

# Performance Appraisal and Employee Performance: A Study of Selected Banks in Awka Anambra State, Nigeria

**Dr. Emeka S. Arinze**

Department of Business Administration

Chukwuemeka Odumegwu Ojukwu University Igbariam, Anambra State, Nigeria

---

## **Abstract:**

*The study examined the effect of performance appraisal process on employees' performance in the organization, using selected banks in Awka, Anambra State, Nigeria as the study area. Many organizations do not take the issue of employee performance appraisal serious instead, they see it as mere routine that is not used for any meaningful purpose. The study tries therefore to determine the effect of effective appraisal process on employees' performance by using some intervening variables such as appraisal criteria, feedback, frequency and rewards as the regressors. The study adopted descriptive survey method. Data analysis through the application of Pearson correlation and multiple regression presented some preliminary results which showed at F-Statistic is statistically significant with the value of 32.224 and that regression coefficient of 0.591 showed that 59.1 percent relationship exists between dependent and independent variables. Similarly, the coefficient of determination of 0.485 shows that 48.5 percent variation in the dependent variable can be explained by the independent variables. Major findings are that appraisal criteria, feedback, frequency and rewards have significant positive effect on employees' performance in the banking industry. The study concludes that employee performances appraisal as a means of identifying employees' strengths and weaknesses should be seen beyond routine exercise but a serious component of personnel /human resource management in the organization. It was recommended among others that rewards should be given to high performers in the organization after every appraisal exercise.*

**Keywords:** Performance Appraisal, Employee Performance, Selected Banks and Anambra State

---

## **INTRODUCTION**

### **1.1 Background to the Study**

Performance appraisal is an essential tool of personnel management across different organizational culture, it is designed to identify employee's current level of job performance, identify his/her strengths and weaknesses, enable employees to improve their performance and provide the basis for reward or penalty in relation to the contribution or lack of it to corporate goals. Performance appraisal equally serves the purpose of identifying training and development needs, identifying potential performance, provide information for succession planning, validate selection process and training, encourage supervisory understanding of the subordinates (Shehu, 2008). This, perhaps is the reason

that performance appraisal has been identified as being at the heart of personnel management. As one of the most important functions of the human resource manager, it is concerned with identifying, measuring, influencing and developing job performance of the employees in the organization in relation to set norms and standards for a particular period of time in order to achieve set goals in the organization (Singh, Kochar and Yukseh, 2017).

Performance appraisal mechanism is one of the basic tools that make workers to be very effective and active at work. As a matter of fact, a good performance appraisal process can reveal the need for training, motivation, rewards, development and human relationship in the organization (Gichuhi, Abaja and Ochieng, 2012). It is about getting optimum use of available knowledge, skills and abilities in the workforce to optimize employees' productivity and give an organization the desired competitive advantage. The purpose of performance appraisal according to Gichuhi et al (2012), is to assess employees' performance as objectively as possible with a view to using the results in setting the direction for the individual performance development by bringing out both performance strengths and weaknesses and subsequently developing action plan to facilitate the desired development. Employee productivity centers on this development which is concerned with the accumulation of new capabilities within the organization. It is equally designed towards improvement in the managerial, administrative and decision-making capabilities and competencies of the employees for the overall growth of the organization. It further involves the acquisition of capabilities (technical, managerial, behavioural and administrative) that will enable a person to know the role he/she is expected to play at any time and even that which he/she is likely to render subsequently (Rao and Rao, 2013).

Performance appraisal provides a rational medium or instrument for measuring individual worker contribution to corporate goals achievement and success. It is a complex management function which demand for extra-maturity, fairness and objectivity is assessing individual worker's job performance based on explicit job related criteria. In the opinion of Nurse (2014), appraisal results provide vital information about a workers strength and weaknesses, training, needs and reward plans such as advancement, promotion, pay increase, demotion and work or performance improvement plans. It has equal probability of having a bad impact on the organization as well as employee performance. It is also known as a formal in which employees are told the employer's expectations. They are used to support decision making mechanism, including promotions, terminations, training and merit pay increases. It is an employer's way of telling employees what is expected of them in their respective jobs and how well they are meeting the expectations.

The role of performance appraisal has gone beyond a tool of assessing employee's performance only, it has rather become also a means of achieving desired behaviour and competent performance from the employees. It has equally become the most powerful single instrument for mobilizing employees in a sophisticated and well managed organization in order to achieve strategic goals (Singh et al, 2010). It is a universal phenomenon which serves as a basic element of effective work performance which is essential for effective management and evaluation of staff. It aims at improving the organizational performance as well as individual development. It is necessary for increasing the performance of the employees and the organization to check the progress towards desired goals (Gichuhi et al, 2012). There is hardly any program in the portfolio of personnel management that is essential to individuals and organizational growth than performance appraisal management. At it is, in dual employees and process that leads to productivity need to be evaluated against established goals or definite set of required conducts.

As Mayokun (2015) notes, effective performance appraisal is designed to perform two main functions namely; evaluative and development functions. An evaluative tool, it serves as a basis for rewarding employees for their performance levels. Reward in form of promotion or pay rise for good performance or sanction in form of demotion, dismissal or termination for bas performance. Appraisal, according to him, helps in the audit of management talents, to evaluate the quality and capabilities of the organization's present supply of human resource for the purpose replacement planning. On the other hand, as a developmental tool, performance appraisal facilitates the identification of individual's strengthened weaknesses. For instance, in job skills, job knowledge and other related fields of work that may result to poor performance so as to determine the suitable training and development programme needed to address such weaknesses or deficiencies in the employees. It equally motivates employees towards higher performance when the positive results are communicated to them. In the light of the above, the study examines the effect of performance appraisal process on employees' performance by looking at the effect of some specific factors such as appraisal criteria appraisal feedback, appraisal frequency and appraisal reward on employee performance.

## **1.2 Statement of the Problem**

The main objective of any organization is to achieve set goals. In order to do this performance of the employees is of utmost importance. Therefore, objective appraisal of employees' performance to identify gaps and potentials and to establish grounds for reward and sanctions are quite necessary. Unfortunately, many organizations, especially those in the service industry where output per person are sometimes difficult to measure, have

subjectively carried out the appraisal process with the consequence of wrong results being realized from the exercise. In some cases too, the process of appraising the performance of employees is made difficult by the fact that the criteria for measuring performance for which an individual is responsible are often unclear and evaluations tend more often than not to be based not on measurements to actual performance but on the perceptions and judgements of an employee's immediate superior. Some of those vague and ambiguous as well as judgmental characteristics of performance appraisal in organizations are doing more harm than good to the exercise.

