



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF PERFORMANCE APPRAISAL ON EMPLOYEE
MOTIVATION: THE CASE OF NIB INTERNATIONAL BANK**

**A RESEARCH PAPER SUBMITTED TO ST. MARY'S UNIVERSITY IN
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ART IN BUSINESS ADMINISTRATION**

BY

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DECLARATION

I declare that this research is my original work, prepared under the guidance of Habtamu Abebaw (PhD). All sources of material used for the research have been duly acknowledged. I further confirm that the research has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Endorsement

This is to certify that Mekdelawit Garedew has carried out this research work on the topic entitled “The effect of performance appraisal on staff motivation in Ethiopian banking institution: in the Case of Nib international bank” under my supervision. This work is original in nature and it is sufficient for submission for partial fulfillment for the award of Masters Art in Business Administration. This thesis has been submitted with my approval as a university advisor.

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APPROVAL SHEET

This is to certify that the thesis entitled “The effect of performance appraisal on staff motivation in Ethiopian banking institution: in the Case of Nib international bank” submitted in partial fulfillment of the requirements for the degree of Master’s in Business Administration, the graduate program of the department of Management, and has been carried out by Mekdelawit Garedew, under our supervision. Therefore, we recommended that the student has fulfilled the requirements and hence hereby can submit the thesis report to the department.

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ABBREVIATIONS AND ACRONYMS

ANOVA: Analysis of Variance

NIB: Nib International Bank

PA: Performance Appraisal

SPSS: Statistical Package for Social Science

VIF: Variance Inflation Factor

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ABSTRACT

The main purpose of this study is to assess the effect of performance appraisal on employee motivation in the case of Nib International Bank. The study employed both descriptive and explanatory research designs with quantitative approach. Samples of 196 employees were selected by using simple random sampling techniques. Questionnaire was used to collect primary data from the respondents. The collected data were organized, presented, analyzed and interpreted quantitatively with the help of SPSS version 26.0. Data were analyzed using descriptive and inferential statistics such as correlation and multiple regressions. The result of the study indicated performance appraisal has significant correlation with motivation of employees. The purposes of Performance, method of performance appraisal and performance appraisal feedback richness were significantly affecting the motivation of employees. Based on the key findings of the study it was concluded that the practices of performance appraisal significantly determine the motivation level of employees in NIB. It is therefore recommended that NIB have to identify the challenges of effective performance appraisal practices and implement it without bias to improve the working motivation of employees and to effectively implement its performance appraisal practice and Regular reviews should be conducted based on recent favorable, NIB should have well-defined policies in place for dealing with feedback from the staff and reacting to employee feedback and also The study also recommends that organization appraisal method is known by each member of the organization and ensure that this method does not infringe the employees' right and the organization policies

Key terms: *Performance appraisal, NIB, motivation*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance management is a methodical procedure for enhancing organizational performance through the development of team members' and individuals' individual performance. It is a strategy for improving outcomes that involves comprehending and controlling performance within a set of predetermined planned goals, standards, and competency requirements (Pulakos, 2014).

It is common to believe that performance management and performance appraisal is interchangeable terms. However there are notable distinctions. The official evaluation and grading of people by their supervisors at or following a review meeting can be referred to as performance appraisal. An employee's performance is evaluated through performance reviews, and the employee is informed of their performance. The terms employee rating, employee evaluation, performance review, performance evaluation, and outcomes appraisal are all variations of performance appraisal (Alazar, 2019).

The most important tool for a company has traditionally been performance evaluation. It offers data that is very helpful in deciding on a variety of issues, including promotions and merit ratings. It aids management in fostering justice to employees, which is important in preventing disputes. It offers accurate data, which is essential for the operation of the company as a whole. If valid performance data are available, i.e. timely, accurate, objective, standardized and relevant, management can maintain consistent promotion and compensation policies throughout the total system (Berihun, 2019).

The internal and external forces that prompt someone to act in a goal-related way are known as motivation. The fervor, focus, and perseverance a person exhibits in working toward a goal can be influenced by their motivation. Extrinsic and intrinsic motivators are terms used by motivation theorists. Extrinsic motivators are those that originate from outside of the individual

and include things like income, bonuses, and other material benefits. Intrinsic motivators are activities that a person wants to do for themselves for reasons including interest, challenge, and personal gratification (Habtamu, 2021).

Performance evaluation is a key component in increasing the bank's financial success and achievement. Performance feedback informs employees of how they must perform in contrast to the bank/organization's assessment of performance, and it may affect the promotion of conversation in both directions between management and employees as well as the degree of motivation of employees.

To fulfill the organization's principal goal, professional employees are required. The issue of worker execution needs to be addressed through effective execution evaluation, in which the organization continuously assesses representative performance in order to address execution deficiencies and inspire improved execution.

1.2 Statement of the Problem

Employee is the only organizational resource which has ratio, feel, and intention that affect the organization's efforts in achieving goals because employee has a role as the driving force of all the resources owned organization. Therefore, employees will always be a benchmark in the management of the organization to consider any decision relating to salaries, with project work to be done, and also with social rules on which the organization was sheltering (Colquitt, 2001). In response, the idea that an employee in the workplace must be assessed is eminently reasonable.

Performance appraisal has widened as the concept of performance management implementation has been part of a strategic approach to integrating HR activities with the company's policy (Fletcher, 2010). Appraisal performance procedures potentially bring substantial benefits for both employees and the organization, where the feedback from an appraisal can be referred by an employee to set goals that can be used by the employee and the organization as a tool to evaluate and improve their performance (Swanepoel, et al. 2014). When employees have goals, they tend to be more motivated if they also receive feedback about their progress. Feedback may occur throughout the workday, but many organizations also have a formal, companywide process of providing feedback to employees. Giving employees feedback is not synonymous with

conducting a performance appraisal, because employees may (and should) receive frequent feedback. The most effective feedback immediately follows high or low performance. Therefore, waiting for a formal process to give feedback would be misguided.

The purpose of performance appraisal by Palaologos et al. (2011) is for administrative purposes (consideration of salary increases, bonuses, promotions, and recruitment and employee pension) and for the needs of development (increased competence as well as education and training considerations). Therefore, when it has impact on the compensation obtained, then an employee will take the job seriously and automatically increases employee satisfaction (Stringer et al, 2011). Supporting the statement, according to Poon (2004) when the value of the performance becomes a consideration in determining opportunities for administrative and development, the performance appraisal will affect employee satisfaction. Low satisfaction may have a negative impact on organizational commitment (Judge et al, 2001).

The motivation of employees is the most challenging and standout characteristics a manager (Bryman, A. 2015a) should possess. There are a growing number of cases that any organization may face a tough time retaining employees because of the aggressive labor market of today and restricted opportunities available. And there is no sign of improving either. The loss of employees is marketed as a great loss of information, experience and aptitudes which lead to a significant financial effect and cost to an organization including the impact on the need of the customers. Managers having strong motivational technique assist the organization by enhancing employee motivation.

