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Effects of Performance Appraisal System on Employees' Performance in the Joint Venture Banks of Nepal

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ABSTRACT

This study examines the effects of performance appraisal systems on employees' performance in joint venture banks. It focuses on the employees' awareness of the appraisal system and their knowledge of the appraisal system and performance appraisal management, leading to effective employee performance in joint venture banks. This was a research project that was meant to be descriptive. Questionnaires were the methods of data collection and 100 respondents from Everest bank, Himalayan bank and NABIL bank were studied. Moreover, the collected data were analyzed and processed using a computer program (excel) and indicated clearly on tables. The study results exposed that employee performance appraisal at Everest bank, Himalayan bank and NABIL bank is not effective and not very well utilized. The mainstream employees were unaware and were absent knowledge of the performance appraisal practiced in their organizations. They were not involved in an argument with supervisors and were not given sufficient time to organize for the meeting as an outcome; there's no feedback delivered to employees afterwards appraisal. These banks do not use the available appraisal system for making important employee decisions. Employee performance appraisal should be implemented properly to meet a certain organization's context, according to the recommendations, communication between employees and management decisions like disciplinary actions, promotion and training.

1. INTRODUCTION

Performance appraisal systems are instigated as simple techniques of income justification. That is, the appraisal was accustomed to deciding whether or not a personal employee's salary or wage was justified (Armstrong, 1988). The methods were linked to outcomes. A pay cut would follow if an employee's performance were found to be a bit ideal. If their performance was better than the supervisor expected, a pay rise was so. Performance appraisal results are used directly or indirectly to determine reward outcomes. The appraisal results are accustomed to identifying the simplest performing employees who should get the bulk of obtainable merit, pay increases, bonuses, and promotions. Likewise, appraisal consequences are used to recognize the lesser performers who necessity training to be demoted or dismissed.

Performance appraisal is decent because it creates employees to hard labour and fulfils their responsibilities hence, pay for the complete performance of the organization. However, unless performance appraisal is done properly, it may not be beneficial to the organization to achieve the objectives of conducting it in the first place, that is, to improve organizational performance.

There's a growing form of critical literature dealing with the role and philosophy of appraisal. In the step with Torrington et al. (2005), performance appraisal is meant and imposed by the HR function; hence it sometimes ends up with little ownership of the system by line managers. It looks like a form filling exercise for somebody else's benefit and with no practical value to performance within the job. Therefore, this highlights the exploitation and efficiency of performance appraisal in organizations. Scholars agree that, while many appraisal systems are still in use and need to be updated, performance management systems are becoming more popular for managing employee performance and have included the appraisal process (Torrington et al., 2005).

There has been little research in this field of performance appraisal. Most studies discuss performance appraisal that permits employees to develop skills and satisfy the business goal. Rich (1996) introduced a skill-based method of performance management that makes a work environment that enables employees to develop the abilities they have to fulfil business goals. The ability-based management measures abilities and paths and combines them into job descriptions, identifies employee-specific ability gaps, and provides resources to upgrade abilities. Murray (1980) advocated that performance reviews and management rewards be based on customer satisfaction measures which end up in more objective performance reviews, more practical employees, more satisfied customers and better business performance.

Most empirical studies on performance appraisal systems target the rummage around for the right form, during which subjective traits are replaced by objective and job-relevant measurable behaviours. Organizations employing a performance appraisal system to assess their employees struggle with implementation, adoption and linkage problems with other human resource systems. To form a performance appraisal as a viable management tool from a broader perspective, organizations and researchers must devote time and resources

to educating managers in performance assessment skills, producing system evaluations that consider reliability, validity, and organizational goals, and structuring systems to fit unique organizational conditions and expectations. In addition, studies in these three areas of determination help improve a more satisfactory and effective performance appraisal System (Devries, 1983).

The study assessed the effects of performance appraisal systems on employees' performance in the selected banks. Some issues in this research are: employees' awareness of the appraisal system, knowledge of the appraisal system, and performance appraisal management lead to effective employees' performance in joint venture banks.

Performance appraisal could be a process of identifying, observing, measuring and developing human performance in organizations and has attracted the eye of both academicians and practitioners. The process is additionally viewed as making an important contribution to effective human resource management because it is closely linked to organizational performance (Erdogan, 2002). It's a management tool that helps management in its drive towards optimizing performance, primarily individual performance and organization performance now and in the future. Performance appraisal aims to assess how effectively employees work in their present jobs and what they have to try and do and know to perform even better (Bono, 2003). According to Gupta (2006), performance appraisal is a process of evaluating a person's performance and advancement of assessing the performance and progress of an employee or a gaggle of employees on a given job and their potential for future development. He further argues that performance appraisal consists of all formal procedures utilized in work organizations to gauge employees' personalities, contributions and potential.