Furthermore, the intense competition in the global business environment which has been and is still being reinforced by the innovations in technology has left businesses struggling for the limited space. Consequently, only the organizations with efficient workforce can gain competitive advantage in the struggle. The satisfaction of employees is key. It can only be guaranteed through acceptable performance appraisal result. There have been instances where employees spend over five years on a particular position without promotion or advancement thereby promoting job dissatisfaction and consequently negative work attitudes in the organization.

Past studies in the area had concentrated on performance appraisal as a process of evaluating employees' performance in the organization without actually measuring the effect of some moderating variables such as appraisal criteria, feedback, frequency and rewards on the performance of employees. This study has been designed to close such obvious gap in addition to resolving the conflicting results that have emanated from different studies on effect of performance appraisal on employees performance/productivity.

### **1.3 Objectives of the Study**

The main objective of this study is to examine the effect of performance appraisal on employee's performance in the organization, using selected banks in Awka, Anambra State, Nigeria as the study area. However, the specific objectives are to:

- (i) Determine the effect of appraisal criteria on employees' performance in the organization.
- (ii) Ascertain the effect of appraisal feedback on employees' performance in the organization.
- (iii) Examine the effect of appraisal frequency on employees' performance in the organization.

- (iv) Evaluate the effect of appraisal reward on employees' performance in the organization.

#### **1.4 Research Questions**

The following research questions were raised to guide the study:

- (i) What is the effect of appraisal criteria on employees' performance in the organization?
- (ii) What is the effect of appraisal feedback on employees' performance in the organization?
- (iii) How does appraisal frequency affect employees' performance in the organization?
- (iv) How does appraisal reward affect employees' performance in the organization?

#### **1.5 Statement of Hypotheses**

The following null hypotheses were formulated to guide the objectives and strengthen the analysis of the study:

- (i) Performance appraisal criteria does not have significant positive effect on employees' performance in the organization.
- (ii) Performance appraisal feedback does not have significant positive effect on employees' performance in the organization.
- (iii) Performance appraisal frequency does not have significant positive effect on employees' performance in the organization.
- (iv) Performance appraisal reward does not have significant positive effect on employees' performance in the organization.

#### **1.6 Significance of the Study**

The study has both theoretical and empirical significance. From the theoretical significance perspective, the study will enrich the existing stock of literature thereby expanding the frontiers of knowledge. From the empirical significance, the findings of the study will be of immense benefit to categories of people which includes the management of the organization, the employees, students/researchers and of course, the general public.

1. The Management: The management would be sufficiently enlightened on how to best manage the employee for optimum performance through appraisal results.
2. The Employees: The employees are the second category of people that will benefit from the study because they would be taught how to respond to appraisal feedback and other outcomes.
3. Students/Researcher: Students/researchers who might want to carry out further studies in the area would find the report very useful because it will serve as a good starting point.
4. The General Public: The general public will benefit from the improved services that will follow from the employees efficient performance.

### **1.7 Scope of the Study**

The study covered the senior employees of some selected banks in Awka, Anambra State, Nigeria. The study examines the effects of performance appraisal on employees' performance by investigating the effect of appraisal criteria, feedback, frequency and reward on employees performance in the organization.

## **REVIEW OF THE RELATED LITERATURE**

### **2.1 Conceptual Review**

#### **2.1.1 Performance Appraisal**

In simple terms, performance appraisal may be defined as the assessment of an individual's performance measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, cooperation, judgement, versatility, health and the likes (Wurim, 2012). To Okeke and Egboh (2009), it can be referred to as a process of systematically evaluating performance and providing feedback on which performance adjustment can be made. Shen (2014) defines performance appraisal as the process of identifying, observing, measuring and developing human resource in an organization setting. In order for the appraisal system to be effective, the system needs to be accepted and supported by its employees. Ali, Mahdi and Maliha (012) define it as the measurement of work and its results by using the scale and index that we can measure the desired quantity and quality with precision and free of personal judgements and vague criteria of evaluation.

Moses (2013) defines performance appraisal as the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which they were employed for the purpose of administration, including placement. Selection, and other actions which require preferential treatment among members of a group as distinguished

from actions in respect of their current performance as well as their potential for future development. Thus, performance appraisal has to do with the assessment of employee's performance in an organization with a view to determining strengths and weaknesses, performance gap and potential for development. Bolajo and Ekpu (2015) define performance appraisal as the formal appraisal of non-managerial workers at least once in a year and it is reported that this monitoring of employees is associated with shorter-tenure workers and workers who have greater influence over productivity. Certain human resource management practice were equally found to associate with increased use of performance appraisal and conversely for union density. In a related development, the United States Office for Personnel Management practices defines performance evaluation as all periodic written assessments of job performance measured against responsibilities, goals and/or tasks, specific duties assigned and agreed to as well as identification of strengths and weaknesses demonstrated by employee's potential and training or development needs (US/OPM, 1980 in Uwa, 2018). The most endearing aspect of this latest definition is that it conceives of performance evaluation as a regular and continuous exercise which the quality, quantity and level of performance and the various factors that influence performance are assessed and recorded. It also involves an evaluation of the growth potential of an individual, with a view to providing the organization with information that could lead to positive actions and also ensure that individuals are provided with necessary feedback for performance improvement, personal growth and job satisfaction.

### **2.1.2 Employee Performance**

Performance entails meeting pre-determined and acceptable standards concerning a given task, while utilizing available resources efficiently and effectively within the changing environment (Ngwa, Adeleke, Agbaeze, Ghasi and Imhanrerialena, 2019). Aguinis (2009) opines that the definition of performance does not include the results of employees' behaviour, but only the behaviours themselves the behavioursexhibited in achieving the result are considered. Therefore employee's performance according to him, is all about behaviour or what employees do and not just about what they produce or outcomes of the work, he added. Anya, Umoh and Worlu (2017) posit that performance should be related to such factors as increasing profitability, improved service delivery or obtaining best results in the activities of an organization. The definitions offered above by various scholars testifies to the fact that at all levels, employees in an organization are the building blocks of the organization. As Noe (2006) notes, the most valuable/value-adding possessions (assets) available to any organization, business enterprise or firm of any shape are its workforce. The performance of the workforce is the driving force behind the survival

of any business undertaken. Furthermore, Noe (2006) stresses that well performing employees contribute significantly to the success of the organization.

