

THE EFFECT OF PERFORMANCE APPRAISAL SYSTEM ON
EMPLOYEES' MOTIVATION: THE CASE OF NIB INTERNATIONAL
BANK S.C. NORTH EAST ADDIS ABABA DISTRICT



DEBRE BERHAN UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MBA PROGRAM

A THESIS SUBMITTED TO THE DEPARTMENT OF MANAGEMENT AS
A PARTIAL FULFILLMENT FOR THE REQUIRMENT OF MASTER'S
DEGREE IN BUSINESS ADMINISTRATION

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JUNE, 2024

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STATEMENT OF DECLARATION

I declare that this thesis is my genuine work which is done under the guidance of my advisor, Solomon Melese (PhD) and that all sources of materials used for this thesis have been profoundly acknowledged. This thesis has been submitted in partial fulfilment of the requirements for master of Business administration (MBA) in management at Debre Berhan University. I declare that this thesis is not submitted to any other institution any where for the award of any academic degree, diploma or certificate. Brief quotations from this thesis are allowable without special permission, provided that accurate acknowledgment of the source is made.

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Letter of Certification

This is to certify that the thesis entitled “The Effect Of Performance Appraisal System On Employees’ Motivation” The Case Of Nib International Bank S.C. in North East Addis Ababa District” submitted in partial fulfilment of the requirements for the degree of Masters of Arts with specialization in Business Administration of the Post Graduate Program of the Management, College of Business and economics, Debre Berhan University and is a record of original research carried out by Solomon Getye, No part of the thesis has been submitted for any other degree or diploma. The assistance and help received during this investigation have been duly acknowledged. Therefore, I recommend that it be accepted as fulfilling the thesis requirements.

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Date: **13/10/2016**

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APPROVAL OF THE THESIS

We, the undersigned members of the board of the examiners of the final open defense by Solomon Getye have read and evaluated his thesis entitled “The Effect Of Performance Appraisal System On Employees’ Motivation” The Case Of Nib International Bank S.C. in North East Addis Ababa District and examined the candidate. This is therefore to certify that the thesis has been accepted in partial fulfilment of the requirements for the degree of Master of Arts in Business Administration.

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ACKNOWLEDGEMENTS

First, thanks to the Almighty God for giving me the wisdom and the strength to start and finalize this study. I would like to thank my advisor Solomon Melese. (PhD) for his guidance and valuable comments on this thesis work. He has shown me the right path of research and encouraged me throughout the study. His devotion to guide and support this thesis work and his friendly approach as well as academic advice is truly appreciable. I also extend my profound gratitude to employees of Nib International Bank S.C. in North East Addis Ababa District who are currently working in the bank that helped me by filling the questionnaires, gave their time for me to conduct my work and providing documents that used as an input for the study.

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LIST OF ACRONYMS

BSC- Balanced Score Card

CEO- Chief Executive Officer

HR- Human Resource

HRD- Human Resource Department

NBE- National Bank of Ethiopia

NEAAD- North East Addis Ababa District

NIB- Nib International Bank

PA-Performance Appraisal

PM- performance management

PMS –performance management system

SC- Share Company

SPSS-Statistical Package for Social Sciences

VIF- variance inflation factor

ABSTRACT

The general objective of the study was to examine the effect of performance appraisal systems on employee's motivation the case of NIB International Bank North East Addis Ababa District. The study adopted a descriptive and explanatory research design. A sample size of 257 was selected by using convenience sampling method. The data was collected by using structured questionnaires and it was analysed by using the Statistical Package for Social Sciences (SPSS) version 25 software into frequency distribution, percentages and Pearson correlations. The data was presented by using tables to show frequencies & percentages. As a result of the findings of the primary and secondary data the researcher concluded that the performance appraisal system wherein the employees express that they had low level of satisfaction with the performance appraisal system being practiced by the bank and its appraisal process discourages the employee's motivation. The evaluators can increase the accuracy of performance evaluation or minimize bias and increase employee's motivations. Besides, based on the findings, the study recommends that the performance appraisal system has an important effect for employee's motivation. Because performance appraisal system is important to improve the employee's job performance and motivation at any work area. Various evaluators can be used to increase the accuracy of performance evaluation and increase employee's perceptions of fairness that can increase employee motivation in the bank.

Key words: performance, performance appraisal, employee, employee's motivation

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

Performance Appraisal System (PAS) is amongst the great paradoxes in effective management of Human Resource (HR) in many organizations and its main purpose is to improve efficiency and effectiveness in job performance. Performance appraisal as a system has been in existence for a few decades. Formally, evaluation of employees is believed to have been adopted in the eighteenth (18th) century and it involves assessing performance in relationship to the laid down rules, procedures and objectives of the job (Fletcher, 2004).

According to Guest (2001) the outcomes of effectual performance appraisal are improved accurateness of performance of an employee and relating it to task performance and obvious likelihood of rewards. Miller (2007) states that there are many outcomes that can be attained from having performance appraisal program which include continuous open communication, improved employee morale, job satisfaction, reduced employee turnover, increased employee commitment, increased motivation for both individuals and teams, feeling of equity among employees, and linkage between performance and rewards.

When performance appraisal is conducted properly, both supervisors and subordinates have reported the experience as beneficial and positive. Fairness of performance appraisal procedures may be associated with fairness of outcomes (Lindquist, 1995). The instrumental theory of procedural fairness (Thibaut and Walker, 1975; Lind and Tyler, 1988) proposes that fairness of procedures may lead to fairer decisions or outcomes. Greenberg and Folger (1983) explain as follows:

'If the process is perceived as being fair, then there is a greater likelihood that the outcomes resulting from that process will be considered fair. The tendency for procedural justice to influence distributive justice has been called the fair process effect'. Performance appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Performance appraisal is an important element in order to increase the profitability and performance of the bank. Performance feedback lets employees to know they have to perform in comparison with the bank/organization performance appraisals and it can affect to promote the two way communication between the management and employees and to improve the employees level of motivation.

Motivation is a basic psychological process and it is a power that gives energy, direction and upholds behaviour (Luthans, 2011). Motivation can be referred broadly as individuals' goals,

ways of choosing their goals and individuals trying to change their behaviour to suit those goals, and is concerned with strength and direction of behaviour and aspects influencing employees to act or behave in particular manner (Armstrong,2012). He argues that there is motivation in employees when they anticipate that their actions will lead to them attaining their goals and hence a valued reward to satisfy needs and wants. High performance is achieved when employees are highly motivated and have a personal choice to make unrestricted effort. Locke &Lotham (2004) refer to factors within an employee that lead to acting in a certain way and to factors from without that can entice one to act, as motivation. They point out that employee behaviour is directly influenced by leadership and management of the organization as it depends on how they will direct it towards given organizational goals.

According to Newstrom (2011) motivation is the result of a set of internal and external forces that cause an employee to choose suitable course of action and hold on certain behaviours. These behaviours will in turn be focused at achieving organizational goals. Motivation also requires learning and understanding employee drives and needs, since its origin is from within an individual. Chartered Management Institute (2005) states that motivation is the formation of incentives, stimuli and working environment that enable people to perform to the best of their ability. The spirit of motivation is to provide employees with what they really desire most from their job.

Rao (1985) opines that a properly designed performance appraisal system is critical as it helps employees in understanding their strong and weak areas, regarding their roles and responsibilities in the organization. Particularly, setting out personal goals aligning them with organization objectives has been embraced in most of organizations. According to Mullins (2010) performance appraisal is a process applied in businesses to assess characters and contributions of employees in their teams. He argues that appraisal of performance serves two purposes; evaluative purpose and developmental purpose.

Williams (1998) describes performance appraisal as a systematic evaluation of the staff by their supervisor in terms of the job performance as prescribed by the job description, specification and working environment and it is usually carried against agreed criteria or conditions of evaluation. The main purpose of performance appraisals is to help manage staffs effectively and use human resources and ultimately, to improve productivity. When staff appraisal conducted properly, it is important by showing the employees how to improve their performance, by setting goals for employees, and helping managers to assess subordinates' effectiveness and take actions related to hiring, promotions, demotions, training, compensation,

job design, transfers, and terminations (Latham, et al 1994). A number of studies highlight that a number of employees report being victims of unfair performance evaluations (Blasé, 2003; Bryne, 1971;

Huo and Tyler, 2001) the outcome, the procedures followed, information used, and the interpersonal dynamics between an evaluator and an evaluatee of performance appraisals may impact on employee negatively. For example, an unfair performance review may result in an employee being fired. The emotional stress of losing one's job as a result of an unsatisfactory performance appraisal can result in physical manifestations from lethargy to muscle pain to cardiac and respiratory problems (Blasé a, 2003). In another situation, an employee may experience similar emotional and physical reactions if an unfair performance appraisal resulted in his or her being put on review which would require more frequent performance appraisals.

Nib International Bank S.C is one of the pioneer private banks that have been providing financial services in Ethiopian banking sector for the past 20 years. Following the promulgation of monetary and banking proclamation No-84/1994 private banks came back to existence in Ethiopia. Consecutively, Nib International Bank (NIB) was established in 1999 in accordance with the two proclamations with a paid up capital of birr 27.6 million and registered capital of birr 150 million with a few number of 27 employees. Finally, it commenced operation in October 28, 1999(www.nibbanksc.com,2020).

Nib International Bank S.C has its own performance appraisal systems, and it can affect the employees toward increase the effectiveness and efficiency of the organization. Therefore, this study would focus on the effect of performance appraisal system on employee motivation in NIB,

North East Addis Ababa District.

1.2. Statement of the problem

In fostering employee growth and development, the effective implementation of human resource practices, such as performance appraisal, plays a pivotal role. However, inadequate execution of such practices can result in various challenges, including diminished enthusiasm among employees to acquire and apply new skills, decreased productivity, low morale, and heightened turnover rates (Edgar, 2005). Moreover, it significantly impacts an organization's competitiveness and its ability to fulfil its objectives.

Central to the performance appraisal process is the communication of performance ratings from employers to employees. While some argue that feedback may have limited impact, especially for high-performing individuals or in complex situations, effective feedback

delivery aids decision-making, productivity enhancement, and organizational effectiveness (Larson, 1984). The absence of key elements within the appraisal system can compromise rating consistency, thus affecting data validity. Additionally, appraisal results serve as a basis for training, compensation, and other benefits (Dash et al., 2008).

Performance management systems leverage appraisal information to guide training initiatives aimed at enhancing employee capabilities (Pulakos, 2010). Continuous feedback on performance plays a crucial role in motivating employees to develop their skills and improve future performance (Invancevich, 2008). Motivation stems from the expectation that certain actions will lead to goal attainment and valued rewards, thereby driving organizational success (Armstrong, 2009). Recognizing what inspires employees is essential for achieving high levels of productivity (Beardwell and Claydon, 2007).

Organizations with robust performance appraisal systems typically exhibit higher growth rates, increased returns per employee, lower attrition rates, and a stable platform for tackling new challenges (Debemitra, 2008). A well-designed appraisal system strengthens organizations by fostering employee retention, commitment, self-efficacy, and competitiveness, ultimately leading to increased satisfaction (Aquino and Kraiger, 2009).

Various studies have explored the direct and indirect relationship and its effects between performance appraisal and employee motivation. For instance, Chaponda (2014) found that performance appraisal improved job performance in a non-governmental organization. Similarly, Njeru (2013) highlighted the role of appraisal in goal setting and attainment in the public sector. Kamiti (2014) demonstrated the positive impact of appraisal on employee motivation in a governmental office.

Based on the research conducted, a central issue in performance appraisal practices across private and governmental organizations is the fairness of evaluation decisions. Evaluators often struggle to assess performance accurately, leading to dissatisfaction among employees. This dissatisfaction can arise from evaluators lacking the necessary expertise, resulting in biased, unfair, and unreliable evaluations.

When the researcher review the documents, at Nib International Bank Share Company, periodic performance appraisals are conducted, but discussions reveal employees dissatisfaction. Employees express concerns that promotions, salary increases, and bonuses are not tied to appraisal results.

Despite through consultation of related research, there is no prior studies has been conducted focusing on NIB International Bank, especially in the North Eastern District of Addis Ababa, were found. Consequently, the researcher embarked on this study to investigate the effect .

1.3. Basic Research Questions

1. What is the relationship between continuous communication and employee motivation?
2. What is the effect of supervisors and employees relation with employee motivation?
3. What is the effect of appraisal process and employee motivation?
4. What is the relationship between feedback and employee motivation?
5. What is the relationship between Training and coaching and employee motivation?
6. What is the effect of appraisal accuracy and employee motivation?