However, Allen and Mayfield (2003) revealed that performance appraisal is one of the most problematic components of human resource management as some employees are dissatisfied with their organization's performance appraisal (Smith et al., 2006). Since People's perceptions of the influence of performance evaluations on employee work performance differ. It has been established that poor performance appraisals have a detrimental impact on employee morale, reducing productivity. According to the current study, several big organizations are fundamentally altering their approach to crucial parts of the performance review. It also demonstrated that many workers have felt both uninspired and unmotivated by the practice of their performance evaluation at work. This has raised concerns regarding how performance evaluations are handled and the methodologies used. The appraisal systems are usually involved

with the following problems: the lack of adequate support by managers, impracticability or failure to know the exact purpose, the appraiser's failure in conducting a right and fair appraisal, lack of accordance with realities (Lures, 1980). Accordingly NIB has a performance appraisal system which has the best and least employee based on the appraisal which will determine their future career at the bank, and it's becoming continuous complainants of employees from the organization on how it has been demotivating since only one of the staff will be best and the other will be least.

Meanwhile, according to the researcher's knowledge, Dereje (2014) conducted a single study corresponding to this research. However, this study focuses on employee work performance (productivity) and is only limited to HEO S.C. Alene (2017) conducted a study on this subject, but the variables included in the study were not exhaustive, and other research should be conducted to determine the effect of other variables like continuous communication, Training& coaching, fair appraisal process were considered and that were not identified in his current study but affect employee motivation and also the study is only focused on Commercial bank of Ethiopia. So in this study variables like feedback richness, performance appraisal purpose as well as satisfaction with performance appraisal were considered.

Therefore the researcher is motivated by this difficulty and the back and forth between the relevant literatures, intending to fill existing knowledge gaps by addressing the issue; the effect of performance appraisal practices on employee motivation at Nib International Bank.

1.3 Research Questions

The following points are the questions to be answered at the end of the study.

1. How is Performance Appraisal practiced in Nib international bank?
2. What is the level of employee motivation in Nib international bank?
3. What is the effect of Performance Appraisal on employee motivation in Nib international bank?
4. What are the major challenges in the practices of performance appraisal of employees?

1.4 Objective of the Study

1.4.1 General objective

The general objective of this study is to examine the effect of performance appraisal on employee motivation in the case of Nib International Bank.

1.4.2 Specific Objectives

The specific objectives of the study are

1. To examine the practice of Performance Appraisal in case of Nib international bank
2. To investigate the level of employee motivation in case Nib international bank
3. To examine the effect of PA on employee motivation in case of Nib international bank
4. To assess the major challenges in the practice of appraising employee performance.

1.5 Significance of the Study

The result of this study is important in numerous aspects. Firstly, on the premise of the findings of the study, the study will draw some conclusions and suggestions that may inform the management of Nib international bank that the interaction between performance appraisal method and staff motivation and show the ways in what manner performance appraisal process completely affect staff motivations which successively have an effect on their performance which means will enable the organization to know their strength and weakness, and then it will help the organization to identify the motivational problem.

Secondly, it will offer's extra insight to researchers and professionals the link between performance appraisal method and employees' motivation. It will also provide relevant information to those on varies level of management, employees and labor union leads to understanding the importance of motivational factors on the performance of the employee.

Third, it can serve as a foundation for another researcher who wishes to do a large-scale study on appraisal and its influence on motivation in other sectors. It will also assist to raise awareness in order to reduce the problem of employee motivation. It will assist the researcher in gaining additional research experience.

1.6 Scope of the Study

The study focused to examine the effect of performance appraisal practices on employee motivation in Nib international bank. It specifically sought feedback richness, performance appraisal methods, and satisfaction of appraisal practice and, purpose of performance appraisal . The geographical boundaries of the research central district branches and. A population of 385 employees are used for the investigations and out of these 196 employees were selected as sample to conduct the study and out of these 180 respondents are properly responded the questioner data and the data were collected through questionnaire using five-point Likert-scale questionnaire.

1.7. Limitation of the Study

The study excluded branches from the out of central district and offices situated outside of Addis Ababa due to resource restrictions. As a result, it is understandable that this may have its own restrictions on the study's findings. The study was about the effect of PAP on employee motivation, therefore it only questioned employees who were evaluated which means those who are directly involved in the appraisal practice or affected by the PAS in order to obtain accurate information on the PAS. The researcher was once again confronted with the issue of certain workers from the selected branches being hesitant to answer questions on the questionnaires. Despite the fact that some responders accepted the surveys, some of the slots offered were left blank.

1.9 Organization of the Study

This study was organized and presented into five chapters. The first chapter contains a general introduction on the background, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study and organization of the study. The second chapter deals about review of related literature to support the study by discussing the relevant

literature from different materials. The review part consists of theoretical reviews, empirical reviews and conceptual framework of the study. The third chapter presents the methodology of the study consisted of research design, research approach, source of data, sampling design, sampling technique, method of data analysis, and Ethical consideration. The fourth chapter has dealt about data analysis, presentation and discussion of results. Finally, the fifth chapter focused on the summary, conclusion and recommendation part of the study.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Theoretical literature Review

2.1.1 Concept and Definition of Performance Appraisal

Performance appraisal is the process of evaluation and an employee of an organization by some qualified persons. Performance appraisal is important to know whether the selection of an employee was right or wrong, it also helps for personnel promotion, transfer, salary increase with their performance. Different scholars defined performance appraisal in the following manner

According to Armstrong, (2009) there are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments. (PA) usually involves evaluating performance based on the judgments and opinions of subordinates, peers, and supervisors, other managers and even workers themselves (Jackson & Schuler, 2003).

Performance reviews are used to evaluate an employee's performance, and the individual is notified of their performance. Performance appraisal is also known as employee rating, employee assessment, performance review, performance evaluation, and outcomes appraisal. Performance evaluations are widely used to administer pay and compensation, evaluate performance, and identify the strengths and weaknesses of certain individuals. Performance assessment systems are used by the majority of companies in the United States for office, professional, technical, supervisory, middle management, and nonunion manufacturing workers (Abeba, 2020).

2.1.2 Performance Appraisal and Performance Management

Performance appraisal is the official evaluation and grading of individuals by their supervisors during an annual review meeting. In contrast, performance management is a continuous and much broader, more comprehensive, and more natural management process that clarifies mutual

expectations, emphasizes managers' support roles as coaches rather than judges, and focuses on the future (Shtern et al., 2015).

2.1.3 Objective of a Performance Appraisal

The primary objective of a performance appraisal is to ensure the maximum utilization of every employee's skills, knowledge, and interests. At first glance, this deceptively simple statement appears to be completely employee directed. In truth, organizations that focus on the full use of each individual's abilities and areas of interest have a more motivated workforce; this, in turn, positively affects productivity, thereby increasing the company's competitive edge. In the end, everyone benefits. Secondary performance appraisal objectives include enhancing employer employee relations; permitting HR to perform key tasks more effectively; and motivating employees to pursue goals that are compatible with organizational goals (Islami et al., 2018).

2.1.4. Steps in Performance Appraisal

The process of performance appraisal follows a set pattern, viz., an employee's performance is periodically appraised by his superiors. The following usually form the main steps of an appraisal program

Step-1: Establish performance standards: Performance standards are typically created for a position at the same time as the job design and job description. These requirements must be precise and impartial enough to be assessed. Each of these criteria' components should be assigned a weight and a point total, which should be noted on the evaluation form. They are employed to evaluate how well employees are performing (OJJDP, 2019).

Step-2: Communicate performance expectation to employees: Employees have a hard time figuring out what is expected of them. So, the staff should be informed of the performance standards. Feedback from the subordinates to the manager is vital for efficient communication. Feedback that is deemed satisfactory guarantees that the manager's message was properly comprehended and received (USF, 2016).