## **2.2 Theoretical Framework**

The theory considered appropriate for analyzing the phenomenon under investigation is the expectancy theory developed by Victor Vroom in 1964. The theory states that a person's motivation towards an action at any time is determined by an individual's perception that a certain type of action would lead to a specific outcome and his personal preference for this outcome. Expectancy is the probability that particular action will lead to a desired reward. Thus, if an individual has a particular goal, some behaviour must be produced in order to achieve that goal. He will weigh the likelihood that various behaviours will achieve the desired goals and if certain behaviour is expected to be more successful than others, that particular behaviour will be preferred by the individual (Vroom, 1964). Employees are motivated to put more effort so as to produce better results because of the expected reward.

Vroom contends that motivation is produced by the anticipated worth of an action to a person's perception of the probability that his goal would be achieved. The theory can be stated thus:

$$\text{Motivational Force} - \text{Valency} \times \text{Expectancy}$$

Expectancy is the perception that a particular outcome will occur as a result of certain behaviour or while valence is concerned with how much value an individual places on a specific outcome. Both must be present before a high level of motivation can occur (Ile, 1999). In its form, the theory is concerned more with choice behaviour of both management and the worker, which can lead to desired outcome of regards (Peretomode, 1991). According to Ejiofor (1984) in Muanya (2014), the theory states that motivation force which an employee exerts to do his job depends on both expectancy and valence.

## **2.3 Theoretical Exposition**

Armstrong (2009) cited in Muanya (2014) observes that in the field of human resource management, performance evaluation is the foremost in trying to measure the performance and potential of the workers in any organization. He posits further that the purpose of measuring performance is not only to indicate whether things are not going according to plan but rather to also identify why things are going well where they are so that steps may be taken to build on successes achieved. The goals of performance and development of future work, performance goals and expectations. Egboh and Okeke (2009) posit that it is a process of systematically evaluating performance and providing feedback on which performance adjustment can be made. Cash (2013) opines that from the employee's point of view, the purpose of performance appraisal is in three folds; tell me what you want me



to do, help me to improve my performance and then reward me for doing well. He reiterates that performance appraisal is an important human resource function in the field of management which provides management with a systematic basis for effectively recognizing and evaluating the present and potential capabilities of human resource.

### **2.3.1 Performance Appraisal Criteria and Employee Performance**

Shehu (2014) states in his book titled “Manpower Planning and Administration” that an effective appraisal system would specify what to measure in the appraisal form such as quality and quantity of output, service and requisite job behaviour, talents and attitudes in all unambiguous terms. Different jobs should have different performance measurement criteria. Caution is always exercised not to use one system of criteria for measuring performance of different professions and skills like in the civil service where APER form is used as a standard criterion to measure all job in the service whether applicable or not, assessments just have to be carried out, it does not make sense. At the end of the exercise, there are often no cohesive results with which judgement can actually be made about the employees’ performance. This, perhaps, is the reason that Cintron and Flaniken (2013) posit that for a performance appraisal system to be effective, there must be an organized training for the raters. The raters should be aware of the skills necessary for evaluation of employees’ performance. The training should be on goal setting, coaching employees, providing feedback to them. Sajuyigbe (2017) observes that ambiguous or vague criteria brings about distorted performance results which understate or overstate the performance of the appraisee and it is a situation which works against the purpose of the appraisal exercise. Therefore, the importance and usefulness of clearly defined performance appraisal criteria to the evaluation exercise cannot be overstated. As it is, criteria that are alien to the employees cannot adequately assess their performance on the job and the consequence of wrong appraisal is negative work behaviour from the employees which impacts negatively on productivity in the organization.

### **2.3.2 Performance Appraisal Feedback and Employee Performance**

A very important condition in appraisal is that it provides clear performance-based feedback to the employees (CarollSchneier, 2002 in Gichuhi, Abaja and Ochieng, 2012). There is always a workflow which tracks feedback sessions. When a mistake is detected for instance, it immediately provides remedial steps to be taken to address the issue with minimal chances of loss to the organization. Providing an employee with feedback is widely recognized as a precautional measure that is very crucial in encouraging and enabling self-development which also is very instrumental to accomplishing success in the entire organization. It has equally been noted that effective performance appraisal feedback between employees and their supervisors is the key to successful organizational

productivity (Salmon and Podqursky, 2016). They reiterated that regular feedback, especially when the appraisal results are still fresh in mind, help employees focus their work activities. It is one of the ways the employees, the departments and the entire organization can achieve desired goals. Although, there have been situations where some managers intentionally holdback employees' feedback report/comments due to the fact that such organizations do not regard it as a policy in the organization. In some organizations, it is a serious misconduct to do so. Banker (2011) states that change in times has made it compulsory for manager/supervisors to desire more formalized feedback system given its potency in addressing employees' inefficiency. Managers have also realized that they need to tell their workers/subordinates when they have done well and when they have not done well also. In this instance, silence is not golden as in some cases.

Employee feedback improves efficiency and effectiveness and help in decision-making within the organization. The feedback directs the individual to the organization's mission and objectives. In the ideal situation, the employee receives information about how he/she is performing and where he/she could improve the performance to enhance productivity. Schraeder et al (2015) have suggested that performance feedback which serves as a way of knowing employees' strengths and weaknesses, should be made a compulsory component of human resource management. To Kin and Schriesheim (2012), employees' feedback system is highly recommended for employees' efficiency and improved performance on the job. Therefore, performance appraisal feedback is very important to the employee who is being appraised because it is only through such practice that the employee will know the areas he/she need to put more effort to perform up to expectations.