1.4. Hypothesis

In order to achieve the aims of the study the following research hypothesis are considered.

H1: Continuous communication has significant positive effect, on employee motivation.

H2: Supervisors and employees relation has significant positive effect, on employee motivation.

H3: appraisal process has significant positive effect, on employee motivation.

H4: Feedback has significant positive effect, on employee motivation.

H5: Training and coaching has significant positive effect, on employee motivation.

H6: appraisal accuracy has significant positive effect, on employee motivation.

1.5. Objectives of the study

1.5.1. General Objective

The main objective of this study is to assess the effects of performance appraisal system on employees 'motivation at Nib international bank North East Addis Ababa District.

1.5.2. Specific Objectives

The specific objectives of the study are as follows:

1. To examine the relationship between continuous communication and employee motivation.
2. To determine the effect of supervisors and employees relation with employee motivation
3. To examine the effect of appraisal process and employee motivation.
4. To examine the relationship between Feedback and employee motivation.
5. To examine the relationship between Training and coaching and employee motivation.
6. To find out the effect of appraisal accuracy and employee motivation.

1.6. Significance of the study

The basic assumption underlying this study is that assessing the effects of system on employees' motivation of NIB. Therefore, the researcher believes that the result of this study creates an opportunity to employ the proper handling systems of employees. Hence, it helps all concerned bodies to treat the most appropriate method of using performance appraisal based on different set of principles so that the current problems related to employees' motivational aspects. For this reason, the following are the possible significances of the research output to NIB International bank S.C. or other banks.

- The outcomes of this study would first, enable managers to identify the areas where development efforts are needed so that personal and career development should be enhanced.
- It will be used as an input for employees' performance appraisal management procedure formulation for NIB international Bank S.C. And other banks.
- It helps enhance the practical knowledge of the researcher through creating a link between the theoretical knowledge of employees' performance appraisal practice and actual implementation in this area in the banking industry that will uses to motivate their employees.
- The result of this study is further hoped to serve as a springboard to any interested researchers in the area.

1.7. Scope of the Study

Since the term performance is a broad area of study, the paper focuses only on assessing the effect of performance appraisal system on employee's motivation in NIB Bank, not to assess other areas of performance such as financial performance or management performance. The study should be identifying the effect of performance appraisal systems in improving employee motivation. So, it should be limited to some selected grade one, grade two, grade three and grade four branches under North East Addis Ababa District office. The researcher should consider that would cover the whole branches in to the study is unmanageable on the proper time. And also, employees of working in the bank for less than one year are not included since they are recently employed who have no significant understanding of the banks performance appraisal systems and its effects on employee's motivation. In terms of its content, the study should focus only on the effect of performance appraisal on employee motivation at NIB North East Addis Ababa District.

1.8. Limitation of the study

The researcher was delimited due to: -

- ✓ Specifically huge amount of data will be expected from employees of the organization to which information on subject matter will be confidential.
- ✓ The instability of the country will be delimited the researcher to collect the distributed questionnaires.

1.9 Organization of the Paper

This research paper will be organized in to five chapters; chapter One will contain background of the study, statement of the problem, basic research questions, objectives of the study, significance of the study, limitation of the study and scope of the study. Theoretical framework, Conceptual framework and empirical frame work. Consecutively the third chapter will describe research approach, Research Design, data types and sources, population of the study, Sampling procedure, sample size and techniques, instruments of data collection, Methods of data analysis and Ethical Consideration. Chapter four will summarize the results or findings of the study, and interprets and discusses the findings. Finally, Chapter five will comprise summary of findings, conclusions, and recommendations.

1.10 Operational definitions of terms

Performance – something that is carried out or accomplish.

Performance appraisal: can be defined as a structured formal annual or semi-annual interaction between the subordinate and supervisor to examine and discuss the work performance (Bhatia & Jain, 2012).

Motivation –is the psychological process that because the arousal, direction, persistence of voluntary action that is goal oriented (Kreitner and Kinicki).

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The main purpose of this chapter is to give a clear theoretical and practical understanding about employees' performance appraisal systems and employee's motivation in business firms. The study starts with giving highlight on performance appraisal; based on the definition given by different scholars. Then, the purpose of performance appraisal followed by when to conduct Performance appraisal; methods of performance appraisal; performance appraisal processes; Who Should Do the Appraisal; benefits of performance appraisal; challenges of performance appraisal; guidelines for successful performance appraisal system and employees motivation. Finally empirical works related to the subject matter are areas covered under this chapter.

2.2 Theoretical Literature

2.2.1 Definitions of Performance Appraisal

Performance appraisal is a process that involves determining & communicating to employees how they are performing their jobs & establishing a plan for improvement. Some of the common uses of performance appraisal are making decision, promotion, layoffs and firing. Performance appraisal information can also provide needed input for determining both individual & organizational training & development needs. For example, it can be used to identify individual strengths & weakness (Le sile, 2007). Performance can be defined as "What is expected to be delivered by an individual or a set of individuals within a timeframe? What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered" (Kumar, 2005).

Armstrong (2006) defined Performance Appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. While The Chartered Institute of Professional Development (CIPD) have a more comprehensive and in-depth definition which argues that performance appraisal is not just about rating employees, Meenakshi (2012) identified that organizations carry out Performance Appraisal as a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs. „Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job expectations, providing feedback and, when necessary, coaching (Hillman et al, 1990). owever, Khan (2007) states that the fundamental objective of performance appraisal is to facilitate management in

carrying out administrative decisions relating to promotions, firings, layoffs and pay increases. From carrying out the performance appraisal, management then has to make choices in relation to retention, future assignments and training and developmental needs (Hillman et al, 1990).

According to Obisi (2011), Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This explains why almost every organization carries out some form of performance appraisal either on its own or as part of their performance management system.

Fletcher (2004) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting manager subordinate dialogue and formal assessment of unsatisfactory performance.

2.2.2 Purpose of Performance Appraisal

Performance appraisal information can provide needed input for determining both individual & organizational training & development needs. For example, it can be used to identify individual strengths and weakness. In addition, Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Some of the common uses of performance appraisal are making decision, promotion, layoffs and firing (Zimmerman & Darnold, 2009).

Furthermore, (Grubb, 2007) describes the purpose of performance appraisal from four supportive perspectives: those are organizational perspective, administrative, individual and control. The purpose of performance appraisal is to promote organizational efficiency and effectiveness. The cumulative effect of good performance by employees will further result good organizational performance in terms of both effectiveness and efficiency. The second reason for support of performance appraisal is to enhance individual employee performance and satisfaction.

According to Ivancevich (2004) and, Rao (2000), performance evaluation has many purposes; among them are:

Development: It can determine which employees need more training, and it can help evaluate the results of training programs. It helps the subordinate-supervisor counseling relationship, and it encourages supervisors to observe subordinates' behavior to help employees.

Motivation: It can encourage initiative, develop a sense of responsibility, and stimulate efforts to perform better. Robbins (2003) defined motivation as the process that account for an individual's intensity, direction, and persistence of effort toward attaining a goal.

Human resources and employment planning: It can serve as a valuable input to skills inventories and human resource planning.

Communications: It can serve as a basis for an ongoing discussion between superior and subordinate about a job-related matter. Through interaction and an efficient feedback process, the parties get to know each other better.

Legal Compliance: It can serve as a legally defensible reason for promotions, transfers, rewards, and discharges.

HRM research: It can be used to validate selection tools such as a testing program.

Kumar (2005) grouped the objectives of performance appraisal in a number of ways: Administrative, Informative and Motivational.

- Administrative. Providing an orderly way of determining promotions, transfers and salary Increases.
- Informative. Supplying data to management on the performance of subordinates and to the individual on his or her performance.
- Motivational. Creating a learning experience that motivates staff to develop themselves and improve their performance.

According to Stredwick (2005) there are two main purposes driving towards performance management. Firstly, the operational reasons (control, communication and effectiveness), which serve to lead and control. As organizations exist in an increasingly competitive environment, it becomes more and more important for employees to have clear guidance and direction towards the organization's aims and objectives.

2.2.3 When to Conduct Performance Appraisal?

Organizations have their own time to conduct PA depending on their own philosophy of time (Mullins 1996:501). With the majority of schemes, staffs receive an annual appraisal and for many organizations this may be sufficient.

Mathis and Jackson (1997: 345-346), further explained the importance of formal and systematic performance appraisal as follows.

First an informal appraisal is conducted whenever the supervisor feels it is necessary. The day-to-day working relationships between a manager and an employee performance have to be judged. The longer feedback is delayed the less likely it is. Motivating behaviour change,

Frequent information feedback of employee can also avoid surprises (and therefore problems) later when the formal evaluation is communicated.

Second, a systematic appraisal is used when the contact between manager and employee is formalized and a system is established to report managerial impressions and observations on employee performance. Although informal appraisal is useful, it should not take the place of formal appraisal. When a formalized or systematic appraisal is used, the interface between the HR unit and the appraising manager becomes more important.

2.2.4 Methods of Performance Appraisal

There are different performance appraisal methods thus, managers can choose from these appraisal methods while appraising the performance of their subordinates. This section deals with nine commonly used performance appraisal methods categorized under traditional methods and modern methods. These appraisal methods are briefly discussed below as asserted by different authors.

2.2.4.1 Traditional Methods of Performance appraisal techniques

I. Ranking Straight

It is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance and then the performance of one is compared with the other in all parameter. This method does have lot of drawbacks since peoples are different in behaviour, way of working, style and concept of perfection, straight ranking techniques do not consider these factors (Dewakar 2009, 26-27).

II. Comparing by Way of Paired Ranking

As compared with ranking straight method this method is relatively better technique of comparison. Hence, the performance of one is compared with all members of the group. This method was short-lived because it was found to be quite difficult to design and it was time consuming and difficult to implement in a large number of people (Dewakar2009, 28).

III. Assessment of Linear Rating Scale

This method is also known as graphic method since the parameters are putted in a graphic forms and tick box will be put in front of each parameters to rate employees from excellent performer to poor performer. The drawback of this method is that rater subjectivity is possible, But still most organizations throughout the world are using it and it is the most popular techniques (Dewakar 2009, 29).

IV. Evaluation on the Parameter of Critical Incidents

In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points.

V. Evaluation by the Group

As the name indicates this is a group evaluation technique. Here, the group will determine job performance standards and evaluate with the actual performances. Since the evaluation process is taken under a group it is time consuming but it eliminates the scope of any bias and it is quite simple (Dewakar 2009, 33).

2.2.4.2 Modern Methods of Performance Appraisal Techniques

I. Multi-level Multi-source Feedback System (360 Degree Feedback)

360 degree feedback techniques can be defined as a systematic collection and feedback of performance data on an individual or group derived from a number of stakeholders (the boss, team members, peers, customers, subordinates) in their performance (Dewakar 2009, 38). 360 Degree feedback system does work first by developing questionnaires

II. Evaluation on the Basis of Result or Management by Objective (MBO)

Here both the boss and the subordinates will be together to set realistic objectives. First the boss gives chance to the subordinates to set objectives then the boss decides as to what extent the subordinates should and plans the goal for the subordinate as per his expectation. After this, both the boss and the subordinates will have a mutual discussion about the objective to come in to a common agreement which will be written and signed by both (Dewakar 2009, 43).

The subordinate will be evaluated based on the objective agreed. This system does have a lot of advantage beyond other methods

According to Dessler (2005, 325) In order to implement management by objective appraisal techniques, there are six major steps;

Setting the organizational goal → setting department goal → discussing department goal → define expected result → performance review → provide feedback

Management by objective performance appraisal techniques does have main positive impacts in the organization. Some of them are; it strengthens coordination among various units in the organization; it becomes easy to implement hence the performer is involved in setting up the goal; each employee is aware of what is expected from him/her; etc. (Saiyadain 2004, 214).

III. Evaluation on Behaviourally Anchored Rating Scales

This technique is based on the concept that one can assess an employee's performance by evaluating his behaviour or action over a particular situation. The parameters used in this technique are human relation, consciousness, organizational ability, observational power, knowledge and judgments. This technique is quite time consuming and expensive. Moreover it has no clear cut advantage as compare with the other, but it is quite modern to compare the competence of an individual (Dewakar 2009, 49).

Generate critical incidents → developing performance dimension → reallocate incidents → scale the incidents → develop a final instruments

Even though this technique is time consuming, it has some advantages than others. Result in more accurate gauges, clearer standards, feedback, independent dimension and consistency are some of the advantage that makes the system different from the others (Dessler 2005, 324).