Step-3: Measure actual performance: It is vital to gather information in order to ascertain what the actual performance is. How and what we measure should be a concern of ours. Personal

observation, statistical reports, oral reports, and written reports are the four main types of information that are routinely used to assess actual performance (Kaplan, 2015).

Step-4: Compare actual performance with standards: When an employee is evaluated, his or her potential for development and promotion is considered. The differences between "standard performance" and "real performance" are attempted to be noted.

Step-5: Discuss the appraisal with the employee: The results of the assessment are periodically addressed with the staff in order to enhance performance. Strong points, poor areas, and issues are noted and discussed. The information that the subordinate receives about his/her assessment has a great impact on his subsequent performance. Conveying good news is easy for both manager and subordinate but it is considerably difficult when performance has been below expectation.

Step-6: Initiate corrective action, if necessary: There are two categories of corrective action. One is instantaneous and focuses mostly on symptoms. The other is fundamental and probes the root causes. Immediate corrective action is frequently referred to as "putting out fires," but fundamental corrective action goes to the root of the deviation and aims to permanently address the difference (Muluwork, 2018).

2 1.5 Employees' Perceptions on Performance Appraisal

A fair performance evaluation method is the one that satisfies employee expectations. The perception of an unjust performance appraisal process may have a negative impact on an employee's loyalty to the business, work happiness, management's ability to lead, performance, demotivation, and theft, therefore employee reaction to the performance appraisal system has significant aspect to the acceptance as well as effectiveness of the system. (Belete et al. 2014)

As indicated by many scholars, employees' satisfaction on performance appraisal is very necessary, therefore in order to get the desired attitude and behavior in achieving their goals, organization should focus on employee's reaction or perception of employees about fairness and satisfaction towards performance appraisal

2.1.6 Performance Appraisal Feedback

Feedback is an important part of the PA system, which is mostly presented to the individual during and after the completion of the performance review. Performance feedback is the core function in PA process in organizations and there is no organization that can enhance productivity when the employees are not aware of how they are performing in relation to the set objectives of the organization. Therefore, the core function of performance feedback should be to better performance with aim of increasing quantity and quality of output from employee through motivation. It is therefore crucial to continually communicate the progress of employee performance that leads to complete employee growth (Nawaz, Jahanian, &Manzoor, 2012).

Performance feedback is valuable to both employee and the organization when is given in good time in that it helps in developing mechanisms of correcting performance where there is need when is still vivid and acceptable to the employees. This enhances better work development and employee altitudes (Taylor, Fisher, & Ilgen, 1984).

PA is used for administrative decisions, such as promotions, salary increase, and termination, and also for developmental purposes. Feedback to employees could be the most important information about the PA system that employees receive in an organization about actual ratings that demonstrate appreciation, value, and future prospects within the organization. Employees who receive and accept their performance feedback are often assumed to be positive and more objective which improves performance in the organization leading to increased productivity and when evaluations done does not come out as per the employees expectations and they reject them, they develop negative energy about reward possibilities (Smither, London, & Reilly, 2005)

According to Fletcher and Williams (1996), regular meetings should be conducted by employee and the supervisor for posterity. Continuous Communication to employees about the progress they are making in their area of expertise/operation is important as alluded by Longenecker (1997). Feedback on how the employee is performing in relation to their assignment is always valuable and contributes to an employee performing better. The response they get should be definite, sensible and measurable set targets agreed beforehand. Every employee is entitled to a progress report of the actions within their area of jurisdiction. People always judge themselves and in many instances they want to confirm their self-judgments against that of others (Baumeister, 1999).

Many organizations fail to deliver PA results while they consistently perform the exercise and store the feedback in the organizational files under lock and key. PA process makes employees apprehensive of the outcome and when the organization chooses not to communicate the amount of time, effort and funds is deemed useless and may not develop positive work related attitudes (Taylor, Fisher, & Ilgen, 1984). Timely feedback is helpful to the employee and to the organization in order to achieve the intended purpose. To ensure that the PA process is not in futility at the hospital this study will offer evidence on the importance of feedback on PA both to employees and to the management

2.1.7 Uses of Performance Appraisal

Results PA is a tool that can be used to administer performance successfully, as it gives information, which feeds into other parts of the performance management process. If used for intended purpose, PA contributes to motivation, improved job performance and efficiency (Ojokuku, 2013). According to Mullins (2002), the core mandate of PA, is to improve performance of employee leading to profitability of the organization. Mathis and Jackson (2008) condensed the uses of PA into two categories - managerial uses and developmental uses.

In the managerial function, PA is used for determining employee salaries, promotion among others. While in developmental uses is focused on building and strengthening the capacity of employees and building their career paths. Historically, performance appraisal was used as a basis for administrative actions in terms of deciding who should be promoted, terminated, who qualifies for a pay rise and so forth other factors notwithstanding. In the recent past the purpose for performing PA has expanded.

According to Mac Gregory 1957, he recommended PA be used for feedback and developing the employees. Proponents of management by objectives (MBO) Peter 28 Drucker (1990) suggested using PA as a tool for organization planning. PA has continued to be used for human resource planning and replacements. PA has also been used to safeguard organizations against discrimination law suits in employment. Other uses of PA are to improve current performance, identify training needs and set objectives (Murphy & Cleveland, 1995a). PA results are used various ways to benefit the employee, the supervisor, and the organization (Cleveland, Murphy, & Williams, 1989). For the employee, PA serves a motivation for career progression by way of

recognition, increased salaries, elevation, and challenging responsibilities. For the supervisor, PA serves to guide in functions like determining employees eligible for training, salary increment and termination. It also helps in determining attainment of organizational goals and creates an avenue for providing performance feedback to the employees. For the organization, PA provides performance measurement of individual employee and units. It also serves as a means of endorsing recruitment processes, ways of identifying and motivating employees, ways of measuring the effectiveness of intervention approaches like training (Riggio, 2017).

Performance appraisal therefore represents a structured way of monitoring employee performance and identifying ways of improving the performance and productivity of workers (Brown & Heywood, 2005). The study will help to establish the best way of using performance appraisal to motivate the employees and as a monitoring tool that will help the hospital to track progress and know when to change course.

2.1.8 Adverse Effects of Performance Appraisal

Despite all of its benefits, performance evaluation has certain downsides. Regardless of the excellent intentions of conducting performance appraisals is used in order to enhance and motivate individual employees as well as overall organizational efficiency, effectiveness, and productivity. (Grubb, 2007) argued that the practice does not produce the results intended and expected and it is disliked by many employees and managers alike. He also observed that performance assessment might have a negative impact on employee productivity, contentment, and engagement. Moreover, his proposal is to discontinue the practice and instead focus on aspects such as enhancing the organization's technological framework. Other scholars share similar opinion too. There is also a concern on the negative effect of extrinsic motivation on intrinsic motivation due to the application of performance appraisal. Mostly no matter how straight forwarded appraisal process was undertaken; there might be some parties that will be dissatisfied with their result. Given the feeling of employers, that honest appraisal may damage an employee's self-esteem; frank feedback is not being provided in most organizations (Beer, Spector, Lawrence, Quinn Mills, & Walton, 1985)

2.1.9 Potential Errors in Performance Appraisals

Several common errors have been identified in performance appraisals. Leniency is the grouping of ratings at the positive end instead of spreading them throughout the performance scale.