### **2.3.3 Frequency of Performance Appraisal and Employee Performance**

Denisi (2006) observes that frequency of performance evaluation just like its feedback, is very crucial and that it can influence future performance of the employee in the organization. Frequency means the number of times the assessment is carried in an organization within a specified period of time. In some organizations, especially the public sector organizations, it is done annually hence it is called the annual performance evaluation report (APER). But in other organizations, particularly those in the private sector, the interval of appraisal could be less. It all depends on the choice of the organization and the management style that is operational in the organization. Butali and Njoroge (2017) note that shorter appraisal inter is better than the prolonged because of the critical importance of follow-up. To them, when appraisal is carried out in quick successions, it makes correction remain fresh in the minds of the employees thereby enhancing performance in the organization. They remarked that feedback is meant to communicate to the employees, their rating by their supervisors and for those who are

having issues with their performance to make the necessary adjustments that are required for improved performance. It implies then that another appraisal exercise would be conducted to ascertain whether there has been any improvement from the employee given his/her performance during the last exercise. In situations too, it is actually the appraisee and their line managers that agree on the date for next appraisal exercise. Therefore, frequency of appraisal is also very important in determining employees' performance in an organization because the more frequently it is done, the better improved the employees becomes in performance criteria.

#### **2.3.4 Performance Appraisal Rewards and Employees' Performance**

Onyije (2015) points out that reward system is the instrument used to increase employees' performance which seeks to attract and retain suitable employees, encourage good management, minimize tensions and conflicts as it deals with all forms of final returns, tangible services and mechanisms for good relationship. It is of a truth that industrial conflict is usually based on the fact that employees feel their benefits are being denied and as such compensation is to provide a good platform for equity and fairness. Employee reward system refers to programs set up by organizations to reward performance and motivate employees on individual and/or group levels. It is normally considered separately from salary; it can be monetary in nature or otherwise but it must have a cost to the organization. It is often used by firms as a tool for luring top employees in a competitive job market as well as in increasing employees' performance and productivity.

Mcbeath and Rands (1976) cited in Gichuhi, Abaja and Ochieng (2012), while discussing salary administration observe that equitable salary relationship depends on sound job classification, periodic salary survey of competitive levels, employee performance appraisal and effective salary planning. Randell (2019) reports that if good performance is observed from the result of an appraisal and got such an employee/employees rewarded, the chances are that such an impressive performance would be repeated in another period. Thus reward can be used to appreciate good performance or arouse interest to perform better. Therefore, tangible and intangible rewards enhance motivation when they are offered to people for completing their jobs on schedule or for attaining or exceeding specified performance standard. Rewards given for creativity encourages more creativity in other tasks and reward system are administered to enhance employee productivity. Finally, both extrinsic and intrinsic rewards can be used to encourage a performing employee to obtain more improve performance from him/her in the organization.

## **2.4 Empirical Review**

In a study conducted by Osabiyani (2014), he investigated the effectiveness of performance in enhancing employees' performance. The study adopted descriptive survey design and found from the analysis of data that often time, managers allow bias factors such as race, ethnicity, appearance, sex and personal likeness or hatred to influence their rating of the employee thereby losing the essence of the appraisal exercise. It was concluded that ratings must be based on actual job performance only if the exercise is to achieve the purpose for which it is being carried out. In a related study, Ibrahim and Daniel (2019) did a study on the impact of performance appraisal on employee productivity in Nigeria Breweries PLC. The study used descriptive survey design and the result showed that objective and well planned appraisal process encourages high performance of the employees. The study concludes that training and consistent retraining are necessary in achieving high productivity from the employees and that those involved in the appraisal exercise should equally be trained regularly.

Chaponda (2014) investigated the effect of performance appraisal on employee motivation, using the slum-based non-governmental organization in Nairobi as the study area. The study adopted descriptive survey design. Findings suggest that determination of clearly defined appraisal criteria is key to a successful appraisal exercise and that good performance evaluation process motivates employees to higher performance. The study concludes that the manager's ability to address skills gap can have a significant impact on employees' productivity. Kairuki (2017) carried out a study on effect of performance appraisal on employees' performance in Barclay's Bank of Kenya. The study adopted survey design and the result indicate that effective reward system is associated with employees' enhanced performance in the organization. In a related study, Nadeem, Naveed, Zeeshan, Yumma and Qurat (2013) conducted a study on the impact of performance appraisal exercise on employees' performance in the organization. The study which was designed as a descriptive survey used a sample of 150bank employees from DeraGhazikhan District of Pakistan. The analysis presented strong positive correlation between employees' performance appraisal feedback and employees' performance in the organization. The study concludes that when an appraisal process is integrated into the company policies, employee performance would be enhanced. In a similar vein, Odhiambo (2015) investigated the effect of performance management practices on employees' productivity, using Schindler Ghana limited as the study area. The study made use of descriptive survey design and found from the analysis that when appraisal is done at a regular intervals and in quick succession as well as rewarding high performers accordingly, productivity per individual employees tend to increase substantially. The study concludes that employees want their performance and progress to be monitored regularly so that

rewards can be administered accordingly. Also, Akinyele (2010) investigated the impact of performance appraisal system on employees' productivity in the private universities in Nigeria, using Crawford University as the study area. The design for the study was descriptive survey and the result of the analysis showed that appraisal is the only tangible metric way of knowing the level of performance of the diverse members of the organization. Finally, Neelam, Israr, Shahid and Muhammed (2014) examined the impact of training and feedback mechanism on employee performance in United Bank Peshawar City Pakistan. Through the use of a descriptive survey design, the study found that feedback after the appraisal exercise, impacts significantly on employees' performance. It was concluded that training and feedback after the appraisal enables the employees to adjust their performance rate where necessary.

## **METHODOLOGY**

### **3.1 Research Design**

The study adopted descriptive survey design because it intends to generalize the sample result for the entire population of interest. Besides that, survey method is always preferred in studies of this nature where necessary data are not readily available. Therefore, primary data collected from sample survey becomes the best alternative (Obasi, 2000).

### **3.2 Area of the Study and Population**

The study is conducted in Awka Anambra State. In an attempt to determine the effect of performance appraisal on employees' performance in the service industry, few banks in Awka metropolitan were studied. The variables (independent) variables are appraisal criteria, appraisal feedback mechanism, appraisal frequency and reward system. The study made use of primary as well as secondary data in investigating the relationship between the variables mentioned above and the performance of the employees in the organizations. The population consisted of 1,973 senior employees of the selected banks in Awka. It is presumed that this category of employees would be able to discuss effectively all issues relating to the appraisal process and employees' performance.