2.2.5 Performance Appraisal Processes / Guidelines

Peter (1994) categorizes a four- step process of the performance appraisal system. Performance appraisal systems comprises of established performance standards, a method of determining individual performance, comparison against standards and an evaluation of performance based on the comparison. The first step of establishing performance standards outlines the employee's job responsibilities. The job standards are set against the worker performance. The second step involves pegging the worker performance (such as traits approach, behavioural approach, ranking methods, alternation ranking, and results methods, productivity measures, 360 degrees evaluation and Management by Objectives (MBO).

According to Islam and Rasad (2005), employees' performance management techniques should have to consider the following areas in order to come up with good performance appraisal techniques.

2.2.5.1 Employee Participation

In any case, if the employees perceive the appraisal system as biased, unfair and lacks rigors, then it is unlikely that they will accept the outcomes of the system. Participation gives an opportunity to the employees to raise their voice into the appraisal process. Performance standards, criteria for evaluation and the evaluation form itself all can be developed with the help of employees (Islam et al 2005).

2.2.5.2 Developing Performance Standards

When developing standards, they must be essential to measure the job duties and responsibilities. In addition, participation of employees will make the standard reliable, valid, fair and useful performance standards (Islam et al 2005).

2.2.5.3 Goal Setting

Setting goal specifically performance measurement goal will motivate employees and create appraisal satisfaction, especially when the criteria's are specific, measurable, moderately challenging and acceptable (Islam et al 2005).

2.2.5.4 Sound Performance Appraisal Interview

The appraisal interview must be conducted properly in order to get the most out of it. The interviewer must be aware about sensitivity to employee needs for privacy and confidentiality. It is of utmost importance to provide undivided attention during the interview and reserve adequate time for a full discussion of the issues.

2.2.5.5 Self-Evaluation

Self-evaluation provides employees an opportunity to systematically assess their performance. Studies have indicated that self-evaluation increases employees' perceived fairness on the appraisal process. Employees can evaluate themselves by completing their own appraisal form and presenting the draft for discussion with the evaluator (Islam et al 2005).

2.2.5.6 Management Feedback

Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which tells them to improve, they will think that the present level of performance is accepted in the organization and they may not put extra efforts to improve (Islam et al 2005).

2.2.5.7 Develop User-friendly Procedure

Performance criteria and rating procedures should be simple enough and they should be well understood by the ratters and ratees. Performance criteria should encompass the key aspects of employee's job. If any key aspect is ignored, then it sends the message that is unimportant and can be ignored. Appraisal system will be successful only when the items appraised address the requirements and essential functions on the job. The criteria used should be specific and directly related to the job (Islam et al 2005).

2.2.5.8. Evaluator Training

The person who conducts the appraisal exercise should receive extensive training in goal setting, setting performance standards, conducting interviews, providing feedback, avoiding rating biases, etc. He/she should know how to conduct appraisals accurately, consistently, fairly and objectively. In particular, top management must be aware about the competency level of the raters (Islam et al 2005).

2.2.5.9 Revising Performance Appraisal Process

The performance appraisal result should be revised by the responsible department in order to assure that the process and practices are in line with the rule and regulation of the organization. By revising the process any bias or subjectivity can be avoided and a good performance appraisal technique will be implemented (Islametal2005).

2.2.6 Who Should Do the Appraisal?

Previously most organization were doing performance appraisal by a single person. But now a day given the complexity of today's jobs, it is often unrealistic to presume that one person can fully observe and evaluate an employee's performance. The raters may include supervisors, peers, team members, self, subordinates, and customers (Cascio2004,348).

2.2.6.1 Managers/Supervisor Appraisal

This method of appraisal technique is traditional. Usually supervisors evaluate the performance of an individual's and then supervisor superior review the evaluation and appraise it. The negative impact of this technique is that when the supervisors face shortage of time to observe the performance of the individual; they simply relay on the past performance records of the individual. Even if reviewsbysuperiorsgenerally are more objective and provide a broader perspective of employee performance itishighlysubjectivetothepervisor (Cascio2004, 348).

2.2.6.2 Self-Appraisal

This appraisal methods increase the involvements of the individual in the appraisal process This approach also works well when the manager and the employee jointly establish future performance goals or employee development plans (Cascio 2004, 348).

2.2.6.3 Subordinates Appraisal

This is appraisal techniques made by subordinates to their managers. Most of the time managers are hesitant to endorse such as system, particularly when it might be used as a basis

for compensation decisions. These techniques will be advantageous to manager to improve their performance if they heed the advice of their subordinates (Cascio 2004, 348).

2.2.6.4 Peer Appraisal

Peers appraisal technique is evaluation of performance of one another that are horizontal in the organization structure. Any breach of confidentiality can create interpersonal rivalries or hurt feelings and bring about hostility among fellow employees (Cascio 2004, 348).

2.2.6.5 Customer Appraisal

The customer performance appraisal system is like team appraisal, which is based on TQM concept and seeks evaluation from both external and internal customers. For both developmental and administrative purposes, internal customers can provide extremely useful feedback about the value added by an employee or team of employees (Cascio 2004, 348).

2.3 Definitions of Motivation

According to David Austin (2012), motivating employees isn't as simple as paying them more. People are complex and lots of different factors contribute to their overall level of job satisfaction, and what motivates people to do their best work. Happiness, career aspirations, challenges, money, stress are all factors that contribute to employee motivation. Many scholars had tried to define motivation and it's a well-studied field which has roots in many academic disciplines such as psychology, sociology, education, political science, and economics. Definition of motivation according to Society for Human Resource Management (2010), motivation is generally defined as the psychological forces that determine the direction of a person's level of effort, as well as a person's persistence in the face of obstacles.

Denhardt et al. (2008) also define motivation as an internal state that causes people to behave in a particular way to accomplish particular goals and purposes. Whilst it is not possible to observe motivation itself, it's possible to observe the outward manifestations of motivation. For instance, the acquisition of money may be an extrinsic motivator, but it is simply the manifestation of the internal drive to meet intrinsic needs like purchasing food, paying rent for shelter, or acquiring high social status. There are two types of motivation as originally identified by Hillman et al (1990):

Intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement. Intrinsic motivation is what people will do without

external inducement such as hunger, a sense of duty, altruism, and a desire to feel appreciated.

Extrinsic motivation – what is done to or for people to motivate them. This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism.

2.3.1 Theories of Motivation

Theories of motivation stress different factors that contribute to job satisfaction. Both intrinsic and extrinsic motivated behavior reflects the various theories that can be adopted in an attempt to understand motivation behavior. Hillman et al (1990) content theorists who stress on the satisfaction of needs. Hillman et al (1990) theory focuses on the question of what arouses, sustains and regulates goal directed behavior that is what particular things motivate people. There is the assumption that everyone responds in much the same way to motivating pressures and that there is, therefore one best way to motivate everybody and it focuses on the needs of an individual.

2.3.1.1 Process Theories of Motivation

They are group of theories about work motivation that attempt to identify the relationships among the dynamic variables which make up motivation and actions required to influence behavior and actions. The three known theories are: equity, expectancy and goal-setting theory. Denhardt et al. (2008) formulated the equity approach as an appropriate way to effective supervision and the equity approach is another important means of ensuring motivation of workers. Workers tend to believe in it if the organizational reward system is fair. This theory assumes that people want to be treated fairly and they tend to compare contributions and rewards to those received by others. The equity theory states that people need to perceive equal outcomes for perceived equal circumstances (Denhardt et al., 2008). The principles for this theory are that if workers discover that the company does not properly reward them, they will feel dissatisfied and their morale will be lower. The outcome is that they will not work hard anymore or they may choose to depart from the current company. If the workers believe that they are adequately rewarded for what they do, they will maintain the same level of output and performance. On the other hand, if workers perceive the rewards as more than they consider fair, then they will most likely work even harder in the organization.

Employees will do better when they get feedback on how well they are progressing toward their goals because feedback helps to identify any discrepancies between what they have

done and what they want to do. Thus, feedback acts to guide behavior, therefore, the goal setting theory presupposes that an individual is committed to the goal, and is determined not to lower or abandon the goal. On goal-setting theory application, management by objectives (MBO) is one way of doing it (Erdogan et al., 2012).

Denhardt et al. (2008) introduced the goal setting approach and believes that the intentions to work towards a goal are major sources of work motivation. Basically, the specific goals increase work performance and that is to say that the specific hard goals produce a higher level of output than does the generalized goal of just “do the best”. The specific goal itself acts as an internal stimulus and hence provides the motivation force to people. Employees will do better when they get feedback on how well they are progressing toward their goals because feedback helps to identify any discrepancies between what they have done and what they want to do. Thus, feedback acts to guide behavior, therefore, the goal setting theory presupposes that an individual is committed to the goal, and is determined not to lower or abandon the goal.

2.3.2 Performance Appraisal and Employee Motivation

Performance appraisal and motivation are important for organizations to make the most out of the effectiveness of individual employees.

Muriu(2014) conducted research on the factors affecting implementation of performance contracting process in Kenya’s civil service. The study revealed that employee motivation is to a high extent, a major factor that contributes to performance in the civil service. Performance appraisal and motivation were found to be having higher influences on organizational culture and organization effectiveness. A workplace employment relations survey conducted by Zhang (2012) on the impact of performance appraisal on employee performance shows that performance appraisal has a positive and insignificant relationship with employee performance.

2.3.3 Effect of Performance Appraisal on Employee Motivation

Appraisals help to create a system of motivation and rewards based on performance (AnuradhaD.Pathak, 2011). As performance appraisal encourages the good performers, on the same hand performance appraisal also highlights the poor performers and tells about their weak areas and it helps the management to remove the leaning hurdles and makes them to achieve the set objectives and aims. Appraisals lets the employees know how they are performing and where they can improve.

From reviewing the literature, there appears to be no one single best method of Performance Appraisal, although there are certain common elements throughout all effective methods. „Effective performance appraisals are commonly associated with clear goals that are attached to specific performance criteria and are well-accepted by both appraiser and appraisee“ (Stredwick, 2005). All effective performance appraisals include elements such as linking appraisal to rewards, the supervisor and employee working together to identify goals, performance goals clearly defined, feedback given to the appraiser on their effectiveness and compliance with legal requirements (Rankin & Kleiner, 2008).

Having both the manager carrying out the appraisal and the employee setting goals mutually is crucial for the effectiveness of the performance appraisal. This can ensure that the employee will work harder to reach these goals as they participated in setting them initially. The degree of involvement of subordinates in the appraisal has been seen to be of benefit to the success of the system. Cawley et al (1998) proved that subordinate participation in the appraisal procedure is related to employee satisfaction and their acceptance of the performance appraisal system. Employee Participation is a key element of intrinsic motivational strategies that facilitate worker growth and development (Roberts and John, 2013). Roberts and John (2013) stated that the participation of employees in the appraisal system gives employees a voice and empowers them to rebut ratings or feedback that they are unhappy with.

Moulder (2011) identify participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that Performance Appraisal Systems can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation.

On the same note, lack of effective performance appraisal system leads to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationships, and increased turnover (Brown & Benson, 2005). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources, including time and money. To avoid such drawbacks in performance appraisal processes and ensure its effective implementation: guideline System and reference manual pointed out the following factors that the system should positively reinforce (Moulder, 2011).

Effective Communication: Employees at all levels should have a clear understanding of their roles, responsibilities and what is expected of them. Feedback on performance must be given on a continuous basis.

- **Objectivity:** Assessments should be made against agreed, clearly stated targets.
- **Transparency:** There should be no “surprises”. Evaluations and decisions should be based on evidence drawn from well documented processes that can stand scrutiny.
- **Fairness:** Decisions and actions should be made and taken with due regard to changing circumstances and environment as they relate to the achievement of objectives.
- **Equitable Treatment:** All employees should be treated equally and must have equal and appropriate access to benefits, training and resources to achieve targets.
- **Mutual Respect and Trust:** Discussions about performance should be conducted with due regard to accepted principles of courtesy, respect and an understanding of each other’s roles and responsibilities.

2.4 Benefits of Performance Appraisal

An effective performance appraisal system will bring benefits to the staff member being appraised, the manager completing the appraisal and the organization as a whole.