Torrington et al. (2005) define performance appraisal as a system that gives a formalized process to review the performance of employees. Performance appraisal differs between organizations and covers personality, manners or job performance and will be dignified quantitatively or qualitatively. Performance appraisal includes a formless description of the performance of the evaluator. According to the findings, if continuous feedback is in place, the appraisal is more likely to be viewed as an objective, historical document that can establish future goals and boost employee motivation and productivity (McAfee & Champagne, 1993). Three broad areas are closely associated with performance appraisal. Firstly, the event of appraisal instruments to accurately and objectively measure the human resource performance. Secondly, a spotlight on supervisor and employee characteristics and their potential bias on performance appraisal ratings, and thirdly, the uses and kinds of performance appraisal systems within organizations (Scott & Einstein, 2001).

Performance appraisal methods range from comparatively simple techniques, like ranking and traits rating, to the additional difficult method of behaviorally anchored scales (Tyson & York, 2000); techniques likewise vary with temporal relevancy emphasis, either specializing in the past through rating and ranking or using management to provide a future focus.

According to Erasmus et al. (2003), the techniques used to conduct a performance appraisal are also consistent with the criteria used. Trait-oriented methods, including trait scales, behaviour-oriented methods such as BARS or critical incidents and results-oriented methods, including the MBO method, are used. The techniques can be classified in keeping with the objective that the appraisal serves as comparative objectives, including relative standards or developmental objectives that include absolute standards.

An organization that conducts a performance appraisal system is ineffective if it's not conducted well. Several attitudes of managers may cause these ineffective such as; lack of willingness just to accept ownership of responsibility to appraise people, lack of acceptance of the fact that appraisal must be a semiannual or annual stock appealing activity and a lack of skill in terms of establishing performance standards by which to evaluate. On the further hand, Gupta (2006) shows different limitations of performance appraisal. Errors in rating are one of them. He adds that performance appraisal might not be a legitimate indicator of performance and potential of employees thanks to the tendency to rate an employee consistently high or low on the premise of the overall impression and stereotyping on the idea of their age, sex, or religious conviction.

2. METHODOLOGY

2.1 Research Design

This was a descriptive research project. It adopted a case study design with multiple units of enquiry, whereas the Everest bank, Himalayan bank and NABIL bank were studied to assess the effects of the performance appraisal system. Kassam & Mustafa (1996) and Kothari (2004) contend for a descriptive sample of the population to evade repetition of the similar responses and save time. Therefore, the small numbers of individuals selected for the study represent the entire population of joint venture banks. It is a representative sample.

This study includes questionnaires were the methods of data collection. The arrangement of qualitative and quantitative methods delivers the most complete or insightful understanding (Rwegoshora, 2006). This method delivers a well understanding of research complications. It can similarly deliver better opportunities for analysis of another interpretation of the data, for investigative the extent to which the situation facilitated to outline the consequences, and for inward convergence in tapping a construct (Creswell, 2003).

2.2 Population

A population is a specific group of persons or elements who are the concentration of the research (Burns et al., 2011). In other arguments, the population is comprehensive of altogether conforms to a particular specification. This study covered male and female employees, chief executive officers, managers, officers and supporting staff working with sample companies.

2.3 Sampling Techniques

Kothari (2004) states that a sample is a group of particular portions of the population on the source of which judgment is ready. A sample can be small sufficient for convenient facts

collection and large sufficient to be a factual representation of the population from which it had been selected.

2.4 Sample Size

The study led to a total sample size of 100 respondents. That number is appropriate since it met the study's efficiency, representativeness, dependability, adaptability, and precision requirements. According to Kothari (2004), the population sample size should be less than the overall population. A total of 100 respondents were used in this study as a representative sample. The Everest bank has 34 employees, the Himalayan bank has 32 employees, and NABIL bank has 34 employees in Kathmandu valley.

2.4 Data Collection Methods

The primary data collection method used during the study includes questionnaires to respondents. Closed-ended questions were included in questionnaires. A questionnaire is a method of collecting data which uses a set of questions to collect data. Respondents must independently answer questions and return them to the researcher (Kothari, 2004). Structured questionnaires consisting of 25 questions were administered to Everest bank, Himalayan bank and NABIL bank information on the matters related to effective implementation of performance appraisal in joint venture banks.

3. RESULTS AND DISCUSSION

This part focuses on the research's analysis and findings based on the questionnaires. The presentation was created with specific research objectives and research questions collected from the literature review in mind.

3.1 Awareness of Performance Appraisal System Implementation

The respondents were asked if they were aware of the performance appraisal system in place at their workplace. Their responses are shown in Table 1.

