encourage subpar and fraudulent efforts meant just to appease management. The management should therefore motivate personnel to work toward the organization's brighter future in order to achieve successful achievements. Therefore, based on the results of this study, the researcher draws the conclusion that raising employees' motivation through performance reviews is crucial.

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