For the Organization, benefits include (Fletcher, 2004):

- Improved Performance due to effective communication, increased sense of cohesiveness and better management-staff relationships
- Training and Development needs identified more clearly
- A culture of kaizen – continuous improvement
- Competitive Advantage in the Market place
- Employee Satisfaction as a sense that employees are valued is spread
- Enhanced relationships with line managers
- Increased job satisfaction
- A better understanding of expectations
- Greater knowledge of strengths and weaknesses
- Better relationship with employees – trust.
- Stronger knowledge of what is going on in the organization
- Better knowledge of employees – knowing their individual strengths and weaknesses
- Facilitate management in decisions including pay rises, promotions, redundancies etc.

2.5 Challenges of Performance Appraisal

The use of ratings and other techniques in PA assume that the human observer is reasonably objective and accurate but raters' memories are quite fallible and raters subscribe to their own sets of expectations about people, expectations that may or may not be valid. Despite the fact that a completely error-free PA is only an ideal we can aim for, with all actual appraisals falling short of this ideal, a number of factors that significantly impede objective appraisal have been isolated for discussion.

A. Bias

Bias is simply a personality-based tendency, either toward or against something. In the case of performance assessment, bias is toward or against an individual employee. All human beings have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates in the firm (Kumar, 2005). This is very easy to say, but very difficult to do. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity for a lack of consistency in effect on different groups of employees. So to overcome the bias problem, the appraiser needs to be objective and not let their feelings of liking or disliking the individual influence their assessment (Cawley et al, 1998).

B. Stereotyping

Stereotyping is mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group. Though stereotyping is almost always assumed to be negative, there are many incidents of positive stereotypes. However, regardless of whether the stereotype is positive or negative, making membership in a group, rather than explicitly identifying the characteristics of the individuals, creates the potential for significant error in evaluations. Stereotyping can be avoided by getting to know each employee as an individual and objectively evaluating individual employees based on their actual performance (Dewaal, 2003).

C. Halo Error

Robbins (2003) note that the halo effect or error is a tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factor. According to them, if an employee tends to be conscientious and dependable, the rater might become biased toward that individual to the extent that he will rate him or her positively on many desirable attributes. Also as per their observation in an institution, students tend to rate a faculty member as outstanding on all criteria when they are particularly appreciative of a few

things he or she does in the classroom as compared to a few bad habits which might result in students evaluating the instructor as lousy across the board.

D. Similarity Error

Decenzo and Robbins,(1996), state that, when evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. In this case, evaluators who see themselves as aggressive may evaluate others by looking for aggressiveness thus, those who demonstrate this characteristic tend to benefit while others are penalized.

E. Central Tendency

Beardwell and Holden (1997) note that central tendency is the reluctance to make extreme ratings (in either direction); the ability to distinguish between and among rates; a form of range restriction. According to them, raters who are prone to the central tendency error are those who continually rate all employees as average. In this case, if a manager rates all subordinates as 3, on a scale of 1 to 5, then no differentiation among the subordinates exists. As such, failure to rate subordinates as 5, for those who deserve that rating and as 1, if the case warrants it, will only create problems, especially if this information is used for pay increases.

2.6 Empirical framework

According to Tassew (2010), in his paper entitled “Performance Appraisal and Its Significance as a Human Resource Management Tool” conducted a study on seven cities in US and found out that all of them follow adequate performance appraisal (PA) practices. The contents of their PA guidelines and evaluation forms are analogous to the evaluation methods and procedures, which are commonly known in human resource management (HRM).The PA process in one of the cities is not tied to merit pay and the other six cities maintain the pass/fail PA based on performance upon which salary increments and bonuses awarded during good economic times. However, the result of the study reveals that the existing economic shortfall at the time of the research has negatively affected the customary pass/ fail merit pay practices, particularly blocking salary increases of better performing employees of these cities. The study shows how the economic downturn impedes rewarding performance, and the major focus is how layoffs and furloughs balance the budget.

2.7 Conceptual Framework

These independent variables are directly or indirectly link with the dependent variables (employee motivation) through appraisal systems. The following figure shows the relationship between the dependent and independent variables

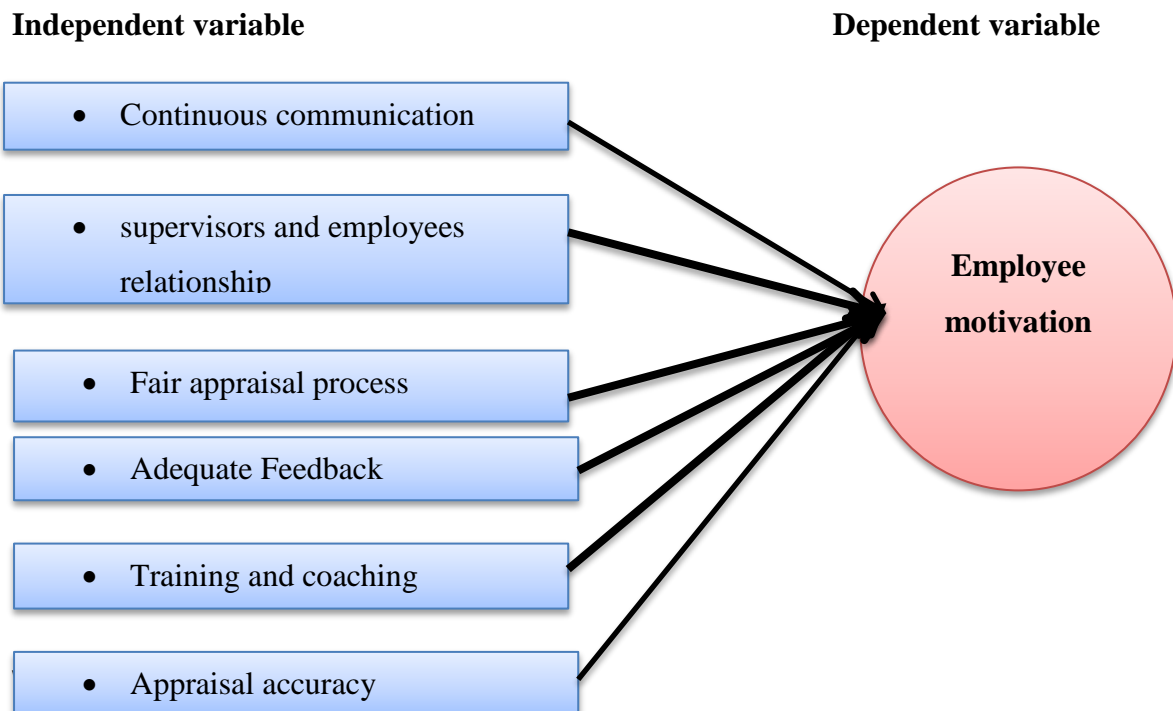


Figure 2.1 conceptual framework

Source: Own designed

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

The objective of the study is to assess the effect of performance appraisal system on employees motivation the in the case of NIB International bank S.C. In order to address the research objectives the researcher adopts the following research methodology: First the research approach is described followed by research design and then characteristics of the Population, under the population: Sample and sampling techniques, Sample Size Determination, Sampling technique are discussed after that data collection methods and Methods of data analysis are described. Finally, how Ethical Consideration has been handled is explained. Research methodology targets to build a structure consisting of predefined actions that help to collect evidence to find the answers to a research question.

3.1. Description of the Study Area

NIB International Bank s.c. is one of the pioneer private banks that have been providing financial services in Ethiopian banking sector for the past 25 years. The banks total assets reached birr 54.2 billion. It has reliable and long-standing relationships with many internationally acclaimed banks throughout the world. The bank has more than 422 branches all over the country as on February 2024. The bank combines a wide capital base with more than 8000 talented and committed employees. Among other districts of the bank North East Addis Ababa district has about 78 branches or it has 1230 employees at this district. as of January, 2024. In general, the researcher study area is 78 the bank branches where the north eastern part of the country.

3.1 Number of branches & employees in the North East AA District

Grade	No. of branches	No. of employees
I	65	954
II	9	178
III	3	71
IV	1	27
		Total= 1,230

Source, North East AA District HR Department

Among the whole population of the study area, I will select only 720 employees from all grade branches. This means, grade IV 27, grade III 71, grade II 178 and from grade I

444. Because the locations of the branches are very convenient to the researcher that uses to collect the fact data timely and properly.

Table 3.2 selected Number of branches & employees in the North East AA District

Grade	Total No. of employees	Selected branches	Number of employees
I	954	17	444
II	178	9	178
III	71	3	71
IV	27	1	27
			Total= 720

Source: North East AA District HR Department

3.2. Research Approach

The researcher would apply both qualitative and quantitative research approach. Quantitative approach would use to calculating the numerical data presents the information using percentages and frequencies. And the qualitative approach uses to interpret and analyse the result of non- numerical data in the form of narrative information. And Qualitative research approach focuses on open-ended questions while quantitative research approach focuses on closed ended questions.

3.3. Research design

The researcher would collect the data on the effect of performance appraisal system on employee's motivation in NIB International Bank. A research design is a grand plan of approach to a research topic. It is a quite a lot of work and reading, as well as simply understanding of the views of a researcher (Greener 2008).

The researcher would apply descriptive and explanatory research design. Because the descriptive survey is by considering the purpose of the study, the research questions and the magnitude of the target population. Descriptive survey according to (Saunders, Lewis and Thornhill 2009) and Kothari (2004) is research for which the purpose is to produce an accurate representation of persons, events or situations. It has an advantage of producing good number of responses from a wide range of people, and it can also be used with greater confidence with regards to particular questions of special interest or values to a researcher. Explanatory research design will be applied for this study and this type if research is to identify the causal links between the dependent and independent variables that pertains the research problem. Such research method answers the reason for employees are not motivated during their performance appraisal period. Explanatory study explains why the independent

variable affects the dependent variables or explanatory study to explain the casual relationship between the independent variables (performance appraisal systems) and the dependent variable (employee's motivation).

3.4. Data Type and Data Sources

The researcher would be used both primary and secondary data sources and deals with the basic

research questions. Basically, secondary data that could be collected from books, journals, annual reports, e-books, manuals and policies related to the subject matter under study and the primary data was obtained by preparing questionnaires. And the questionnaires were distributed to customers of selected branches of the bank from grade I, grade II, grade III, and grade IV, in North East Addis Ababa district.

3.5. Target Population

Currently NIB has over 422 branches and 8,830 employees providing banking services for its clients. The bank's staff comprises large number of professional staffs, managerial staff, non-clerical staff and clerical staff selecting the target population. Collecting data from all respondents of the bank is beyond the researcher's capacity. Thus, the study would be targeted managerial staffs together with clerical staffs because the chosen study area is crucial part that needs attention and most of the time the mobility of such staff from one bank to another bank is higher.

According to a pilot survey will be undertaken obtaining data from human resource management department of the bank district (North East Addis Ababa District) office there are 78 branches which are categorized into four grades, they are grade I, grade II, grade III and grade IV branches. The total numbers of employees of the district is 1,230 are employees of the 78 branches at this district.

3.5.1 Sampling techniques

The researcher would be used non-probability sampling technique for the study to distribute the questionnaires to the respective participant's and to conduct an interview. The sample of banks would be determined by using convenience or accidental sampling method. The major reason behind to select such type of non-probability sampling is based on the accessibility or convenience by location and time to get relevant data to the researcher.

3.6. Sampling Method and Size

The main focus of this study was to assess the effect of performance appraisal system on employee's motivation at NIB International Bank S.C North East Addis Ababa District.

Currently the bank has over 422 branches all over the country from this >200 are city branches in Addis Ababa as of the bank annual report. The target population for the study is 78 branches of the district. Among 78 branches of the district, The researcher would select only 30 branches that are convenient to the researcher through location because the main reason to select 30 branches is location convenient. Moreover, the reason behind studying on the selected branches is due to time and resource constraint. Since the data collection instrument is a questionnaire, there may be a response bias from respondents. The sample size of this study is determined by using the formula developed by Taro Yamane (1967);

$$n = N / (1 + N (e)^2)$$

Where, **n** is the sample size, **N** is the population size, **e** is the level of precision or sampling error = (0.05)

$$n = 720 / (1 + 720(0.05)^2)$$

$$n = 720 / (1 + 720(0.0025))$$

$$n = 257$$

Thus, sample size of **257** employees is selected from the population of 720.

3.7 Data collecting Tools

The researcher data would be collected by using questionnaire. To procure important data from the sample respondents, the researcher will employ questionnaire. The questionnaire is particularly helpful for it would provide the researcher with better opportunity of computing the respondents' responses. In the process of preparing items of the questionnaire, the review of related literature will be consulted thoroughly. Instruction on how to fill the questionnaires will be given and assured them for confidential treatment of information collected.