Contrast Error; In contrast error, the rater compares and contrasts performance between two employees, rather than using absolute measures of performance to measure each employee (Shaw et al., 2008).

Recency: occurs when evaluations are based on work performed most recently-generally work performed one to two months prior to evaluation (Rahawa, 2021).

Bias; Bias is simply a personality-based tendency, either toward or against something. In the case of performance assessment, bias is toward or against an individual employee. All human beings have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates in the firm (Kumbhar, 2011). This is very easy to say, but very difficult to do. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity for a lack of consistency in effect on different groups of employees (Ali, Mahdi and Malihe, 2012)

Halo effect: This happens when a rater permits one standout quality of an employee to color their evaluation of each individual performance review item. As a result, the employee frequently receives roughly the same rating for each item (Habtamu, 2021).

2.1.10 Overcoming Errors in Performance Appraisals

As the preceding discussion shown, there is a lot of possibility for error in performance appraisals. Improving the design of the appraisal methods is one technique for addressing these errors. One may argue that the forced-distribution approach of performance evaluation, for example, aims to rectify the central tendency and leniency problems. Furthermore, because supervisors have concrete examples of performance against which to evaluate an employee, behaviorally anchored rating systems are meant to eliminate halo, leniency, and central tendency mistakes (Lunenburg, 2014).

2.1.11 Motivation

The intensity, focus, and perseverance of a person exhibits in working towards a goal can be influenced by their motivation. A person's intensity is determined by how hard they try. When we discuss motivation, the majority of us tend to concentrate on this. High intensity, however, is unlikely to have a good impact on work performance unless the effort is directed in a constructive manner. Finally, the effort requires persistence. This is a measure of how long a person can maintain his or her effort. Motivated individuals stay with a task long enough to achieve their goal (Danziger, 2017).

2.1.12 Types of Motivation

There are two types of motivation at work place. The first people can motivate themselves by seeking and currying at work which satisfy their need. (Intrinsic motivation) secondly people can be motivation by management through such means as pay, promotion. Praise etc. (extrinsic motivation). These two types of motivation can be described as follows. Extrinsic Motivation: - what is done to or for people motivate them. This includes rewards such as increases pay, praised or promotion and punishment such as disciplinary action with holding pay or criticism.

- Intrinsic Motivation: the self-generated factors which influence people to behave in particular direction. These factor included responsibility, freedom to act using opportunity for advancement etc.
- Extrinsic motivator for can have an immediate and powerful effect, but it will not necessary land long the intrinsic motivation which are concerned with internal motivators are likely to have deeper and long term effects. Because they are in haven't in individuals and not imposed from outside. (kinicki, 2010)

2.1.13 Theories of Motivation

Theories of motivation stress different factors that contribute to job satisfaction. Both intrinsic and extrinsic motivated behavior reflects the various theories that can be adopted in an attempt to understand motivation behavior. Hillman et al (1990) content theorists who stress on the satisfaction of needs. Hillman et al (1990) theory focuses on the question of what arouses, sustains and regulates goal directed behavior that is what particular things motivate people.

There is the assumption that everyone responds in much the same way to motivating pressures and that there is, therefore one best way to motivate everybody and it focuses on the needs of an individual. These theories are grouped into two types. These are;

- the content theory of motivations
- The process theory of motivation

2.1.14 Importance of Motivation

One of the most fundamental aspects influencing organizational efficiency is motivation. In the absence of motivated employees to use these facilities efficiently, all organizational facilities will be wasted. Every organization's top must inspire its subordinates to engage in appropriate behavior. The capacity to motivate people determines how they are presented in organizations. In the hands of management, motivation is a useful tool for energizing the workforce. Motivation boosts workers' motivation to work, which increases the organization's performance..

- Best utilization of resources
- Reduction in Labor Problems
- Sizeable increase in production and productivity
- Basis of Cooperation

2.1.15 Feedback

One of the most important conditions in appraisal is to provide clear, performance based feedback to employees (Caroll and Schneier, 2002). There should be a workflow for tracking of feedback sessions. When a mistake is detected, immediately remedial steps are taken, with minimum loss to the company. Providing an employee with feedback is widely recognized as a crucial activity that may encourage and enable self-development which is instrumental for the success of the whole organization (Baruch, 2006). Therefore the frequency of feedback is important and can influence future performance of the employee (Denisi, 2006).

An effective appraisal process requires employees' feedback. Appraisal that provide formal feedback once a year are more likely to be feedback deficient (Bernardin & Beatty, 2004). For an

appraisal system to be maximally effective there must be ongoing formal and informal performance feedback (Latham & Wexley, 2001). In essence, feedback is the raw material of employee participation. Feedback is essential in gaining the maximum benefits from goal setting (Locke & Latham, 2000). Without feedback, employees are unable to make adjustments in job performance or receive positive reinforcement for effective job behavior (Latham et al., 2008). Effective performance feedback is timely, specific, and behavioral in nature and presented by a credible source. Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance (Roberts, 2003). Dattner (2010) revealed that a well-designed performance appraisal should develop criteria for successful performance, give performance feedback and enable a more equitable reward system.

2.1.16 Purpose of performance appraisal

In practice, PA serves as an incentive for career advancement through recognition, salary increases, promotions, and challenging responsibilities. For the manager, Performance Test works to direct you to tasks such as determining employees' salaries. Promotion along with others. In administrative work, it is used to determine the salaries of employees, promotions among others. While the implementation of development is focused on building and strengthening the capacity of workers and building their work ethic. In practice, PA serves as an incentive for career advancement through recognition, salary increases, promotions, and challenging responsibilities. As a manager, the Performance Appraisal works to oversee activities such as determining staff eligibility for training, salary increases and termination.

2.1.15 Performance Appraisal and Employee motivation

The performance reviews that managers do are what many firms use to determine rewards. Setting criteria, measuring employee performance against those standards, providing feedback to employees on their performance, and developing improvement plans are all parts of the performance evaluation process (Njeri et al., 2021).

In the majority of firms, the effectiveness of each individual employee determines the organization's success. For firms to maximize each employee's productivity, performance evaluation and motivation are crucial. Each employee's performance is influenced by a variety of elements, including their capacity, the organization's support, and increased efforts. For

competitive organizational and individual performance, human resource management activities should be developed, evaluated and changed when necessary (Basset, 2014).

As we all know Motivation can be defined as internal and external variables that stimulate people's interest and drive to remain dedicated to a task, role, or subject and to put up consistent effort to achieve a goal. Interactions between conscious and unconscious elements, such as the degree of need or want, the value of the goal's incentive or reward, and the person's expectations, lead to motivation (Business Dictionary 2011, as in Luomanpaa, 2012). According Armstrong's (2000) asserts that performance evaluations serve as a crucial starting point for employees to think about motivational and development issues by offering constructive criticism, opportunities for growth, and a foundation for building capabilities for both the current role and roles to come.

2.2. Empirical Review

A number of studies reached numerous conclusions with respect to the effect of Performance appraisal on employee's motivation. The relationship between employee motivation and performance evaluation in the cooperative banking sector has been demonstrated by (Arvinder, 2014). This study demonstrated how negatively correlated these two are. So, it is essential for bank officials to make an effort to connect the two by implementing alternative Performance Appraisal techniques that provide bank officials with motivating factors to work hard for the Company. Based on the above finding the study was able to confirm that there is a correlation between the extent to which employees at the National Housing Corporation (NHC) perceive performance appraisal system as fair and motivation (Margaret, 2018).