### **3.3 Sample Size Determination and Sampling Technique**

Sample size of the study was determined through the application of Taro Yameni's Statistical formula for determining sample size from a finite population. The procedure is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = Sample size to be determined
- N = Entire population of interest
- e = Error margin (0.05)
- 1 = Constant (unity)

Substituting the values in the formula, we have

$$n = \frac{1,973}{1 + 1973(0.05)^2}$$

$$n = 332.574799831$$

$$n = 333 \text{ (Nearest whole number)}$$

Therefore, the sample size for the study is 333.

With regard to sampling technique, systematic sampling technique was used in selecting the units of observation because of its attributes of random start and sampling interval which enables it to spread the sample evenly across the population.

### **3.4 Instrument for Data Collection and Reliability**

An item structured instrument designed to reflect the options of strongly agree, agree, disagree, strongly disagree and undecided popularly referred to as the modified five (5) point Likert scale was used by the researcher to elicit information from the respondents across the banks. It was validated by the experts in the field in both face and content. The reliability test was conducted on it through the method of test re-test and the exercise returned coefficients of 0.80, 0.83, 0.73 and 0.90 (see Appendix II for details) for the four researcher questions respectively with an average coefficient of 0.815 thus indicating that the instrument is 82 percent reliable and it was consider very adequate.

### **3.5 Method of Data Collection and Analysis**

The data were collected through direct questionnaire distribution approach. The approach afforded the researcher the opportunity to do explanations/clarifications on issues that are not quite clear. It also reduced the volume of non-response that often associate with surveys of this nature. Out of the 333 copies of the questionnaire that were distributed, 279 were completed and returned thus showing a response rate of 83.8 percent.

In term of method of analysis, quantitative method was used through summary statistics of percentages, inferential statistics of Pearson Correlation and Ordinary Least Squares (OLS) multiple regression analysis. All tests were carried out at 0.05 level of significance.

### 3.6 Specification of the Model

In trying to estimate the effect of performance appraisal process on employees' performance, the following functional relationship was constructed:

$$\text{Employee Performance} = f(\text{PAC}, \text{PAF}, \text{PAQ}, \text{PAR})(1)$$

Specifying equation (1) econometrically, we have

$$EP = \alpha_0 + \alpha_1\text{PAC} + \alpha_2\text{PAF} + \alpha_3\text{PAQ} + \alpha_4\text{PAR} + \mu_t \quad (2)$$

Where:

- EP = Employee Performance
- $\alpha_0$  = the intercept
- $\mu_t$  = Stochastic error margin or white noise
- PAC = Performance appraisal criteria
- PAF = Performance appraisal feedback
- PAQ = Performance appraisal frequency
- PAR = Performance appraisal rewards

The expected signs of the coefficients or *a priori* are:

$$\alpha_1 > 0, \alpha_2 > 0, \alpha_3 > 0 \text{ and } \alpha_4 > 0$$

$$\alpha_{i's} > 0$$

Where  $\alpha_{i's}$  are the coefficients of the variables.

From the above specifications, employee performance is the dependent variable while the variable of appraisal process are the independent variables.

## DATA PRESENTATION AND ANALYSIS

### 4.1 Demographic Features of the Respondents

We analyzed the demographic characteristics of the respondents in this section with the purpose of establishing their suitability in discussing all issues relating to appraisal exercise and their effect on employees performance within the context of this study. The personal data being analyzed includes: gender of the respondents, age bracket, educational qualification and organizational tenure.

**Table 4.1: Demographic Features of the Respondents**

S/N	Demographic Features	Response	Frequency	Percentage of Total
1.	Gender:	Male	156	56.0
		Female	123	44.0
		<b>Total</b>	<b>279</b>	<b>100.0</b>
2.	Age bracket:	18-27	42	15.0
		28-37	126	45.3
		38-47	86	30.7
		48-57	20	7.1

	58 & above	5	1.0
	<b>Total</b>	<b>279</b>	<b>100.0</b>
3.	Educational Qualification:		
	OND/NCE	45	16.1
	HND/First degree	181	64.9
	Masters degree	50	17.9
	Ph.D	3	1.1
	<b>Total</b>	<b>279</b>	<b>100.0</b>
4.	Organizational Tenure (in years):		
	Below 5 years	39	14.0
	5 – 10 years	71	25.4
	11 – 15 years	89	31.4
	16 and above years	80	29.2
	<b>Total</b>	<b>279</b>	<b>100.0</b>

Source: Field Survey, 2021

The analysis of the respondents personal data shows that 156 representing 56 percent of the sample are male respondents. It shows also that age bracket of 28 to 47 years constitutes 212 respondents and it represents 76 percent of the sample. In terms of educational qualification, the analysis shows that 181 of them representing 64.9 percent of the entire sample have qualifications of Higher National Diploma, First degree or their equivalence. It is also interesting to note that up to 240 of them representing 86 percent of the sample have worked in the banking sector for upward of five (5) years and above. The implication of the result is that the respondents are suitable for the intended discussions judging from their educational background and organizational tenure.

**Table 4.2 Correlation Analysis**

		Correlation Matrix				
Variables		Employee Performance	Performance Appraisal Criteria	Performance Appraisal Feedback	Performance Appraisal Frequency	Performance Appraisal Rewards
Employee Performance	Pearson	1	.495**	.567**	.511**	.703**
	Sig.(2-tailed)		.000	.000	.000	.000
	N	279	279	279	279	279
Performance Appraisal Criteria	Pearson	.495**	1	.401*	.307*	.209*
	Sig.(2-tailed)	.000		.000	.013	.001
	N	279	279	279	279	279



Performance Appraisal Feedback	Pearson Correlation Sig.(2-tailed) N	.567** .000 279	.401* .000 279	1 279	.106* .000 279	.508** .000 279
Performance Appraisal Frequency	Pearson Correlation Sig.(2-tailed) N	.511** .000 279	.307* .013 279	.106* .005 279	1 279	.323* .000 279
Performance Appraisal Rewards	Pearson Correlation Sig.(2-tailed) N	.703** .000 279	.209* .001 279	.509** .000 279	.323* .000 279	1 279

\*\* : Correlation is significant at 0.05 level (2-tailed).