3.8 Data Collection Procedures

The researcher would be communicated with the district manager and Human Resource Department of the bank seeking permission to gather and access data from employees and other sources, as per the request of the researcher, the department will be issue a letter to the selected branches that instruct the required co-operation to deliver.

3.9 Method of Data Analysis

The researcher was applied descriptive and inferential methods of analysis to analyse the data collected and arrive at conclusions. Descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data. In this study, the descriptive statistics such as

percentages and frequency distribution will employ to analyse the demographic profile of the participants. And also the researcher was applied regression analysis for analysing the effect of performance appraisal on employee motivation. Because helps the researcher to know the effect of dependent and independent variables. Therefore the present researcher used SPSS version 25 software statistical method to show the relationship of dependent variable and independent variables.

3.10 Reliability and Validity of Data Collection Instruments

“Validity is the criterion and indicates the degree to which an instrument measures what it is supposed to measure. It is the extent to which differences found with a measuring instrument reflect true differences among those being tested” (Kothari, 2004). So the researcher tried to develops questionnaire containing 36 items, 6 of which are characterization of the respondents. Except the demographic items, all questionnaire items were prepared using a five point-Likert scale. The researcher tried his best to create and develop the links between the objectives of the study with items of the questionnaires.

Reliability is a measure of consistency between different items of the same construct. Cronbach’s alpha is a coefficient of reliability and it is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinee. For testing the reliability of the data instrument, Cronbach’s Alpha was calculated to test the reliability of the research instrument.

All the items measured showed that there was internal consistency reliability as indicated in Table 3.3 below. This suggested that the internal reliability in this study was acceptable and signified to be good. Internal consistency of items incorporated in the instrument was checked by using Cronbach’s Alpha. It is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability. In order to check the reliability of the questionnaires the researcher used SPSS version 25 then I have got the following results.

Table 3.3. Reliability statistics for all independent and dependent variables

Variables	No. of items	Cronbach's Alpha
Employees motivation	4	.783
Fair appraisal process	6	.803
Feedback	2	.769
Training and coaching	2	.885
Continuous communication	2	.867

Relationship b/n supervisors & employees	4	.791
Appraisal accuracy	4	.898
Overall		.828

Source: inserting all likert scale variables into SPSSversion25

3.11 Ethical Considerations

The primary responsibility of the researcher will be confirming strictly its confidentiality and guarantying their privacy during treating the information given by respondents. The purpose of the research s will be explained to respondents before conducting survey by preparing them with covering letters. Data and study results will be confidential, secured, not disclosed to any one; it is solely used for academic purpose.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

4.1 INTRODUCTION

This chapter deals with the presentation and analysis of data collected from the questionnaires, which were selected, on the sample. For the analysis, mostly tables, showing percentages were used to present the data. Researcher managed to analyses and discuss all the responses that respondents have provided. Questionnaires were distributed to 257 employees in branches under North East A.A district. Out of 257 questionnaires distributed, 249 were answered correctly and returned.

4.2 Questionnaire distribution and collection rate

Table 4.1 Respondents response rate

<i>Respondents</i>	<i>Target</i>	<i>Obtained</i>	<i>Percent</i>
Customers	257	249	96.8%

Source: own survey, 2024

As we can see from the above table, a total of 257 questionnaires were distributed to the respective respondents and 249 (96.8 %) questionnaires were collected and the remaining 8(3.2 %) were uncollected due to different reasons. The researcher assumes that adequate number of questionnaires were collected that enabled the researcher to assess the effect of performance appraisal system at the Bank district.

4.3 Data Analysis for demographic characteristics of the respondents

The survey on demographic characteristics of the respondents constituted positions, age distributions, gender, and marital status, level of education and work experience of respondents.

Table 4.2 All demographic Characteristics of the Respondents

POSITION OF RESPONDENT					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Branch manager	24	9.6	9.6	9.6
	Customer service manager/CSM/	5	2.0	2.0	11.6
	Customer relation officer/CRO/	7	2.8	2.8	14.5
	Senior branch controller	10	4.1	4.1	18.5

	Senior CSO (accounts)	16	6.4	6.4	24.9
	Senior CSO (cash)	16	6.4	6.4	31.3
	Customer service officer	135	54.2	54.2	85.5
	Junior customer service office	36	14.5	14.5	100.0
	Total	249	100.0	100.0	
AGE OF RESPONDENT					
		Frequency	Percent	Valid Percent	Cumulative percent
Valid	18-30	179	71.9	71.9	71.9
	31-40	40	16.1	16.1	88.0
	41-50	30	12.0	12.0	100.0
	Total	249	100.0	100.0	
GENDER OF RESPONDENT					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	162	65.1	65.1	65.1
	Female	87	34.9	34.9	100.0
	Total	249	100.0	100.0	
MARITAL STATUS					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	93	37.3	37.3	37.3
	Married	151	60.7	60.7	98.0
	Divorced	5	2.0	2.0	100.0
	Total	249	100.0	100.0	
LEVEL OF EDUCATION					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	22	8.8	8.8	8.8
	Degree	179	71.9	71.9	80.7
	Masters	48	19.3	19.3	100.0
	Total	249	100.0	100.0	
EXPERIENCE					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 Years	40	16.1	16.1	16.1

4-7 Years	180	72.3	72.3	88.4
8-11 Years	25	10.0	10.0	98.4
Above 12 Years	4	1.6	1.6	100.0
Total	249	100.0	100.0	

Source: own survey, 2024

Data from the survey shows that employees of NIB bank North East A.A district assume various positions such as branch manager, customer service manager , Junior customer service officers, Senior customer Service Officers, customer relation officers, senior branch controllers and other officers as it is summarized in the table 4.2 above respondents represent 135 (54.2%) were customer service officers as compared to others like, junior customer service officer 36(14.5%), branch manager 24(9.6%), both senior customer service officers (accounts(16(6.4%) & cash(16(6.4%)), Senior branch controller 10(4.1%), junior customer service officer 36(14.5%), customer relation officer 7(2.8%). Based on this, the type of positions they assumed that the majority of the respondents were customer service officers (CSOs).

As we can see from table 4.2 among the total number of the respondents, the frequencies from the table 1 above showed that 179(71.9 %) of the number of respondents who participated in the survey were between the age,,s ranges of 18 to 30 years followed by the range of 31 to 40 years comprising 40(16.1 %) respondents, and 41-50 years comprising 30(12%). The data implies that the majority of the respondents were at productive ages or between the ages ranges from 18 to 30 years old. Accordingly, such employees who are in the age range underscored above need to be motivated and treated well and to be evaluate accurately.

With regard to gender, according to the above table, 162(65.1%) of respondents were males while 87(34.9%) were females. As per the researcher,,s collected data from the respondents, the majority of the respondents were males. This confirms that the bank has high number of male staffs than female in the branches of district office.

Concerning about marriage, the frequency in table above indicates that 151(60.7%) of the respondents are married, followed by 93(37.3%) who were single, and 5(2.0%) of respondents are divorced. This implies that the majority were married respondents.

When we look to the educational qualification of respondents, it is illustrated from the table that 179(71.9%) are degree holders. In comparison, 48(19.3)% and 22(8.8%) are master`s

degree and diploma holders respectively. Based on this finding, it is realized that the bank has qualified human resources to carry out its day to day activities in a better way. Even though, it could be better if the bank extends the qualification of the employees,, to Masters level, assuming that offering educational sponsorship is one part of motivational incentive and it can serve as a strategic tool that creates sense of ownership and good image in the minds of employees as a whole.

In relation to current position working experience of respondents, the above table clearly shows that respondents numbered to 40(16.1%) have served the bank for 1 to 3 years, 180(72.3%) have served the bank for 4 to 7 years, 25(10%) of respondents have stayed 8 to 11years in the bank. In addition, the table shows that 4 (1.6%) of respondents have served the bank for above 12 years. This category of employees has got significant influence and they happen to have worked for the bank for an appreciable period of time. This scenario presents the situation that such employees are highly experienced with regard to the motivational strategies and performance appraisal systems in the bank. On the other hand, the majority of the employees do not stay above 7 years or more in the bank. This might be due to the low level of motivational considerations against that which is in peer banks in the country. When employees leave the bank they worked for before, the subsequent effect is that of the loss of the experienced professional staff, which ends up in becoming the major assets of the other competitors in the peer banks.

4.4 General opinions regarding to performance appraisal

Table 4.3. How frequently the performance is appraised

		Frequency	Percent
How frequently your performance is appraised?	Monthly	10	4.0
	Quarterly	10	4.0
	Semi-annually	228	91.6
	Yearly	1	0.4
	Total	249	100.0

Source: own survey, 2024

In terms of frequency of performance appraisal, 228(91.6%) of the respondents said their performance appraisal is conducted on a semi-annually basis, 10(4.0%), are monthly and quarterly basis, only 1(0.4%) of respondent are replied saying yearly their performance appraisal conducted. The Banks overall performance appraisal is conducted on a semi-

annually basis. Conducting appraisal on a regular basis forms a good relationships between manager and employees and also it helps the manager to know his/her capacity and if the employee needs any additional training easily.

Table 4.4. Method of performance appraisal practiced in NIB.

Type of methods		Frequency	Percent
Which of the method (s) is used for appraising your performance?	Ranking method	104	41.8
	Face to face discussion	70	28.1
	Graphical rating method	8	3.2
	Written statement method	67	26.9
	Total	249	100.0

Source: own survey, 2024

Concerning to performance appraisal practices, from the above table, 4 it is evident that respondents in the study area were assessed by using ranking method. The information draw together from the field revealed that 104(41.8%) were assessed by ranking method while 67(26.9%) were assessed by written statements. The remaining 70(28.1%) and 8(3.2%) were assessed by using face to face discussion and graphic appraisal methods respectively. Based on this data, majority of the respondents respond that NIB uses ranking performance appraisal method

4.5 Descriptive Analyses

4.5.1 Continuous Communication Descriptive Analysis

Table.4.5. Descriptive analysis regarding to continuous communication

Continuous communication Descriptive Statistics			
	N	Mean	Std. Deviation
Employees are encouraged to participate in performance appraisal discussion	249	3.59	1.235
The performance appraisal process encourages employees involvement in the rating period	249	2.84	1.271
Average mean		3.215	

Source: own survey, 2024

From the above table, according to the survey result majority of the respondents were agreed that in the performance appraisal and employees are encouraged to participate in performance appraisal discussion (mean=3.59). Respondents' response about the question of employees' involvement in the rating period (mean=2.84).

The finding results here gives us a hint that majority of the respondents responded that they are disagreed performance appraisal process does encourages employee involvement in the rating period of time. This indicates that there is a gap that all employees were encouraged to participate in the performance appraisal process.

4.5.2 Relationship between Supervisor and Employees Descriptive Statistics

Table 4.6. Descriptive analysis regarding to supervisors and employees relationship

Relationship between supervisor and employees Descriptive Statistics			
	N	Mean	Std. Deviation
You are allowed to discuss appraisal results with supervisors /managers	249	2.22	1.290
You are allowed to deliver feedback to management regarding appraisal results	249	3.31	1.425
Interaction between you and management enhances appraisal effectiveness	249	3.55	1.313
Interaction with supervisors and management also enhances your motivation	249	3.55	1.313
Average mean		3.1575	

Source: own survey, 2024

According to the respondents' response that employees are allowed to discuss appraisal results with supervisors /managers (mean=2.22), you are allowed to deliver feedback to management regarding appraisal results (mean=3.31), Interaction between you and management enhances appraisal effectiveness (mean=3.55), and Interaction with supervisors and management also enhances your motivation (3.55).

During performance evaluation time there is no room for discussion to hear and address employees' problems/needs which is constructive and help employees' to improve their poor performance and to keep on the good once. And the employees were not allowed to deliver feedback to management regarding appraisal result seriously. The employees Interaction with

supervisors and managements also enhance the performance appraisal effectiveness and employees motivation.

In general, the findings reveal that the employees Interaction with supervisors and management also enhance your motivation but their relation is not that much closed to deal about the result of performance appraisal.