According to a study by (Dr Ataklti Halifom, 2020) on the impact of performance appraisal on employee productivity in private and public hospitals in Tigray, Ethiopia, performance appraisal has gradually become a part of a strategic approach to integrating HR activities and business policies and assisting in assessing and developing employees' capabilities. Enhance performance, motivate, and reward the effect of performance evaluation on employee performance.

A study by kirk kabu (2018) showed that performance appraisals do have effects on motivation of employees and consequently the potential productivity of the firm and Results showed that

intrinsic/personal motivation affects the effectiveness of extrinsic motivation, and perceived fairness and objectivity can affect the effectiveness of appraisal.

Chaponda (2014) conducted a study on the effect of performance appraisal on employee motivation in Slum based Non-governmental Organization situated in Nairobi. The study established that performance appraisal is important in employee motivation and has helped improve job performance since it identifies performance appraisal problems and how to improve employee productivity and motivation.

In the Ministry of East African Community, Labor, and Social Protection, a research was undertaken by Catherine (2016), on the effect of performance assessment on employee motivation. The study's goal was to determine the impact of performance evaluation on employee motivation in the Ministry of East African Community Labor and Social Protection. The research study used a descriptive design in the form of a survey, and the study found a strong positive significant association between performance assessment and employee motivation at the ministry of labor, east African community, and social protection. It determined that the ministry's performance evaluation is effective in motivating personnel, however concluded that complete strategy linking compensation to performance is required. The findings concluded that the Ministry utilizes performance assessment to inspire staff, but that a complete strategy linking compensation to performance is needed. The says that effective feedback and communication, as well as providing employees with opportunity to learn new skills and promoting employee engagement in performance assessment procedures, are all necessary for an organization's performance appraisal process to be effective.

As indicated by Alene (2017) study conduct on the Effect of Performance Appraisal System on Employees Motivation: Commercial Bank of Ethiopia East Addis Ababa District. A sample size of 244 was selected using convenience sampling method. Data was collected using structured questionnaires. The data was analyzed using the Statistical package for social sciences (SPSS) into frequency distribution, percentage and Pearson correlations. According to the findings of the study, the performance assessment process on employee motivation demonstrated that the system is vital for employee motivation. The performance assessment system is an essential component in employee motivation. The performance assessment methods aids in the improvement of employee job performance and motivation at work. Different raters can be utilized to improve

the accuracy of performance evaluations and raise employee perceptions of fairness, which can boost employee motivation.

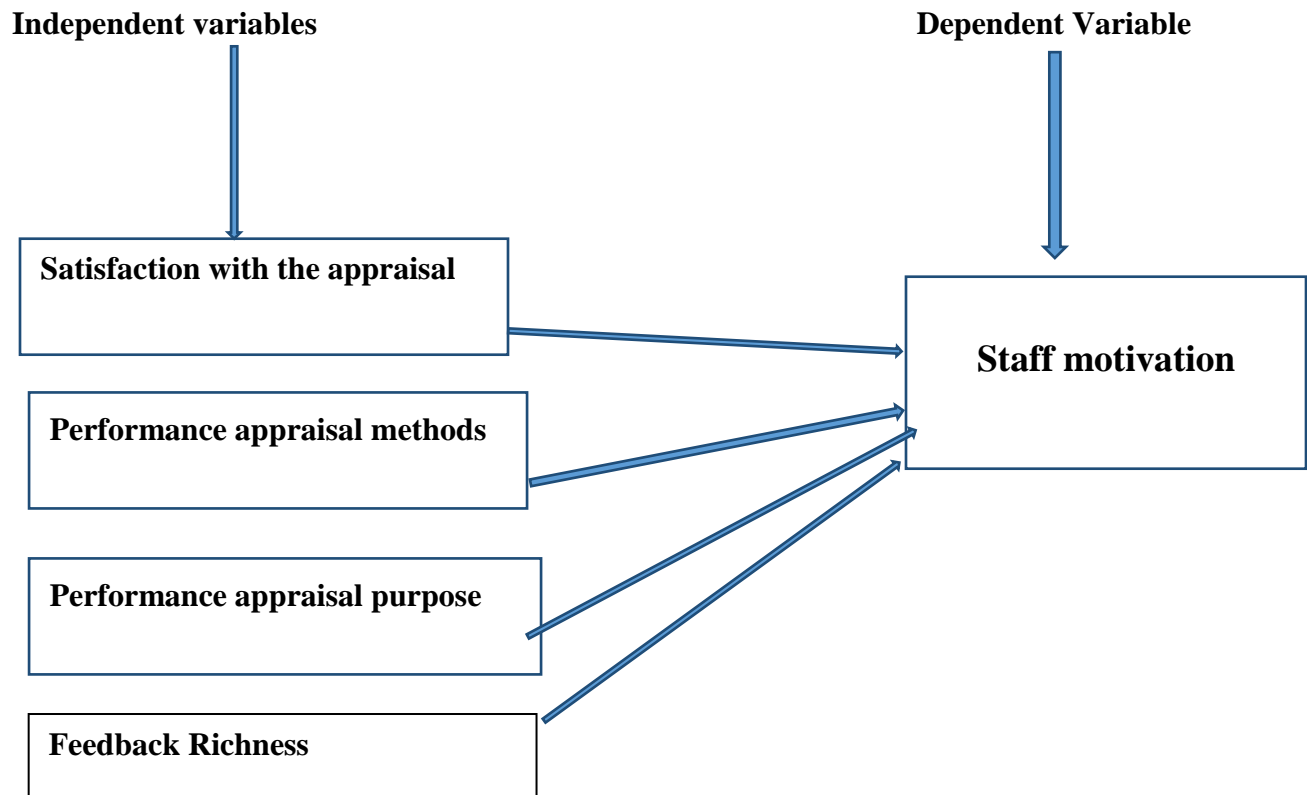
According to a study by Mesfin Abebe, the aim of the study was to establish the effect of performance appraisal on employee motivation at Assaita hospital. The study used a descriptive research approach in the form of a survey, with a sample size of one hundred and twenty (82) respondents chosen from various employment categories. Because all of the respondents were chosen from various levels or strata within the hospital, stratified random sampling was employed. Structured questionnaires in the form of a five-point Likert scale were employed for data collection since they were simple to administer and inexpensive in terms of both cost and time. The scientific program for social sciences (SPSS) was used to gather and evaluate data. The co-efficient of the influence of performance assessment on employee motivation was calculated using a regression model. According to the findings, continual feedback, rewarding performance, management and leadership style, and employee engagement in the PAS process all have a statistically significant beneficial influence on employee motivation. Employee opinion of the fairness of the PAS had no influence on employee motivation in this study. According to the study, in order to motivate staff, a thorough policy linking compensation to performance is required. Effective feedback and communication, as well as integrating individual success to a reward plan and encouraging staff to participate in performance evaluation procedures, are all recommended for an effective performance appraisal process in the hospital.

