

Performance appraisals and its' impacts on employee motivation: A study with special reference to Sri Lankan licensed commercial banks in Kandy District

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Introduction

Performance Appraisals System (PAS) is a well-established way of providing milestones, feedback, guidance and monitor employees (Weightman, 1999) and it is a formal, structured system of meaning and evaluating an employee's job related behaviors. Further outcome to discover how and why the employee is presently performing on the job and employee can perform more effectively in the future. Therefore the employee, organization and society will be beneficiaries (Muhammad, 2013). Literature revealed that employee participation in the appraisal process was fairly very high and this positively affected employee motivation and perception of fairness. Consequently, organizations are advised to adopt participatory PAS in order to motivate employees and reduce biased considerations in both the process and outcome (Kofi, 2012). However, Douglas Mc Gregor (1957), Mushin Lee and Wonjun Shin (2000) said that conventional performance appraisals do more harm than good. Further the employees in Korean federal agencies believed that performance appraisals which are based on extrinsic factors influenced more to the employee motivation (Senong and Gregory, 2009). Nevertheless the transportation department in Iranian Esfahan province employees' performance affected on their intrinsic motivation (P-Value <0.05) and the effectiveness is positive, equals to 0.414 (Shaemi Barzoki Ali et al, 2012). In order to above researcher gaps, three objectives were employed based on licensed commercial bank sector. First one was to identify the relationship between PAS and employee motivation. Second one was to determine the most effect dimensions of PAS for the employee motivation. Third one was to identify the current PAS which extent suit to motivate the employees.

Methodology

The population belongs to the research is all employees of both public and private sector who provide licensed domestic commercial banking service in Kandy district. For that, 84 employees were considered from the selected five licensed domestic commercial banks which have provided highest density of branches in Kandy district by using Stratified sampling technique and simple random sampling technique. Data was collected through a self-administered questionnaire from managerial level and non-managerial employees in the selected five licensed domestic commercial banks. The Cronbach Alpha reliability test shows that the Alpha value is 0.764. It is exceeded 0.700 level. Therefore it reached the acceptable level in the questionnaire.

Results and Discussion

Based on the results (see table 1) below, the procedural approaches are highly significance to improve employee motivation though the PAS in licensed domestic commercial banking sector. According to mean value of extrinsic motivation factors is emphasized that there is a significant

impact of current PAS to increase the employee motivation of the commercial banking sector. Therefore it highly correlates with the employee motivation. Besides, intrinsic motivation factors also have moderate significant to create employee motivated PAS within the commercial banking sector. That reflected that extrinsic motivation factors have more influence in current PAS than intrinsic motivation factors.

Table 01: Descriptive Statistics of PAS and employee motivation

	Performance Appraisals System	Procedural Approach	Distributive Approach	Nature of rater and rate	Employee participation
Mean	3.508180	3.907721	3.365132	3.266447	3.493421
	Employee Motivation		Intrinsic factors		Extrinsic factors
Mean	3.576933		3.278947		3.857895

Source: SPSS output of surveyed data

However, 9.5 percent from the sample was not awarded about the availability of PAS. Further the pie chart represents, 54.8 percent of employees' idea is the PAS should be modified. Figure 1 and 2 show that licensed commercial banks should pay their attention for the modification of PAS.

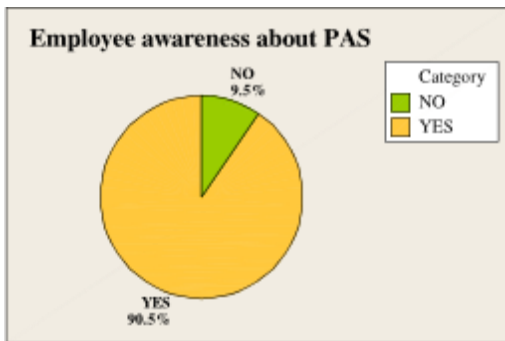


Figure 01: Employee awareness about PAS

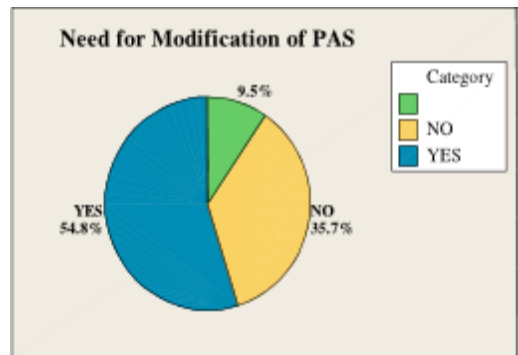


Figure 02: Need for Modification of PAS

Positive relationship between PAS and employee motivation and distribution approaches, nature of rater and rate relationship more power to effect on employee motivation. Further intrinsic factors are positively impacted to the employee motivation while extrinsic factors are negatively impacted to the employee motivation.

Table 02: Relationships among dimensions of two variables

	Performance Appraisals System	Procedural Approach	Distributive Approach	Nature of rater and rate	Employee participation
Correlation coefficient	0.681	0.420	0.465	0.556	0.369
Regression analysis (P-value)	0.000	0.064	0.005	0.000	0.056
		Intrinsic factors		Extrinsic factors	
Correlation coefficient		0.183		-0.154	

Source: SPSS output of surveyed data

Conclusions

The research findings revealed that performance appraisals system and its' dimensions have positive relationship with employee motivation. Further, the nature of rater and rate relationship is the most effect dimension on employee motivation and Intrinsic factors are positively impacted to the employee motivation while extrinsic factors are negatively impacted to the employee motivation. Moreover researcher identified that other factors which are affected on employee motivation more than performance appraisals system as manager role, political influence, freedom to make choices, employees' likeness and respect on manager, working environment and etc.

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