4.5.3 Fair Appraisal Process Descriptive Statistics

Table 4.7. Descriptive analysis regarding to fairness of performance appraisal process

Fair Appraisal process Descriptive Statistics			
	N	Mean	Std.Deviation
The result of the appraisal are fair	249	3.08	1.283
Managers appraise performance without any bias	249	2.43	1.370
Any other employee is not prioritized during performance appraisal system	249	3.57	1.331
Appraisers treat you fairly during performance appraisal Process	249	3.07	1.443
Employees are provided with feedbacks to help improve their performance	249	2.86	1.210
Your performance appraisal provide you a fair reflection of your performance	249	3.43	1.281
Average mean		3.0733	

Source: own survey, 2024

Study findings reveal that all the respondents response regarding to the fairness of performance appraisal process with all the aspects. The result of the appraisal are fair(3.08), Managers appraise performance without any bias(2.43), Any other employee is not prioritized during performance appraisal system(3.57), Appraisers treat you fairly during performance appraisal process(3.07), Employees are provided with feedbacks to help improve their performance(2.86), Your performance appraisal provide you a fair reflection of your performance(3.43).

This implies that there is unfairness when the evaluators evaluate the employees. In general, The finding result shown us, the results of the performance appraisal is not fair because the managers appraise performance with a biased way and he/she is not treated the employees fairly during performance appraisal process. And also the performance appraisal cannot provide the employees in a fair reflection of performance when they are evaluated.

4.5.4 Adequate Feedback Descriptive Statistics

Table 4.8. Descriptive analysis regarding to getting adequate feedback.

Adequate Feedback Descriptive Statistics			
	N	Mean	Std. Deviation
Employees are provided with feedbacks to help improve their performance	249	2.86	1.210
you get feedback from your performance appraisal report	249	3.12	.951
Average mean		2.99	

Source: own survey, 2024

As shown in table 4.8 above, Findings revealed that majority of the respondents and to a great extent disagreed that; Employees are provided with feedbacks to help improve their performance(mean=2.86), and you get feedback from your performance appraisal report(mean=3.12). This shows that majority of the respondents do get feedback to performance appraisal reports. This is a healthy to the performance appraisal system as employees will not to know how they are performing on the job. Timely feedback has a long lasting effect because the learning can be applied immediately, preventing a problem from growing out of control. The best performance results are realized when supervisors feedback in prober time.

4.5.5 Training and coaching Descriptive Statistics

Table 4.9. Descriptive analysis regarding to providing training and coaching

Training and coaching Descriptive Statistics			
	N	Mean	Std. Deviation
The organization provide counselling after appraisal	249	3.48	1.028
The organization provide you with adequate training that enables you to do your job well	249	3.22	1.508
Average mean		3.35	

Source: own survey, 2024

Based on the above table, respondents dissatisfied by the provision of training and coaching about performance appraisal to the employees and supervisors. The organization provide counselling after appraisal (mean=3.48), and the organization provide you with adequate training that enables you to do your job well (mean=3.22).

This shows that majority of the respondents were of the view that the organization doesn't provide counseling for the employees after performance appraisal. With this unsatisfied staff will carry on minimizing bitterness which could lead to bad perception and negative attitude that can hinder employee,s performance appraisal of the staffs. And they are not happy with their organizations and feel that their manager does not provide them the required training that will help them to perform better. It is the main cause why they feel performance appraisal is ineffective because even if they do mention about the needed training, there is no action is taken to provide it at a time.

4.5.6 Appraisal Accuracy Descriptive Statistics

Table 4.10. Descriptive analysis regarding to performance appraisal accuracy

Appraisal accuracy Descriptive Statistics			
	N	Mean	Std. Deviation
Appraisal outcomes are accurate	249	3.15	1.238
Minimum errors are identified in the appraisal system	249	3.59	1.308
The reliability of results of appraisal system are high	249	2.07	1.162
How do you rate the overall performance appraisal in Nib bank?	249	3.62	1.193
Average mean		3.1075	

Source: own survey, 2024

As shown in table 4.10 above respondents disagreed that the reliability of results of appraisal system are high (mean=2.07), and Appraisal outcomes are accurate (mean=3.15). They agreed that minimum errors are identified in the appraisal system (mean=3.59), and How do you rate the overall performance appraisal in NIB bank (mean=3.62).

This result implies that the reliability of the performance appraisal result is not satisfactory for each of the employees. And according to the collected survey of the respondents answered agree the implementation of that the overall performance appraisal in NIB is important for employee,s motivation in order to increase the effectiveness and efficiency of the organization. This indicates that as the appraisal system increases the employee motivation also increases.

4.5.7 Employees Motivation Descriptive Statistics

Table 4.11. Descriptive analysis regarding to motivational strategies of employees to continue working in the bank

Employees motivation Descriptive Statistics			
	N	Mean	Std. Deviation
Adequate pay	249	3.33	1.316
Promotion and growth	249	3.69	1.207
Recognition and appreciation?	249	3.44	1.243
How do you rate the overall employee Motivation in NIB bank?	249	3.72	1.238
Average mean		3.545	

Source: own survey, 2024

As shown in table 4.11 above, respondents agreed that on Promotion and growth (mean=3.69) are a better strategies of the bank to hold the employees working in the company. And at the same time the respondents agreed that how do you rate the overall employee motivation in NIB bank (mean=3.72). The respondents could not satisfied through adequate payment (mean=3.33), recognition and appreciation (mean=3.44) respectively.

The finding of the study showed that, as per the respondent's data, adequate payment is one part of extrinsic variables and respondents were asked how much adequate pay is important among the various factors and help them in their decision to continue working to the bank and its significance towards employee performance.

This indicates that the majorities were explained that adequate pay is not viewed as that much important that have an impact on their performance in particular and bank performance in general. This implies that when there is an adequate payment then the majority of the employees will be motivated but cannot hold them continuously in the bank.

The finding regarding to promotion and growth, the respondents are agreed that employees are motivated for promotion and growth in order to enhance the performance of the bank employees. This shows us if there is a promotion and growth in the bank the employees will be motivated. And finding towards recognition and appreciation, it is a motivational packages that motivate employees to increase their performance but it is not a way to stay at this bank for a long period of time.

The finding result related to the degree of overall employee motivation, the data collected from the respondents shown us agreed that employees are motivated by the designed banks motivational strategies.

4.6 Inferential Statistics Result on Effect of Performance Appraisal on Employee Motivation

The study was geared establishing the effect of performance appraisal system on employee's motivation in the case of North East Addis Ababa District. Inferential statistics was done on the variables. Linear regressions were done to obtain the r-coefficient and r-square that determined the relationship. The results below present a summary of the results.

4.6.1 Level of employee perception of performance appraisal

Here the descriptive analysis is performed to assess the perceptions of the respondents with regard to the performance appraisal system. In doing so; the items for measurement of employee perception of performance appraisal practice are summarized to answer the first hypothesis of the study. In this analysis the response for each specific statement are compared using the mean and standard deviation score. The degree of agreement or disagreement of the respondent for each statement are also analysed by summarizing the five point likert scale response in to by consolidating the strongly agree and agree response in to one positive response (i.e. Agree) and the strongly disagree and disagree response in to one negative response (i.e. disagree) and the neutral response is taken as it is.

HypothesisH1: there is a significant relationship between performance appraisal and employee motivation.

Hypothesis HO: there is no relationship between performance appraisal and employee motivation . To answer this hypothesis and to measure the level of employee perception of performance appraisal practice the eighteen items of the instrument was analyzed with the help of descriptive statistics of SPSS version 25. Thus, the views of the respondents on 18 items of perception on performance appraisal practice are presented in Table 4.5.1 below.

According to Zaidatol and Bagheri (2009) mean score specification the respondents level of PA satisfaction (perception) for fifteen items are low. Whereas, the respondent level of PA satisfaction is moderate three items, that is, ,(A), The reliability of results of appraisal system are high with mean score of 3.43,(B) , You are allowed to discuss appraisal results with supervisors /managers with the mean score of 3.6,(C), Managers appraise performance without any bias with the mean

score of 3.63 . .However, the respondent’s level of PA satisfaction is low for the remaining thirteen statements, that is, the mean score ranged from a maximum of 3.20 to a minimum of 2.34 for the performance appraisal process encourages employees involvement in the rating period and any other employee is not prioritized during performance appraisal system respectively.

Table 4.12 Descriptive Statistics

Items used for measurement of employees,, Perception of PA	Mean	Std. Deviation
The reliability of results of appraisal system are high	3.43	1.749
Minimum errors are identified in the appraisal system	2.48	1.292
You are allowed to deliver feedback to management regarding appraisal results	2.73	1.440
Interaction between you and management enhances appraisal effectiveness	2.65	1.489
You are allowed to discuss appraisal results with supervisors /managers	3.60	1.363
Interaction with supervisors and management also enhances your motivation	2.59	1.364
Appraisal outcomes are accurate	2.90	1.151
Appraisers treat you fairly during performance appraisal process	2.92	1.410
Any other employee is not prioritized during performance appraisal system	2.34	1.270
Managers appraise performance without any bias	3.63	1.262
The result of the appraisal are fair	2.51	1.050
NIB provide you with adequate training that enables you to do your job well	2.74	1.478
your performance appraisal provide you a fair reflection of your performance	2.55	1.245
Employees are encouraged to participate in performance appraisal discussion	2.42	1.204
The performance appraisal process encourages employees involvement in the rating period	3.20	1.285
Employees are provided with feedbacks to help improve their performance	3.17	1.210
The organization provide counselling after appraisal	2.70	1.032
You get feedback from your performance appraisal report	3.06	1.164
Total	2.87	1.30

The overall response for the eighteen items indicates the mean= 2.87and SD= 1.30.The higher the mean score, the more that respondent agreed with the statement and vice versa. The figures for

standard deviation (SD) also indicate the degree to which responses varied from each other; the higher the figure for SD, the more variation in the responses. Therefore; this result based on Zaidatol and Bagheri (2009) mean score compression basis, the mean score= 2.87 indicates that there is low level of satisfaction towards the current performance appraisal practice, which implies, the respondents are dissatisfied with the performance appraisal system of NIB bank. Thus; from this finding it can be generalized that, the respondents are dissatisfied concerning with the current practice of the organization appraisal system, fairness and un biasness of a system, the seriousness of managers to review performance appraisal, satisfaction with feedback, the relevant of performance feedback, the alignment of feedback with the actual achievement, the implementation of PA and the provision of positive feedback for good performers than criticizing the poor ones. Therefore, such remarked areas of dissatisfaction are the good indicators and the root causes for employees „negative perception regarding to the performance appraisal practice of their organization. In turn, it might have its own impact on the employee’s motivation; in the form of continuous communication, relationship between managers and employees, adequate training and coaching, fair appraisal process, adequate training and appraisal accuracy.

4.7 Qualitative Analysis for Open-Ended Questions

1. What makes a successful Performance Appraisal?

The respondents description about successful performance appraisal, if the employees of the bank once the work is done the next step is the managers mandate, this means here the manager must give them an appraisal forms to employees and ask questions based on the appraisal forms and further break the points and ask why did they chose certain option and also explain that they have noticed his work and they must encourage them and finally they must find out if the employee lacks in any area, if yes then politely explain them about it and say that necessary training will be provided to cover that area. This way, even the employees will happy and will know that the company does cares about his achievements.

In addition to this, in order to make a successful performance appraisal first of all there must be honesty and fair a good relation between staffs and the managers to avoid the unfair or biased method of evaluation. Next the manager shall be honesty and evaluate them based on their capacity then after it leads to smooth relationship between them and the performance appraisal method could be successful.

1. Do you think the performance appraisal process plays an important part in NIB BANK?

As we all know well performance evaluation has a great role in an organization. Because performance appraisal not just reveal about the employees performance but implies them about their weakness and strengths and also tell about the sections wherein the employee needs special training. So, performance evaluation process has its very important role to develop the employee's capacity by correcting its weaknesses.

2. Are you motivated when your performance appraisal is conducted? If yes why?

- Yes I motivated plus I have also learned from them its right methods of conducting an appraisal,
- In my branch it is very important that all the employees are always motivated and bring out their best when working. Because it's very important to fill my gaps and to do better for future.

3. According to you why do you think that employees are not interested in performance appraisal?

- Sometimes the employees are not interested through performance appraisal because they feel that its time consuming and ineffective and if the result is biased based or unfair it may create a conflict between the staffs and also managers. And also if the method is unhealthy, then the employees will be discouraged for the future time in that company.