2.3 CONCEPTUAL FRAMEWORK

Conceptual framework is a guide where the connection among dependent and independent variables are clearly shown. In this study, the conceptual framework is developed based on rational choice theory and social network analysis. The theoretical framework of this study was premised based on the concept that the characteristics of an effective performance appraisal could influence motivation. Generally speaking, the basic purpose of the performance appraisal is to improve productivity of individuals, team, and the entire organizations. The scheme can furthermore aid in making administrative decision regarding pay rise, promotion, transfer or termination. These factors are necessary for one performance appraisal to be called an effective

performance appraisal process. These important factors are satisfaction, methods, and purpose and feedback richness of performance appraisal

Figure 1: Conceptual framework of the study



Source: Developed from literature mainly based on Elisha (2015) and Kipsegerwo et al. (2016)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter three delivers the type of study to be carried out, research strategies that were used to conduct the study and an outline of the research methodology employed in the investigation of the relationship between performance appraisal and employee motivation. It includes the research design, data source, sampling methods, data gathering instruments, data analysis techniques and validity of the results.

3.2 Research Design

Research design is simply the framework or plan of the research that is used as a guide for collecting and analyzing the data. It is the blue print for collection measurement and analysis of the data (Kothari, 2008). A research design refers to the overall strategy that integrates different components of the study. The selection of research design depends on selecting the possible sample size from the available population, selecting the appropriate data gathering instrument, interpretation and analysis techniques. This research is intended to study the effect of performance appraisal on staff motivation in the case of Nib International bank. Therefore, the research designs employed in this study are descriptive and explanatory research designs.

Descriptive research design enables to observe, describe and analyze the existing performance appraisal practices and level of employee motivation in Nib International Bank. On the other hand, explanatory studies are studies that show relationships between variables in order to explain certain problems or events (Kothari, 2008). The explanatory research design also helps to study causal research types (*cause-and-effect relationships*) and used to explain, predict and understand cause-effect relationship between variables of independent variable and dependent variables.

3.3 Research Approach

The main purpose of this study is to investigate the effect of performance appraisal on staff performance in the case of NIB. The study has employed quantitative research approach. A quantitative approach is one in which the investigator primarily uses postpositive claims for developing knowledge, i.e., cause and effect relationship between known variables of interest or it employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistical data (Ngechu, 2004). Moreover, quantitative research approach is beneficial because it enables the researcher to collect objective and numerical data to apply statistical tools and establishes relationship and causation between variables. Hence, this study used quantitative approach to analyze the data collected through structured questionnaire. Quantitative approach helps to quantify the relationship between variables and effect of independent variables over the dependent variable.

3.4 Population and Sampling

3.4.1 Population of the Study

According to Ngechu (2004) a population is a well-defined set of people, services, elements, events, and group of things that are being investigated. Nib International Bank has numerous branches all over the country and more than 250 branches in Addis Ababa city. As a result, it is difficult to consider all employees and branches as a target population. In Addis Ababa city, there are four districts including central district, northeast district, southeast district, and northwest district. In central district of NIB, there are 55 branches. There are 385 employees in central district branches. Therefore, the population of the study is 385 employees.

3.4.2 Sample Size of the Study

It is difficult to consider the whole population as a source of information for a study due to constraints of time, finance and potential of the researcher and complexity of managing data. Thus, sampling is preferable. But the sample size need not be too large or too small. There are different sample size determination formulas adopted by various researchers. For this study, the simplified sample size determination formula of Yamane (1967) was used by considering 95% confidence level or 5% margin error. The formula is given by

$$n = \frac{N}{1+N(e)^2} \text{ where } N = \text{total number of employees}$$

n = sample size of the study

e = the level of precision.

$$n = \frac{385}{1+385(0.5)^2} = 196$$

Therefore, the sample size of this study is 196 staff members of NIB.

3.4.3 Sampling Techniques

According to Kothari (2008), sampling is “the process of selecting an enough elements from the population. To collect plenty of data, the researcher has chosen central district as a particular study area using convenience sampling method. On the other hand, branches of NIB in central district and participant employees for the study were taken using simple random sampling techniques.

3.5 Data Type and Source

The target population of this study is staff of Nib International Bank in Ethiopia. The source of the study is both primary and secondary sources. Primary sources were obtained directly from participant employees of the bank. Secondary information was also collected from published materials, literatures, website of the bank and journals. The type of data used in this study is mainly quantitative data.

3.6 Data Collection Methods

Among other elements, data collection is a very serious part of acquiring all the necessary data to properly conduct this study. The data source for this study is primary sources, which is directly gathered from NIB employees. Primary data were collected from NIB staff using structured questionnaire. The questionnaire was adopted from literature and modified by the researcher. For the sake of meeting the research objectives, Likert five-point scale questionnaire was prepared and distributed to the sample staff of NIB.

3.7 Data Analysis Methods

In this study, after data is collected through structured questionnaires, both descriptive and inferential statistics were used to analyze and interpret the findings. This research used widely acceptable data presentation and analysis methods. Thus, to analyze the data and report the result, Statistical Package for Social Science (SPSS) version 26 was applied for quantitative analyses of data.

Descriptive statistics describe the phenomena of interest (Kothari, 2008) and it has been used to analyze data for classifying and summarizing numerical data. It includes the analysis of data using frequencies, dispersions of dependent and independent variables (mean, percentage, and standard deviation). Descriptive statistics mainly helps to show performance appraisal practices and the level of employee motivation.

On the other hand, inferential statistics allows the researcher to analyze the data in statistical format to facilitate the identification of important patterns and to make data analysis more meaningful. According to Kothari (2008), inferential statistics is expected to be employed when generalizations from a sample to population are made. Inferential statistics like Pearson's correlation coefficient and multiple linear regressions were used to assess the relationship between performance appraisal and employee motivation.

3.8 Description of Variables and Model Specification

A. Independent Variables

In this study, the independent variable is performance appraisal of employees employed in NIB. For this study, the category of performance appraisal (independent variable) includes performance appraisal satisfaction in the process, performance appraisal methods, performance appraisal purpose, and feedback richness.

B. Dependent Variable

The dependent variable of the study is staff motivation in NIB. The dependent variable will be measured by structured questionnaire containing Likert five-point scales.

C. Regression Model Specification

The multiple linear regressions model will run using SPSS software to test the casual relationship between independent and dependent variables. To estimate the effect of performance appraisal of employees on their staff performance, a linear regressions mathematical model was used in the following form:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y is the dependent variable (staff motivation)

X_1 = satisfaction with appraisal

X_2 = performance appraisal methods,

X_3 = performance appraisal purpose, and

X_4 = feedback richness

β_0 is the y-intercept term- constant term (coefficient of the model)

e is the error term.

β_1 , β_2 , β_3 , and β_4 are the regression coefficients associated with each component of independent variables. All the above variables will be measured using structured and close ended questionnaire.

3.9 Reliability and Validity of Data

In research validity and reliability of data gathering instruments are important factors to arrive at the required conclusion. A measuring instrument is reliable if it provides consistent results in different time of measurement. Reliability refers to the degree to which data collection techniques will give consistent findings with similar observation made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data (Kothari, 2008). The reliability of data gathering instruments will be checked using Cronbach's Alpha test of reliability. In addition to the reliability tests, to maintain the validity of data, the result of the study will be analyzed using appropriate methods and interpreted accordingly. Cronbach's Alpha is a coefficient of reliability that is commonly used as a measure of the internal consistency or reliability of a sample of examinees.