\* : Correlation is Significant at 0.01 Level (2-tailed).

Table 4.2 presents the correlation matrix of employee performance, appraisal criteria, appraisal feedback, appraisal frequency and appraisal rewards. The analysis shows that positive and fairly strong relations exist between and among variables. As could be seen there are no multicollinearity or orthogonal relationships and as such multiple regression analysis was further performed on the data.

**Table 4.3:** Model Summary of Dependent and Independent Variables  
ANOVA<sup>b</sup>

Source of Variation	df	Sum of Squares	Mean Squares	F-ratio	Sig.
Regression	4	189.725	47.431	32.244	.000 <sup>a</sup>
Residual	95	145.657	1.471	-	
Total	99	335.362			

a. Predictor: (constant), appraisal criteria, appraisal feedback, appraisal frequency and appraisal rewards

b. Dependent variable: Employee Performance

The result of ANOVA presented in Table 4.3 shows F-Statistic is 32.244 and it is statistically significant because  $P \leq 0.05$  is greater than 0.000 significance level.

**Table 4.4:** Summary of Regression Result

Model	R	R <sup>2</sup>	Adjusted R Square	Standard Error of the Estimate	Durbin Watson
I	0.591 <sup>a</sup>	0.485	0.411	0.39253	1.872

a. Predictor: (constant), appraisal criteria, appraisal feedback, appraisal frequency and appraisal rewards

Regression results presented in Table 4.4 shows that regression coefficient represented by 'R' with the value of 0.591 is an indication that 59.1 percent relationship exists between

dependent and independent variables. In the same vein, the table shows also that coefficient of determination represented by 'R<sup>2</sup>' with the value of 0.485 means that 48.5 percent variation in the dependent variable can be explained by the regressors. The Durbin Watson Statistic of 1.872 means that is no serial autocorrelation in the model.

**Table 4.5:** Summary of Coefficients of Regression, t-value and Probability Levels

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	$\beta$	Std. Error	Beta		
1 (Constant)	.173	.209	-	-750	.372
Appraisal Criteria	.516	.053	.42	10.103	.000
Appraisal Feedback	.409	.067	.581	4.521	.000
Appraisal Frequency	.528	.061	.493	3.256	.001
Appraisal rewards	.604	.058	.609	2.748	.020

a. Dependent Variable: Employee Performance

## 4.2 Test of Hypotheses

In order to give interpretation to results presented in Table 4.5, the hypotheses formulated for the study were restated and tested at 0.05 level of significance in this section of the analysis as follows:

1. H<sub>0</sub>: Performance appraisal criteria does not have significant positive effect on employees' performance in the organization.  
H<sub>1</sub>: Performance appraisal criteria have significant positive effect on employees' performance in the organization.
2. H<sub>0</sub>: Performance appraisal feedback does not have significant positive effect on employees performance in the organization.  
H<sub>1</sub>: Performance appraisal feedback have significant positive effect on employees' performance in the organization.
3. H<sub>0</sub>: Performance appraisal frequency does not have significant positive effect on employees' performance in the organization.  
H<sub>1</sub>: Performance appraisal frequency have significant positive effect on employees' performance in the organization.
4. H<sub>0</sub>: Performance appraisal reward does not have significant positive effect on employees' performance in the organization.

H<sub>1</sub>: Performance appraisal rewards have significant positive effect on employees' performance in the organization.

### **Interpretation of Regression Coefficients**

The coefficient of performance appraisal criteria represented by  $\alpha_1$  as presented in Table 4.5 is 0.422 and it means that when unambiguous appraisal criteria are increased by one unit employees' performance will increase by 42.2 percent if other variables in the model are held constant. With t-value of 10.103 and the corresponding significance value of  $P_{0.000}$ , the coefficient is significant because  $P_{0.000}$  is less than  $P \leq 0.05$ . Consequently, the null hypothesis was rejected while the alternative which suggests that performance appraisal criteria have significant positive effect on employees performance was accepted.

In the same vein, the coefficient of performance appraisal feedback represented by  $\alpha_2$  have a value of 0.581 and it means that when appraisal feedback is increased by one unit, employees' performance will increase by 58.1 percent when other factors in the model are not allowed to vary. With a t-value of 4.521 and corresponding significance value of 0.000, the coefficient is significant because  $P \leq 0.05$  is greater than 0.000 probability level. Therefore the null hypothesis was rejected while the alternative which suggests that performance appraisal feedback have significant positive effect on employee performance was accepted.

Similarly, the coefficient performance appraisal frequency represented by  $\alpha_3$  with a value of 0.493 means that when appraisal frequency increase by one unit, employees' performance will increase by 49.3 percent if other variables in the model are held constant. With t-value of 3.256 and corresponding probability of 0.001, the coefficient is significant because  $P \leq 0.05$  is greater than 0.001 significance level. Consequently, the null hypothesis was rejected while the alternative which suggests that performance appraisal frequency have significant positive effect on employees' performance in the organization was accepted.

Finally, the coefficient of performance appraisal reward represented by  $\alpha_4$  with the value of 0.609 means that when appraisal rewards are increased by one unit, employees' performance will increase by 60.9 percent if other variables in the model are held constant. The t-value of 2.748 and the corresponding significance level of 0.020 shows that the coefficient is significant because 0.020 is less than 0.05. On the basis of this, the null hypothesis was rejected while the alternative which says that performance appraisal rewards have significant positive effect on employees' performance was accepted.

### **4.3 Discussion of Research Findings**

The result of the first test of hypothesis shows that unambiguous appraisal criteria have significant positive effect on employees' performance in the organization. It is a finding which is in line with that of Chaponda (2014) when he found from his study that the determination of clearly defined appraisal criteria is key to a successful appraisal exercise and consequently its impact on employees' performance. Just like Shehu (2014) has noted, a good appraisal system will start by clearly specifying what to measure in the exercise. Appraisal form would clearly state the elements/variables to be measured such as quality and quantity of work, service and requisite job behaviour, talent and skills level. An ambiguous/vague criteria of measurement does not give the true picture of the employees' performance and at the end, the employees are left very unsatisfied with the appraisal process thereby hampering performance.