4. 8 Test of regression assumptions

4.8.1 Linearity

Employee motivation is assumed to be linearly related with Continuous communication, supervisors and employees relationship, Fair appraisal process, Adequate Feedback, Training and coaching and Appraisal accuracy; meaning the dependent variable Employee motivation is assumed to be effected by changes in the Continuous communication, supervisors and employees relationship, Fair appraisal process, Adequate Feedback, Training and coaching and Appraisal accuracy (the independent variables). The relationship between the two variables should be linear. This means that at a scatter plot of scores should be a straight line (roughly), not a curve (Pallant, 2010). The scatter plots for respondents in this study show that there is almost linear relationship between the variables. The plots do not show any evidence of non-linearity; therefore, the assumption of linearity more or less is satisfied.

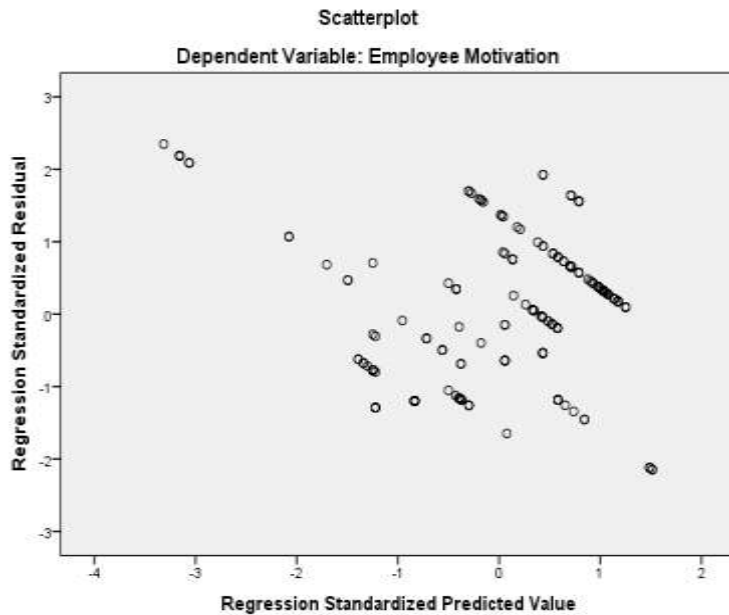


Figure 4.1: linearity tests

4.8.2 Multicollinearity Assumptions

Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multicollinear, there is —overlap or sharing of predictive power (Dillon, W.R 1993). This may lead to the paradoxical effect, whereby the regression model fits the data well, but none of the predictor variables has a significant impact in predicting the dependent variable (Robert, H. 2006). This is because when the predictor variables are highly correlated, they share essentially the same information. Thus, together, they may explain a great deal of the dependent variable, but may not individually contribute significantly to the model (Robert, 2006). Thus, the impact of multicollinearity is to reduce any individual independent variables predictive power by the extent to which it is associated with the other independent variables. That is, none of the predictor variables may contribute uniquely and significantly to the prediction model after the

Others are included. Multicollinearity in this study was tested using Variance Inflation Factor (VIF) value and tolerance value. If the tolerance value closed to 1 and VIF value is around 1 and not more than 10, it can be concluded that there is not Multicollinearity between an independent variable in the regression model (Pallant, 2010). Below Table 4.13 shows there was no Multicollinearity exist. As it is showed in the table 4.13 all independent variables have a Tolerance value greater than 0.1 and a VIF value less than 10.

As a result, it can be concluded that there were no Multicollinearity symptoms. The predictor variables in a multiple regression model are not correlated, meaning that one cannot be linearly predicted from the others with a substantial degree of accuracy.

Table 4.13: Collinearity Statistics

Collinearity Statistics		
	Tolerance	VIF
Continuous communication	.907	1.103
Supervisors and employees relationship	.731	1.367
Fair appraisal process	.871	1.148
Adequate feedback	.652	1.534
Training and coaching	.659	1.518
Appraisal accuracy	.656	1.525

Source: Computation from survey data (2024)

4.8.3 Normality test

The multiple linear regression analysis requires all variables to be normal. This assumption can best be checked with a histogram. The histogram for respondents shows that how the data is distributed, so from the histogram the researcher can conclude that the data was normally distributed. Normality is used to describe a symmetrical, bell-shaped curve, which has the greatest frequency of scores around in the middle combined with smaller frequencies towards the extremes. Therefore normality test computed for the dependent variable, in this case employee motivation is presented in the following histogram which shows a normal distribution. Therefore, the assumption of normality was satisfied.

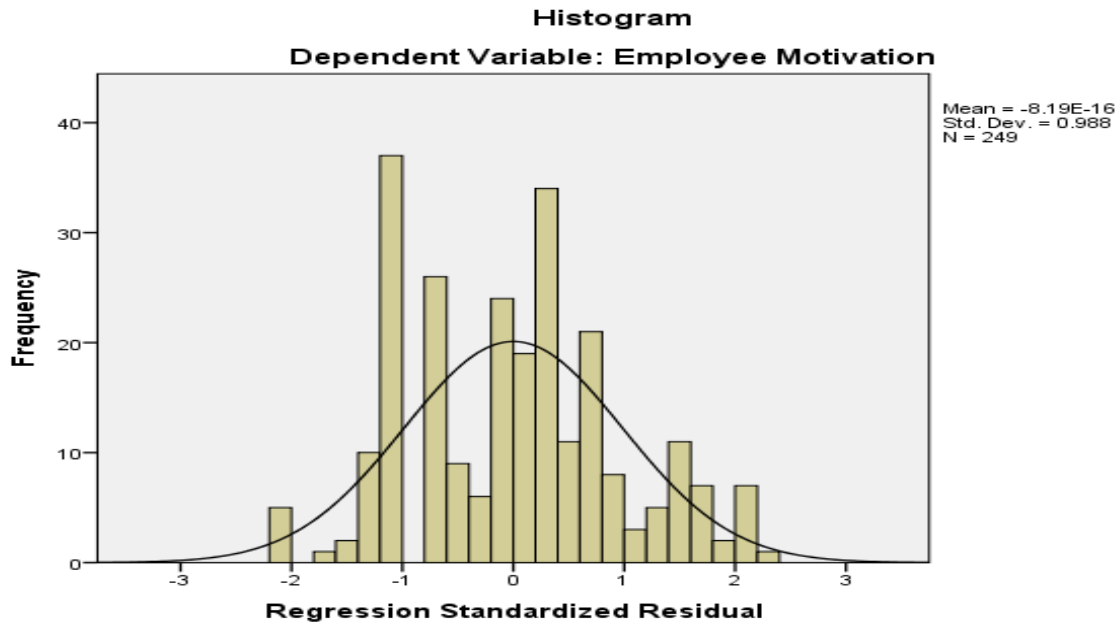


Figure 4.2 Normality test

4.9 Regression Analysis

Regression analysis is a statistical procedure used to estimate the relation between the variables which tend to have a reason and result or cause and effect relation. And furthermore, it formulates the linear relation equation between the dependent and independent variable. (Guler, Uyanik, 2013).

It is an analysis that is almost a continuation of correlation the researcher has been used linear regression in which one independent variable used to predict one dependent variable. The result of the regression analysis between the independent variable of the performance appraisal system which predicts the dependent variables (employee,s motivation) as presented below this:-

Table 4.14 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.923 ^a	.852	.848	.28246
a. Predictors: (Constant), appraisal accuracy, relationship b/n supervisors & employees, feedback, continuous communication, fair appraisal process, training & coaching				

Source: SPSS result output, 2024

In the above table the needed measure is the R square (model summary) in which it is the measure of the success of the model. It shows how much variance of dependent variable is capture. In this case the R square =.852 and it can be interpreted as the weighting combination of all independent variables explained approximately 85.2% of the variance employees motivation. In the model summary table above, R2(R square) of .852 indicates that 85.2% of variation in the dependent variable explained by the variation independent variable.

Table 4.15 ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	111.162	6	18.527	232.220	.000 ^b
	Residual	19.307	242	.080		
	Total	130.469	248			
a. Dependent Variable: employees motivation						
b. Predictors: (Constant), appraisal accuracy, relationship b/n supervisors & employees, feedback, continuous communication, fair appraisal process, training & coaching						

Source: SPSS result output, 2024

The above table revealed the Sig (ANOVA) and it is the significance of the model. .000 means we reached significance. So, the probability value of significance 0.000 showed significant performance appraisal affected employee motivation.

Table 4.16 Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.905	.169		-5.344	.000
	Continuous communication	.096	.028	.114	3.413	.001
	Feedback	.056	.034	.053	1.676	.095
	Training and coaching	.667	.049	.573	13.476	.000
	Fair appraisal process	.210	.037	.220	5.711	.000
	Relationship between	.026	.033	.026	.772	.441

supervisor and employee					
Appraisal accuracy	.337	.059	.303	5.714	.000
a. Dependent Variable: employees motivation					

Source: SPSS result output, 2024

Here under, the result of regression analysis can be presented as performance appraisal can be significantly predicting employee's motivation.

The researcher performed a regression analysis to determine the relationship between performance appraisal and employees motivation at NIB International Bank. The regression equation was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + s_i$$

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Regression Coefficients

Where:

Y = employees motivation,

β_0 = constant

β_i = are estimated parameters X_i = independent variable

s_i = error term

Now, the estimated equation is:

$$\text{employee motivation} = -.905 + .096X_1 + .056X_2 + .667X_3 + .210X_4 + .026X_5 + .337X_6$$

Where it can be added that each change or single unit changes in independent variable (x) represents a change in Y coefficients.

In the equation, when all factors are held constant at zero, the employee motivation is negative -.905%. The coefficient of continuous communication is positive and significant at 1% level [.096], this indicating that a unit increase [in continuous communication] will lead to a .096 increase in employees' motivation at the bank, keeping other variables unchanged. The possible reason for this is that having a continuous communication encourages the bank employee's to participate in performance appraisal discussion freely and improves the involvement of employee's in the rating period. The finding of this study is consistent with the previous works of Sayed Mujtaba Hamidi (2019).

A unit increase in the adequate feedback will lead to a .056 increase in employee motivation. Also, a unit increase in the training and coaching will lead to a .667 increase in employees' motivation at the bank. A unit increase in fair appraisal process will lead to a .210 increase in employee motivation. Again, a unit increase in relationship between supervisor and employee

will lead to a 0.026 increase in employee performance at the bank. And a unit increase in performance appraisal accuracy will lead to a .337 increase in employee performance at the bank.

The coefficient of feedback and relationship between supervisor and employees are positive but insignificant. This shows that the effect of adequate feedback and the relationship between supervisors and employees on employee's motivation is positive, even though, these variables are statistically insignificant. Besides, the positive effect of feedback and the relationship between supervisor and employees on employee's motivation is consistent with the vast part of literatures.

The beta coefficient is needed here and all the beta value is positive that means a very strong association positive effect of performance appraisal system associated with very strong association of employee's motivation.

Therefore, we can deduce that performance appraisal system has a major impact on the employee motivation at the bank or there is a significant and positive relationship between (performance appraisal and employee motivation).

4.10 Correlation Analysis

Correlation refers to synonym for association or the relationship between variables and it measures the degree to which two sets of data are related. Higher correlation value indicates stronger relationship between both sets of data. When the correlation is 1 or -1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data (Vignas waran, 2005).

Table 4.17 Correlation results of all independents and dependent variables.

Correlations		
		Employee motivation
Continuous communication	Pearson Correlation	.322**
	Sig. (2-tailed)	.000
	N	249
Adequate Feedback	Pearson Correlation	.078
	Sig. (2-tailed)	.219
	N	249
Training and coaching	Pearson Correlation	.785**
	Sig. (2-tailed)	.000

	N	249
Fair appraisal process	Pearson Correlation	.489**
	Sig. (2-tailed)	.000
	N	249
Relationship b/n supervisors & employees	Pearson Correlation	.092
	Sig. (2-tailed)	.147
	N	249
Appraisal accuracy	Pearson Correlation	.830**
	Sig. (2-tailed)	.000
	N	249

** . Correlation is significant at the 0.01 level (2-tailed). Source: SPSS Correlation result output, 2024

Based on the above table there is a significant positive relationship between continuous communication, adequate feedback, training and coaching, fair appraisal process, relationship between supervisors and employees, appraisal accuracy and employees motivation.

The highest correlation is between appraisal accuracy and employees motivation (0.830); training and coaching (0.785), fair appraisal process (0.489), continuous communication (0.322) respectively.

Based on the tablet above the weakest correlation is between adequate feedback (0.078) and employees motivation. Whereas, the strongest correlation is between is appraisal accuracy and employee,,s motivation (0.830).