To test the reliability of the data instrument, pilot study was conducted, and Cronbach Alpha reliability test was calculated by distributing the questionnaire for twenty (20) employees who were not included in the final sample respondents. Based on the result of the pilot study, a little modification was made on questionnaire items. Different authors accept different values of reliability test to achieve internal reliability of data gathering instruments and a data. Most of the researchers such as George and Mallery (2003) provide the following rules while interpreting reliability coefficients as: $\alpha \geq 0.9$ -Excellent, $\alpha \geq 0.8$ - Good, $\alpha \geq 0.7$ - acceptable, $\alpha \geq 0.6$ questionable, $\alpha \geq 0.5$ -Poor and $\alpha \leq 0.5$ – Unacceptable. The Cronbach's alpha reliability test result of the pilot study summarized below. The reliability of pilot study and main study results is presented below.

Table 1: Reliability test

No.	Variables of the study	Number of Items	Alpha Value of pilot study	Alpha Value of main study
1	Feedback richness	4	.902	0.744
2	Performance appraisal purpose	7	.804	0.838
3	Performance appraisal methods	4	.859	0.760
4	Satisfaction with performance appraisal	6	.917	0.767
5	Motivation of employees	9	.842	0.799
	Total	36	0.873	0.786

Source: Own Survey, 2023

According to the Cronbach's alpha test, the reliability of all the independent and dependent variables scores was greater than 0.7. Therefore, the reliability and internal consistency of questionnaires is assured and accepted.

3.10 Ethical Considerations

Before starting data collection, letter of cooperation was received from St. Marys' University, and it was submitted to Nib International Bank to get permission to conduct the study. By asking permission from participants, data was collected for the study. The respondents have the right to be informed about the nature of the research, and therefore the researcher informed them about

the aim of the research. The researcher informed the respondents to be free and honest to give the necessary information. Participants were also informed that all the information gathered is treated confidentiality. To do this, the study did not collect any identifying information like participant's name, address extra. Rather identifying codes and collective names like “respondents” were used to represent them. In this study, as much as possible the researcher tried to be honest during the process of data collection.

CHAPTER FOUR

4. ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter consisted of the presentation and discussion of the findings of the study. It was organized into different sections containing the demographic characteristics of the respondents, descriptive analysis, inferential statistical analysis, main findings and its discussion. Data analysis was made using frequencies, percentages, mean values, correlations and multiple linear regressions with the help of SPSS version 26.

4.2 Response Rate

In the previous section, the sample size of the study was determined to be 196 employees in Nib international bank. But, among them 16 participants returned the questionnaire with incomplete responses or totally did not return to the researcher. Thus, the analysis of the study was made based on the results obtained from 180 complete responses. The response rate of the questionnaire was 91.84%.

4.3 Demographic Information of Participants

The demographic characteristics or profiles of respondent employees such as sex, age, marital status, working experience and educational qualification of were presented using frequency and percentages.

4.3.1 Sex, Job Position and Marital Status of Participants

The sex, job position and marital status of respondents were presented in table 2 below.

Table 2: Sex, job position and marital status of respondent employees

No	Variable	Label	Number	Percent (%)
1	Sex	Male	96	53.3
		Female	84	46.7
		Total	180	100.0
2	Job position	Customer service officer	114	63.3
		Auditor	60	33.3
		Customer service manager	6	3.3
		Total	18	100.0
3	Marital status	Married	120	66.7
		Single	60	33.3
		Total	180	100.0
4	Working Experience in years	Below 5 years	102	56.7
		5-10 years	60	33.3
		11-15 years	18	10.0
		Above 15 years	0	0
		Total	180	100.0
5	Educational Level	Diploma	-	
		Bachelor Degree	142	
		Master's Degree and	38	

		above		
		Total	180	

Source: Own survey and SPSS output, 2023

From the above table, 53.3% respondent employees for this study were males and the rest 46.7% were females. Majority of respondents were males, and this implies that large portion of Nib international employees were males.

Regarding to the job position of participate employees of NIB, 63.3% were customer service officers, 33.3% were auditors, and 3.3% were customer service managers. This implies that the majority employees are in the job position of customer service officer level.

In line with the marital status of participants, 66.7% were married and the rest 33.3% were single. It is possible to conclude that majority of the employees in NIB are married.

In relation to the working experience of participants, 56.7% were below 5 years experienced, 33.3% were experienced between 5 and 10 years, 10.0% experienced from 11 to 15 years experienced. Majority participant employees had less than 5 years working experience.

The educational status of none were Diploma holders, 78.8% were bachelor Degree holders, and 21.1% were Master's Degree and above holders. Most employees of NIB were bachelor Degree holders.

4.4 Descriptive Analysis

To determine the effect of performance appraisal practiced by Nib international bank (NIB), data were collected from employees of NIB. The independent variable of the study is performance appraisal practices (PA) by NIB including satisfaction with PA, PA methods, PA purpose, and feedback richness whereas the dependent variable is motivation of employees. The questionnaire consisted of five-point Likert scale for both dependent and independent variables. The assigned values for both dependent and independent variable were strongly disagreed (1), disagree (2), neutral (3), agree (4) and strongly agree (5).

To categorize a scale of a questionnaire (as low, moderate, or high) by using cutoff points, Ahmed Khorsheed (2008) suggested the calculation of cutoff point as “maximum value of the scale minus minimum value of the scale divided by the number of categories in the scale”. Accordingly, in this study the cut off interval value is $(5-1)/3$ which is 1.333. The categories of mean values are given as low (1-2.333), moderate/medium (2.34-3.667) and high (3.67-5) which was summarized at table 4. The descriptive analysis was made using frequency, mean, standard deviation, percentages and cutoff interval score of the scale.

Table 3: Summary of Cutoff Point Interval of a Scale

No.	Cut-off point interval	Scale level
1	1-2.333	Low
2	2.34-3.667	Medium
3	3.67-5	High

Source: Ahmed Khorsheed (2008)

4.4.1 Descriptive Analysis of Performance Appraisal

The descriptive statistics of independent variables (satisfaction with PA, PA methods, PA purpose, and feedback richness) were shown below using the mean and standard deviation of responses.

Table 4: Descriptive analysis of independent variables

No.	Performance appraisal practices	N	Mean	St. dev.
1	Feedback richness	180	3.2500	.85339
2	Performance appraisal purpose	180	3.0314	.61739
3	Performance appraisal methods	180	3.0019	1.09312

4	Satisfaction with performance appraisal	180	3.0694	.76364
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Source: own survey and SPSS output 2023

The above table shows that the mean score of feedback richness is 3.25, performance appraisal purpose is 3.03, a performance appraisal method is 3.00 and Satisfaction with performance appraisal is 3.07. These mean scores were belonged to the cutoff interval point of (2.34 - 3.667) and it indicates that the practice of performance appraisal of employees in NIB is moderate level. That is, performance appraisal is moderately practiced in NIB.

4.4.2 Descriptive Analysis of Challenges to Performance Appraisal

The challenges of performance appraisal of employees in NIB were analyzed using mean score of items as follow.