The result of the second test of hypothesis showed that performance appraisal feedback has significant positive effect on employees' performance in the organization. The result supports the finding of Nadeem et al (2013) when they found from their study that strong and positive correlation exists between performance appraisal feedback and employees' performance in the organizations based in Pakistan. Appraisal feedback improves efficiency and effectiveness as well as helps in decision-making within the organization. Feedback often redirects the employees to the organization's mission and objectives. It points out to the employee the areas that should be worked on in the employees' skill level and performance level. It is a mechanism that exposes employees' performance gap. It enables the employee to make the need adjustment to be able to attain the expected performance level in the organization.

The result of the third test of hypothesis showed that performance appraisal frequency has significant positive effect on employees' performance. Again, the result is in line with that of Odhiambo (2015) when he found from his study that when appraisal is carried out at a regular interval and quick succession as well as rewarding performance accordingly productivity per individual employee tend to increase substantially. Employees want their progress and performance monitored and measured regularly so that appropriate rewards can be administered accordingly to arouse their interest and motivate them to higher performance. Therefore, the number of times an appraisal or performance evaluation exercise is carried an organization within a specified period, matters a lot to the employees, especially to the high performing ones. Frequency of appraisal and employees' performance are positively and strongly related.

The result of the fourth test of hypothesis showed that appraisal rewards have significant positive effect on employees' performance in the organizations. The result supports the work of Karuiki (2019) when he found that effective appraisal reward system is associated with employees' enhanced performance in the organizations when an appraisal exercise identifies an employee as a high performer on the assigned task and the organization goes ahead to recognize the employee with adequate rewards whether tangible or intangible, such an employee always, sees reason to do more. Reward plays a vital role in employees' motivation but many organization fails to recognize the potency of rewards in enlisting the cooperation of the workers to bring out their inner ability to work for the organization. Organizations are encouraged to reward their employees' performance to received more enhanced performance from them.

## **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

### **5.1 Summary of Findings**

Preliminary results of the study show that F-Statistic with a value of 3.244 is statistically significant, valid and fit for predictions because 0.000 probability level is less than 0.05. The result showed equally that the regression coefficient represented by 'R' with a value of 0.591 indicates that 59.1 percent relationship exists between dependent and independent variables. Similarly, the coefficient of determination represented by 'R<sup>2</sup>' with a value of 0.485 showed that 48.5 percent variations in the dependent variable (employee performance can be explained by the independent variables (regressors). However, the values of R and R<sup>2</sup> may have been affected by non-inclusion of some other variables that are supposed to be in the model. Nevertheless, it is sufficient to observe that a well-designed performance appraisal process can be effective in enhancing employees' performance in the service industry such as the banking sector. The rest of the results are as summarized below:

1. Performance appraisal criteria have significant positive effect on employees' performance in the organization.
2. Performance appraisal feedback mechanism have significant positive effect on employees' performance in the organization.
3. Performance appraisal frequency have significant positive effect on employees' performance in the organization.
4. Performance appraisal rewards system have significant positive effect on employees' performance in the organization.

## **5.2 Conclusion**

The study examined the effect of performance appraisal on employees' performance in the service industry using selected banks in Awka, Anambra State as the study area. Some variables that we identified as the intervening variables were appraisal criteria, appraisal feedback mechanism, appraisal frequency and appraisal rewards system. Each of the variables were found to have significant positive effect on employees' performance in the organization. Identification of individual's volume of work and consequently performance are often not quite easy in the service industry where outputs are not measure per unit. However, it will not be a problem identifying an employee that is committed to the realization of the set goals of the organization for adequate rewards to be administered on such an employee.

## **5.3 Recommendations**

Performance appraisal process has been identified as a very critical component of human resource management. In the light of the above, the following recommendations were made to strengthen the practice of performance appraisal in organizations, especially in service industry.

1. Performance appraisal criteria should be made very unambiguous so that the appraisees would be clear of what the appraisal needs so that employees can be appraised accordingly.
2. Appraisal feedback is very important to the appraisees because it is the most effective way of communicating the appraisal results to the employees. Appraisal feedback should always be given to the appraisees because it enables correction to be done for better performance.
3. Appraisal frequency is important because the more it is carried out at regular intervals the faster the employees are able to adjust for better performance. Therefore, we recommend that appraisals should be done at regular intervals to enable employees perform optimally in their respective organizations.
4. When appraisal result is favourable, the employees expect that their efforts should be rewarded. To encourage employees to do more, the issue of performance reward should be carried out always to encourage the employees to put in more effort at their duty posts.

## **REFERENCES**

Aguinis, H. (2009). *Performance management*. Upper Saddle River, N.J.: Pearson Prentice Hall.

- Akinyele, S.T. (2010). Performance appraisal systems and employee performance in private universities in Nigeria: a study of Grawford University, Igbesa, Nigeria.
- Ali, S.B., Mahdi, A. and Malihe, J. (2012). The effect of employees' performance appraisal procedure on their intrinsic motivation. *International Journal of Academic Research in Business and Social Sciences*, 2(12), 161-168.
- Anyia, A., Umoh, R. and Worlu, S. (2017). Human resource planning and organizational performance in oil and gas firms in Port Harcourt. *International Journal of Advanced Research in Social and Management Sciences*, 3(9): 110-129.
- Armstrong, M.A. (2009). A handbook of human resource management practice, 9<sup>th</sup> edition. In Muanya, C. (ed). The impact of performance on workers productivity in tertiary institution: a study of Federal Polytechnic, Oko. Master Degree Thesis in Public Administration Department, ChukwuemekaOdumegwuOjukwu University, Igbariam Campus.
- Banker, R.D. (2011). An empirical analysis of improvements following the implementation of a performance-based compensation plan. *Journal of Accounting and Economics*, 30(2): 315-350.
- Butali, P. and Njoroge, D. (2017). Effect of performance appraisal on organizational performance. *International Journal of Science and Research (IJSR)*, 7(9): 685-690.
- Cash, B. (2013). *Human resource management handbook*. Harvard Business School Review, May/June, Vol. 3.
- Chaponda, N.C. (2014). The effect of performance appraisal on employee motivation: a survey of slum-based non-governmental organizations in Nairobi. Thesis in United States International University, Africa.
- Cintron, R. and Flanikan, F. (2013). Performance appraisal: a supervision or leadership tool? *International Journal of Business and Social Sciences*, 2(17): 29-37.
- Egboh, E.A. and Okeke, I.M. (2009). *Foundations of personnel management in Nigeria*. Enugu: Bismark Publications.
- Gichhi, A.W., Abaja, P.O. and Ochieng, I. (2012). Effect of performance appraisal on employee productivity: a case study of supermarkets in Nakuru Town, Kenya. *Asian Journal of Business and Management Science*, 2(11): 42-58.