In general, if correlation was positive between two or more variables that is, when the six elements of performance appraisal is positively related; appraisal accuracy ensures higher employee motivation. Accordingly, the most important performance appraisal elements that affects is appraisal accuracy, which goes to prove that appraisal accuracy perceived as a dominant performance appraisal followed by training and coaching and fair appraisal process; This indicates if the performance appraisal is accurate it have a significant effect on employees motivation.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summaries

In this chapter summary of the major findings of the research questions, conclusions and recommendations forwarded in light of the relevant literature developed by scholars and responses of research participants is presented.

The study attempted to assess the effects of employees' performance appraisal systems on employee's motivation in Nib International Bank North East A.A District. Furthermore, the study tried to look at what is the perception of employees of the bank with respect to the existing employees' performance appraisal practices. In order to address the basic research questions, descriptive and explanatory research design was employed by using mixed research approach which comprises both quantitative and qualitative methods of data gathering. The data was collected by questionnaires.

It was conducted among 257 employees. From a total number of 249 employees responded resulting in a 96.8% response rate. Both qualitative and quantitative research methods through open ended and close ended questions were analysed to get an in-depth view about the problem. The data collected from target respondents through questionnaire was compiled and summarized by using SPSS (Statistical Package for the Social Sciences) statistical software version 26. The data acquired through open-ended qualitative questions and questionnaires have been analysed using content analysis contextually or qualitatively. From a discussion made in the previous chapters the following major findings has been established.

- Employees performance appraisal is conducted twice a year at the bank instead performance evaluation should be conducted 3 or 4 times a year than making it biannually because frequent evaluation can avoid surprise at the end of the appraisal period and Selective memory by the supervisor or the employee.
- During performance evaluation there is a no room for discussion to hear and address employees "problems/needs which is constructive and help employees" to improve their poor performance and to keep on the good once.
- There is no the involvement of employees in the time of performance appraisal process that used to evaluate their performances.
- Employees are evaluated based on their supervisor's subjectivities because managers are the only persons involved the in PA process which gives a room for subjectivity and other PA related problems.

- Assessment of their PA is not consistent, fair and unbiased; While PA activities should be consistent, fair & unbiased.
- Employees' performance appraisal results are not accurate.
- The employees of the bank are not encouraged to participate in performance appraisal discussion process.
- The banks performance appraisal processes are not encourages the employee's involvement in the rating period of time.
- Regarding to performance appraisal result the employees are not allowed to deliver feedback to management.
- During performance appraisal process there is a room for priority for employees who have a closed relationship.
- Appraisers are not treated the employees fairly during performance appraisal process.
- The performance appraisal result does not providing a fair reflection of employees' performance clearly.
- The Interaction with supervisors and management also cannot enhance the employee's motivation.
- The bank does not providing adequate training and coaching for employees that enables to do the job well.
- The bank does not providing a counselling service after appraisal got feedback from employees performance appraisal report.
- The level of employee motivation with regarded to the current motivational packages was not satisfactory.

5.2 Conclusion

This study primary objective was to assess the effect of performance appraisal system on employees motivation the case of NIB International Bank North East AA District, because performance appraisal has been major concerning issue with its long lasting impacts on the employees, motivation, in the form of continuous communication, the relationship between managers and employees, adequate feedback, training and coaching, appraisal accuracy, and fair appraisal process, which in turn, leads to employees to be motivated.

Based on the finding of the study, the performance appraisal system wherein the employees express that they had low level of satisfaction with the performance appraisal system being practiced by the bank. But it does not mean that they are completely dissatisfied with the

overall appraisal practice, that is, somewhat they are satisfied with the performance appraisal system of the bank.

For the questions, employees are encouraged to participate in performance appraisal discussion, the performance appraisal process encourages employee's involvement in the rating period, you are allowed to deliver feedback to management regarding appraisal result, any other employee is not prioritized during performance appraisal system, appraisers treat you fairly during performance appraisal process, the performance appraisal provide you a fair reflection of your performance, interaction with supervisors and management also enhances your motivation, the results of the appraisal are fair, the bank provide you adequate training, does your performance appraisal provide you a fair reflection of your performance, do you get feedback from your performance appraisal report, and the organization provides counselling after appraisal? Employees expressed their feeling that they had low level of satisfaction with the performance appraisal system being practiced by the bank.

Even though supervisors are accountable for their wrong feedback still employees are evaluated based on their supervisor subjectivities. Manager gives equivalent ratings to all their colleagues in order to avoid resentment and rivals among them. This discourages top performers and inspires the least once to keep on their current performance.

Employee's moral has been decreased due to unfair performance result if this situation goes unfixed it may leads to dissatisfaction, poor productivity, absenteeism, and even turnover, which is a cost to the bank. Assessment of performance appraisal result is not consistent, fair, objective and unbiased; While in PA activities should be objective, consistent, fair & unbiased.

The level of employees motivation with regarded to the current motivational packages (paying an adequate payment, giving a promotion and growth for better achievement and recognition and appreciation) was not that much satisfactory.

5.3 Recommendations

After a careful examination and analysis of the data collected through questionnaire and open- ended questions the major findings, conclusions reached, and the following recommendations are forwarded in order to improve the performance appraisal practices of Nib International Bank at our country Ethiopia. For employees of an organization a sound performance appraisal system must be put in practice, to exert their maximum efforts towards realization of organizational objectives and goals. In situations, when employees are not

aware of what they are expected to perform and the consequences that their performance would bring to the employees.

- Employee's performance appraisal is conducted twice a year at the bank instead performance evaluation should be conducted 3 or 4 times per year because frequent evaluation can avoid surprise at the end of the appraisal period and Selective memory by the supervisor or the employee.
- The bank should make the appraisal system participatory in the sense that employees should be allowed to see their appraisal comment on it.
- The method of performance evaluation which is not well understood by employees, in this regard the human resource department should create awareness among employees about how the performance evaluation process is conducted and there by clearly set the performance standards and communicate expectations when they are placed in their respective job positions.
- The bank should design ways to communicate the results of the employees as well as the criteria against which they are going to appraise the subordinates.
- The only persons who involved in the evaluation process are a manager which gives a room for performance appraisal subjectivity and other related problems. So, better to use combination of evaluators than solely depend on immediate supervisors.
- The finding indicates that, employees are not much satisfied with the current performance appraisal practice of the organization. So, in order to change the perception of employees the bank should make the appraisal system participatory in the sense that employees should be allowed to review their appraisal comment on it.
- In order to reduce aggrivance the responsible person shall providing job related immediate feedback other than reflecting personal bias and make aware of employees about appeal procedure, at the time when they are dissatisfied by with the performance evaluation result.
- The bank should give adequate training for employees and facilitate to provide a counselling service after appraisal got feedback from employees performance appraisal report.
- Employee's moral has been decreased due to unfair performance result. If employees' moral decreased it leads to dissatisfaction, poor productivity, absenteeism, and even turnover, which is a cost to the organization. This may relate with the assessment of their PA is not consistent, fair and unbiased. So, the bank's management should give training

to supervisors and managers who are responsible for conducting performance evaluation. This will boost ratters" ability to evaluate and alleviates evaluator biases.

- The level of employee"s motivation with regarded to the current motivational packages was not satisfactory. So, in order to satisfy the employees, the bank should create better strategies that uses to hold the employees continually work with the organization and to answer the employees questions.

5.4 Limitations and Recommendations for Further Study

- ✓ This study was conducted only one district of the bank but future research study should target at least three and above of the banks large districts and should include all the head office staffs to get full information.
- ✓ This study aimed at examine the effect of performance appraisal system on employees motivation but a different research design should be used to establish the effect and relationship of performance appraisal with other variables such as employee engagement, employee commitment and morale.
- ✓ The researcher used a small sample size because of time shortage but the future studies should have a larger sample size compared with this research study.

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APPENDIXES
QUESTIONARIES
DEBRE BERHAN UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION (MBA)
QUESTIONNAIRS TO BE FULFILLED BY EMPLOYEES OF NIB BANK S.C

Dear respondents:

My name is Solomon Getye, prospective graduating student of MBA at Debre Berhan university. The main purpose of this questionnaire is to collect the data on “The Effect of Performance Appraisal System on Employees Motivation: The Case of Nib Bank North East Addis Ababa District” which would be used as an input for research in a particular fulfilment of the requirement for the master’s degree in business administration. I kindly request you to provide me with reliable information and your genuine response is solely used for academic purpose. The information provided will be related treated utmost confidentiality.

I thank you very much for taking precious time to complete my questionnaires and your cooperation is greatly appreciated.

Regards,

Solomon Getye

Tel- +25192113291

Email- Solomongetye0@gmail.com

General Instructions

- There is no need of writing your name.
- In all cases where answer options are available, please tick (✓) or circling in the appropriate box.
- For questions that demand your opinion, please try to honestly describe as per the questions in the space provided.

Part one: general information

1. Position
 - a. Branch manager
 - b. Customer service manager/CSM/
 - c. Customer relation officer /CRO/
 - d. Senior branch controller
 - e. Senior customer service officer –accounts

- f. Senior customer service officer –cash
- g. Customer service officer
- h. Junior customer service office
- 2. Age
 - a. 18-30 c. 41-50
 - b. 31-40 d. 51-60
- 3. Gender:
 - a. male b. female
- 4. Marital status:
 - a. single c. divorced
 - b. married d. widowed e. others _____
- 5. Level of education:
 - a. diploma c. masters
 - b. degree d. others _____
- 6. For how many years have you served?
 - a. 1-3 years c. 8-11 years
 - b.4-7 years d. above 12 years

Part II regarding about performance appraisal

- 1. How frequently your performance is appraised?
 - a. Monthly c. semi –annually
 - b. Quarterly d. yearly E. none
- 2. Which of the method(s) is used for appraising your performance?
 - a. Ranking method d. written statement method
 - b. Face to face discussion e. others (specify) _____
 - c. Graphical rating method

On the basis of your prior experience regarding performance appraisal system, please answer the following questions based on the likert scale (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree)

	Continuous communication					
1.	Employees are encouraged to participate in performance appraisal discussion	1	2	3	4	5
2.	The performance appraisal process encourages employees involvement in the rating period	1	2	3	4	5

	Supervisors and employees relationship					
3	You are allowed to discuss appraisal results with supervisors /managers	1	2	3	4	5
4	You are allowed to deliver feedback to management regarding appraisal results	1	2	3	4	5
5	Interaction between you and management enhances appraisal effectiveness	1	2	3	4	5
6	Interaction with supervisors and management also enhances your motivation	1	2	3	4	5
	Fair appraisal process					
7	The result of the appraisal are fair	1	2	3	4	
8	Managers appraise performance without any bias	1	2	3	4	
9	Any other employee is not prioritized during performance appraisal system	1	2	3	4	
10	Appraisers treat you fairly during performance appraisal process	1	2	3	4	
11	Employees are provided with feedbacks to help improve their performance	1	2	3	4	
12	Your performance appraisal provide you a fair reflection of your performance	1	2	3	5	
	Adequate feedback					
13	Employees are provided with feedbacks to help improve their performance	1	2	3	5	
14	you get feedback from your performance appraisal report	1	2	3	4	5
	Training and coaching					
15	The organization provide counseling after appraisal	1	2	3	4	5
16	The organization provide you with adequate training that enables you to do your job well	1	2	3	4	5
	Appraisal accuracy					
17	Appraisal outcomes are accurate	1	2	3	4	5

18	Minimum errors are identified in the appraisal system	1	2	3	4	5
19	The reliability of results of appraisal system are high	1	2	3	4	5
20	How do you rate the overall performance appraisal in NIB BANK?	1	2	3	4	5

Part III general opinion on employee’s motivation

Please answer the following questions by circling the numbers.

1=strongly disagree, 2=disagree, 3= neutral, 4=agree, 5=strongly agree

How important the following motivational strategies or packages are on your decision to continue working in the bank?						
1.	Adequate pay	1	2	3	4	5
2.	Promotion and growth	1	2	3	4	5
3.	Recognition and appreciation?	1	2	3	4	5
4.	How do you rate the overall employee motivation in NIB BANK?	1	2	3	4	5

QUALITATIVE/OPEN ENDED QUESTIONS

1. What makes a successful Performance Appraisal?
.....
2. Do you think the performance appraisal process plays an important part in NIB BANK?
.....
3. Are you motivated when your performance appraisal is conducted? If yes why?
.....
4. According to you why do you think that employees are not interested in Performance appraisal?
.....

THANK YOU FOR YOUR COOPERATION!!!!!!