Table 1

Awareness of Performance Appraisal System Implementation

Ranking	Frequency	Percentage
Agree	11	11.0
Strongly agree	12	12.0
Disagree	19	19.0
Strongly disagree	51	51.0
Neutral	7	7.0
Total	100	100

Table 1 shows that 11 (11.0%) of the respondents agreed, 12 (12.0%) strongly agreed, 19 (19.0%) disagreed, 51 (51.0%) strongly disagreed and pointed out that they are not aware of the performance appraisal system implemented at their organizations.

They said it was not even implemented annually or after six months like other organizations, and 7.0% were neutral. The interpretation of this situation is that most of the staff was unaware of the system and practice.

3.2 Employee's Involvement in Conducting Performance Appraisal

Table 2 shows the replies of respondents when questioned about their involvement in conducting performance appraisals. Table 2 shows that 11 (11.0%) of the respondents agreed, 9 (9.0%) strongly agreed, 29 (29.0%) disagreed, 49 (49.0%) strongly disagreed and pointed out that they were not involved in conducting Performance Appraisal. The process is done in a secret way, and they were just given their results without compromising with their supervisors, while 2 (2.0%) were neutral. As a result, employees were not participating in conducting Performance Appraisals with supervisors to a considerable level.

Table 2

Employee's Involvement in Conducting Performance Appraisal

Ranking	Frequency	Percentage
Agree	11	11.0
Strongly agree	9	9.0
Disagree	29	29.0
Strongly disagree	49	49.0
Neutral	2	2.0
Total	100	100

This indicates that most employees were not included in performance appraisals with supervisors. As a result, managers do not recognize the value of including their subordinates in the process. Appraisal of Performance interview is fundamentally a dynamic conversation between two people, a superior and an employee. The nature of their relationship should influence how employees respond.

3.3 Involvement in Discussion of Performance Appraisal Results

Table 3 shows the replies of those asked if they were part of the discussion of performance appraisal outcomes.

Table 3

Involvement in Discussion of Performance Appraisal Results

Ranking	Frequency	Percentage
Agree	7	7.0
Strongly agree	13	13.0
Disagree	19	19.0
Strongly disagree	55	55.0
Neutral	6	6.0
Total	100	100

Table 3 reveals that 7 (7.0%) of respondents agreed, 13 (13.0%) strongly agreed, 19 (19%) disagreed, 55 (55.0%) strongly disagreed and stated that they were not involved in debating the performance appraisal results, and 6 (6.0%) were neutral. According to the data, station employees are not included in discussions about their appraisal results. This means that managers do not support the process of involving subordinates; as a result, the whole process of formal performance appraisal becomes not participatory.

3.4 Employee's Knowledge of the Appraisal System

Regarding this section, respondents were asked some questions to get the employees' views on the knowledge that performance appraisal leads to effective employee performance appraisal in joint venture banks. The responses were as follows:

Employees Understanding the Importance of Performance Appraisal Practices: When asked if they recognize the relevance of performance appraisal processes, the respondents replied (Table 4).

Table 4

Employees Understanding Performance Appraisal Practices

Ranking	Frequency	Percentage
Agree	8	8.0
Strongly agree	13	13.0
Disagree	19	19.0
Strongly disagree	56	56.0
Neutral	4	4.0
Total	100	100

Table 4 shows that 8 (8.0%) of the respondents agreed, 13 (13.0%) strongly agreed, 19 (19.0%) disagreed, and 56 (56.0%) strongly disagreed that they understand the importance of performance appraisal practices in their organization, and 4.0% were neutral. Therefore, since most of the employees seemed not to understand the importance of performance appraisal practices, employees at the banks may have no good knowledge concerning the performance appraisal system. Hence, employees' performance appraisal in joint venture banks was not effective.

Employees' Training on Performance Appraisal Systems : Table 5 shows respondents' replies when asked if they got any training on performance appraisal. Table 5 reveals that 9 (9.0%) of the respondents agreed, 16 (16.0%) strongly agreed, 27 (27.0%) disagreed, and 44 (44.0%) strongly disagreed that there is employees' training regarding performance appraisal systems, while 4 (4.0%) were neutral.

Table 5*Employees Training Regarding Performance Appraisal Systems*

Ranking	Frequency	Percentage
Agree	9	9.0%
Strongly agree	16	16.0%
Disagree	27	27.0%
Strongly disagree	44	44.0%
Uncertain	4	4.0%
Total	100	100

Since the majority said the training was not provided, it is a bad sign for institutions not to offer training regarding the performance appraisal system. Also, it shows that employees do not understand the process.

3.5 Performance Feedback after Evaluation

The respondents were asked if they received feedback following their performance appraisal. Their responses are shown in Table 6.