- Ibrahim, A.U. and Daniel, C.O. (2019). Impact of performance appraisal on employee productivity in Nigeria Breweries PLC. *The International Journal of Business and Management*, 7(5): 206-211.
- McBeath, G. and Rands, D.N. (1976). Salary administration, business books. Gichuhi, A.W., Abaja, P.O. and Ochieng, I. (eds.). Effect of performance appraisal on employee productivity: a study of supermarkets in Nakuru Town, Kenya. *Asian Journal of Business and Management Sciences*, 2(11): 42-58.
- Moses, M. (2013). *Analyzing performance problems or you really oughtawanna*, Second Edition. Published by Pitman Management and Training of Belmont, C.A.
- Muanya, C. (2014). The impact of performance management on workers' productivity in tertiary institutions: a study of the Federal Polytechnic, Oko. Unpublished M.Sc Thesis, ChukwuemekaOdumegwuOjukwu University, Igbariam Campus.
- Nadeem, I., Naveed, A., Zeeshan, H., Yamma, B. and Qurat, U. (2013). Impact of performance appraisal on employees' performance involving the moderating role of motivation. *Arabian Journal of Business and Management Review (OMAN Chapter)*, 3(1): 37-36.
- Neelam, J., Israr, K.Y., Shahid, J. and Muhammad H. (2014). The impact of training and development on employee performance and productivity in United Bank Limited, Peshawar City, KPK, Pakistan. *International Journal of Academic Research in Business and Social Sciences*, 4(4): 88-98.
- Ngwa, W.T., Adeleke, B.S., Agbaeze, E.K., Ghasi, N.C. and Imhanrenialena, B.O. (2019). Effect of reward system on employees' performance among selected manufacturing firms in the Litoral Region of Cameroon. *Academy of Strategic Management Journal*, 18(3): 1-16.
- Noe, R.A. (2006). Employee training and development, 4th ed. London: McGraw-Hill Irwin.
- Nurse, L. (2014). Problems with performance appraisal systems. *Journal of Managerial Psychology*, 19(5): 256-541.
- Odhiambo, E.O. (2015). The effect of performance management practices on employee productivity: a study of Schindler Ltd. A Thesis submitted to United States International University, Africa, Fall, 2015



- Onyije, O.C. (2015). Effect of performance appraisal on employee productivity in a Nigeria University. *Journal of Economics and Business Research*, 21(2): 65-81.
- Sajuyigbe, A.S. (2017). Impact of performance appraisal on employee performance in Nigeria telecommunication industry: a study of MTN, Nigeria. *International Journal of Economics and Business Management*, 3(1): 80-90.
- Schraeder, M., Becton, J. and Portis, R. (2009). A critical examination of performance appraisals. *The Journal of Quality and Participation*, 21(1): 20-25.
- Shehu, M. (2014). The impact of compensation and rewards system. *The Journal of Public Personnel Management*, 27(2): 223-230.
- Wurim, B.P. (2012). Talent management and employee productivity in public sector organizations of Nigeria. *Journal of Management and Corporate Governance*, 4(2): 251-269.

**Appendix II**  
**Reliability Test for the Instrument**

The reliability test was carried out through the application of Spearman rank order correlation coefficient. The estimation procedure is as shown below:

$$r = 1 - \frac{6 \sum d^2}{n(n^2 - 1)}$$

Where:

- r = the coefficients to be determined
- n = Number of response options
- d = difference in rank order
- 1 and 6 = Constants

The value of the coefficient ranges from -1 to +1

**Reliability Estimation for Research Question I**

Response Option	Results of 1 <sup>st</sup> responses	Results of 2 <sup>nd</sup> responses (y)	Rx	Ry	Rx – Ry (d)	d <sup>2</sup>
Strongly	5	6	2	1	1	1
Agree	7	5	1	2	-1	1
Disagree	4	3	3	4	-1	1
Strongly disagree	3	4	4	3	1	1
Undecided	1	2	5	5	0	0
<b>Total</b>	<b>20</b>	<b>20</b>				<b>4</b>

$$r - 1 = \frac{6(4)}{5(5^2 - 1)} = 0.80$$

Reliability Estimation for Research Question II

Response Option	Results of 1 <sup>st</sup> responses	Results of 2 <sup>nd</sup> responses (y)	Rx	Ry	Rx – Ry (d)	d <sup>2</sup>
Strongly	6	7	2	1	1	1
Agree	7	5	1	2.5	-1.5	2.25
Disagree	4	5	3	2.5	0.5	0.25
Strongly disagree	2	2	4	4	0	0
Undecided	1	1	5	5	0	0
Total	20	20				3.5

$$r - 1 = \frac{6(3.5)}{5(5^2 - 1)} = 0.83$$

Reliability Estimation for Research Question III

Response Option	Results of 1 <sup>st</sup> responses	Results of 2 <sup>nd</sup> responses (y)	Rx	Ry	Rx – Ry (d)	d <sup>2</sup>
Strongly	7	5	1	2	-1	1
Agree	5	6	2	1	1	1
Disagree	4	3	3	4	-1	1
Strongly disagree	2	4	4.5	3	1.5	2.25
Undecided	2	2	4.5	5	0.5	0.25
Total	20	20				5.5

$$r - 1 = \frac{6(5.5)}{5(5^2 - 1)} = 0.73$$

Reliability Estimation for Research Question IV

Response Option	Results of 1 <sup>st</sup> responses	Results of 2 <sup>nd</sup> responses (y)	Rx	Ry	Rx – Ry (d)	d <sup>2</sup>
Strongly	7	6	1	1	0	0
Agree	6	5	2	2	0	0
Disagree	4	3	3	4	1	1
Strongly disagree	2	4	4	3	1	1
Undecided	1	2	5	5	0	0
Total	20	20				2

$$r - 1 = \frac{6(2)}{5(5^2 - 1)} = 0.90$$