Table 6*Performance Feedback after Evaluation*

Ranking	Frequency	Percentage
Agree	12	12.0
Strongly agree	12	12.0
Disagree	27	27.0
Strongly disagree	45	45.0
Neutral	4	4.0
Total	100	100

Table 6 reveals that 12 (12.0%) of the respondents agreed, 12 (12.0%) strongly agreed, 27 (27.0%) disagreed, and 45 (45.0%) strongly disagreed and pointed out that they didn't get any feedback after that poorly appraisal.

Even though a formal and continuing feedback system was mentioned as a crucial feature for the development of performance appraisal practices at banks, the formal feedback mechanism was not well provided; 4 (4.0%) of respondents were neutral. Therefore, this indicates that employees do not get enough feedback after being evaluated; it is also possible that the process is not well organized at the banks and is not conducted in an open environment as it is supposed to be.

3.6 Performance Appraisal Management

Regarding this section, respondents were asked some questions about employees' views on the effect of performance appraisal practices. The responses were as follows:

Increases Productivity: The respondents were asked whether performance appraisal management increases employees' productivity. Their responses were as shown in table 7.

Table 7

Performance Appraisal Management Increases Employees' Productivity

Ranking	Frequency	Percentage
Agree	7	7.0
Strongly agree	11	11.0
Disagree	29	29.0
Strongly disagree	48	48.0
Neutral	5	5.0
Total	100	100

Table 7 shows that 7 (7.0%) of the respondents agreed, 11 (11.0%) strongly agreed, 29 (29.0%) disagreed, and 48 (48.0%) strongly disagreed that performance appraisal practiced at their organizations increased the productivity and performance of employees while 5 (5.0%) were neutral.

Enhance Job Satisfaction: Respondents were required to state whether the performance appraisal management enhances job satisfaction. Their responses were as shown in table 8.

Table 8

Performance Appraisal Management Enhance job Satisfaction

Ranking	Frequency	Percentage
Agree	14	14.0%
Strongly agree	27	27.0%
Disagree	9	9.0%
Strongly disagree	46	46.0%
Neutral	4	4.0%
Total	100	100

Table 8 shows that 14 (14.0%) of the respondents agreed, 27 (27.0%) strongly agreed, 9 (9.0%) disagreed, and 46 (46.0%) strongly disagreed that performance appraisal management at banks enhances employee's job satisfaction. They pointed out that performance appraisal becomes recognized for good work done and a sign of thanks from the company, motivating the employee to strive more, and 4 (4.0%) were neutral.

3.7 Multiple Regression Analysis

The researcher employed a linear regression model to investigate the relationship between the employees' awareness of performance appraisal and their preferred factors contributing to an effective performance appraisal system.

The employees' awareness of the performance appraisal system utilized was chosen as the dependent variable, while the factors leading to an effective performance appraisal system were chosen as the independent variables, as shown in table 9.

Table 9

Multiple Regression Coefficients

Effecting factors of performance appraisal system	B	t	Sig.
Awareness of performance appraisal system implementation	0.28	4.33	0.00
Employee involvement in conducting	0.25	3.34	0.00
Involvement in a discussion of performance appraisal results	0.15	1.96	0.03
Employees understanding performance appraisal practices	0.15	2.06	0.06
Employees' training	0.13	1.43	0.14
Performance feedback after evaluation	0.09	1.06	0.27
Increases productivity	0.04	1.56	0.54
Enhance job satisfaction	0.02	0.23	0.78

The regression model output was judged using standardized coefficients. Table 9 indicates that the most important factor was employees' training which scored 81%, and employee involvement in conducting, which scored 69% respectively. And other factors are awareness of performance appraisal system implementation, involvement in the discussion of performance appraisal results, employee's understanding of performance appraisal practices, and performance feedback after evaluation scored 28%, 49%, 43% and 16%, respectively. The least factors were increased productivity and enhanced job satisfaction of employees, which scored below 10%.

4. CONCLUSION

Based on the study results, it is possible to conclude that, to a considerable extent, employees are not comfortable with the way performance appraisal is being implemented at Everest bank, Himalayan bank, and NABIL bank. Employees' training in the performance appraisal system should always be considered the most important factor contributing to an effective performance appraisal system in joint venture banks.

The system and practice were unknown to the bulk of the workforce. Because most employees were not included in performing performance appraisals with supervisors, managers do not appreciate the benefit of involving their subordinates in the process. Managers do not support the process of involving subordinates. Therefore, the entire official performance appraisal process becomes non-participatory. Most workers appeared to be unaware of the significance of performance appraisal practices; employees at banks probably lack awareness of the

performance appraisal system. The majority stated that no training was offered, a warning indicator for institutions that do not provide training on the performance appraisal system. Employees do not receive adequate feedback after being evaluated; it is also conceivable that the procedure at the banks is not properly organized and is not handled in an open setting as it should be. Some of the most critical problems contributing to low morale, stress, and high turnover in most organizations today stem from a lack of employee involvement in decision-making.

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