Table 5: Challenges of Performance Appraisal

No.	Challenges of Performance Appraisal	N	Mean	St. dev.
1	Evaluators' lack of skill and knowledge	180	2.80	1.198
2	There is absence of employee participation	180	2.80	1.225
3	Rater biasness in the evaluation of the performance of employee	180	4.47	7.075
4	There is r/n between the job's nature and the criteria.	180	2.63	1.143
5	The rater compares you with other employees rather than measuring your performance.	180	3.17	1.070
6	The rater only considers performances done in the past to evaluate employees regardless of current performance.	180	3.13	.994

Source: own survey and SPSS output 2023

From table 6, the mean scores of the challenges to the effectiveness of performance appraisal practices in NIB, evaluators' lack of skill and knowledge (mean = 2.80); absence of employee

participation (mean = 2.80); the relation between the job's nature and the criteria (mean = 2.63); the rater comparison of employees rather than measuring their performance (mean = 3.17) and rater consideration of past performances to evaluate employees current performance (mean = 3.13). That is, above mean scores are belonged to medium level of the scale and its shows that evaluators' lack of skill and knowledge, absence of employee participation, relation between the job's nature and the criteria, rater comparison of employees rather than measuring their and rater consideration of past performances to evaluate employee's current performance are moderate level challenges for effective performance appraisal of employees in NIB.

On the other hand, the mean score of rater biasness in the evaluation of the performance of employee is 4.47, which indicated that biasness of performance rater is highly affected performance appraisal of employees in NIB.

4.4.3 Descriptive Analysis of Effects of Performance Appraisal on Employee Motivation

The descriptive analysis of level of employee performance in NIB is analyzed in the following table.

Table 6: Employees Motivation

No.	Items related to employee motivation	N	Mean	St. dev.
1	Performance appraisal is a critical component in my organization	180	3.73	.894
2	My performance is evaluated depending on my function as an employee.	180	3.60	.919
3	The process of staff PA is conducted accurately	180	3.57	.846
4	Performance evaluation has assisted me in improving my job performance.	180	3.67	.980
5	I am motivated with the way performance appraisal is used to evaluate my performance	180	3.53	.960

6	I am motivated by the methods in which employees and management communicate about the PM process and any other problems.	180	3.20	1.016
7	I am pleased with the present continuous feedbacks used at my organization, as they assist me in improving my performance.	180	3.47	.848
8	I have great value to performance feedback that highlighted my developmental need.	180	3.57	.922
9	I am motivated with reward than recognition	180	3.77	.806
10	Aggregate mean score of employee motivation	180	3.567	.607

Source: own survey, SPSS output 2023

As shown from table 7, the aggregate mean score regarding to employee motivation is 3.567. This mean score confirmed that the motivation level of employees in NIB is moderate level.

4.5 Correlation Analysis

To investigate the relationship between independent variable (performance appraisal practices) and the dependent variable (motivation of employees), Pearson's correlation analysis was used. The purpose of Pearson's correlation test was to determine whether there existed an association between performance appraisal procedures and the motivation level of employees. According to Kothari (2008:138), regarding to the direction of correlation coefficient, positive correlation coefficient indicates that there exists direct relationship between variables, and negative correlation coefficient indicates that the relation is reverse. Based on the suggestions of Kothari (2008) on correlation values, the magnitude or strength or degree of the relationship is determined as very low relationship if (below 0.19), low if (0.20-0.39), moderate or medium if (0.40-0.59), high if (0.60-0.79) and very high or strong relationship if (0.80-1.00). The correlation was made based on the assumption of 95% confidence interval and it was calculated using SPSS version 26.0. The result of correlation and its interpretations were described as follows.

Table 7: Category of correlation values

No.	Correlation coefficient	Relationship category
1	Below 0.19	Very low
2	0.20-0.39	Low
3	0.40-0.59	Medium/moderate
4	0.69-0.79	High
5	0.80-1.00	Strong/very high

Source: Kothari (2008)

4.5.1 Correlation between Performance Appraisal and Motivation of Employees

Pearson's correlation was conducted to examine the relationship that may exist between the independent variables (feedback richness, PA purpose, PA methods and satisfaction with PA) and motivation of employees. The correlation was presented in the following table and analyzed below.

Table 8: The Relationship between Independent Variables and Employee Motivation

Variable	Correlation	Feedback richness	PA purpose	PA methods	Satisfaction with PA	Employee motivation
Feedback richness	Correlation coefficient	1				
	Sig. (2-tailed)					
	N	180				
PA purpose	Correlation coefficient	.661**	1			
	Sig. (2-tailed)	.000				
	N	180	180			
	Correlation coefficient	.534**	.749**	1		

PA methods	Sig. (2-tailed)	.000	.000			
	N	180	180	180		
Satisfaction with PA	Correlation coefficient	.400**	.740**	.478**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	180	180	180	180	
Employee motivation	Correlation coefficient	.749**	.779**	.555**	.529**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	180	180	180	180	180

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Own survey and SPSS output 2023

From table 9, the correlation coefficient between performance appraisal feedback richness and employee motivation is $r = 0.749$, sig. (2-tailed) value = 0.000, $p < 0.01$. This value of correlations suggested that there is statistically significant relationship between the two variables at 95% confidence interval ($p < 0.01$). The relationship between feedback richness and employee motivation was moderate level; and the relationship in percentage was 56.1% ($r^2 * 100$).

Similarly, the correlation between purpose of performance appraisal and employee motivation is 0.779, sig. (2-tailed) value = 0.000, $p < 0.01$. This value confirmed that purpose of performance appraisal has statistically significantly relationship with employee motivation ($p < 0.01$). The relationship is high and the magnitude of relationship in percentage is 60.68% ($r^2 * 100$).

On the other hand, the correlation between method of performance appraisal and employee motivation is 0.555, sig. (2-tailed) value = 0.000, $p < 0.01$. The value of correlation and sig. value suggested that the two variables have statistically significant relationship since $p < 0.01$. But, the relationship is moderate level and positive. The degree or magnitude of relationship between them is 30.80 % ($r^2 * 100$). That is, the relationship in percentage is about 30.80% and it is statistically significant.

The correlation between satisfaction with performance appraisal and employee motivation is 0.529, sig. (2-tailed) value = 0.000, $p < 0.01$. The value of correlation and sig. value suggested that the two variables have statistically significant relationship since $p < 0.01$ and the value of r is moderate level. The result confirmed that satisfaction with performance appraisal has 27.98% significant association with employee performance.

To sum up the correlation analysis, among four proposed performance appraisal practices, the degree of relationship is performance appraisal feedback richness (56.10%), performance appraisal purpose (60.68%), performance appraisal methods (30.80%) and satisfaction with performance appraisal (27.98%) have statistically significant relationship with the motivation of employees. Among them, the purpose of performance appraisal has highest relationship with the motivation of employees in Nib international bank.

4.6 Effect of Performance Appraisal on Employee Motivation

To determine the effect of performance appraisal practices on the motivation level of employees in the case of NIB staff, multiple linear regression analysis was performed with the help of SPSS version 26 software. The analysis and interpretation of results were presented and discussed in the next sections.

4.6.1 Regression Assumption Test

Before the analysis of multiple regressions, test of regression analysis assumptions such as multi-collinearity test, normality test is necessary.

4.6.1.1 Multi-linearity Test

Multi-collinearity assumption of regression indicates the existing correlation among independent variables. The independent variables should not be too highly correlated. According to Tabachnick and Fidell (2007), if the correlation between two independent variables is too high ($r \geq 0.9$), there is high collinearity between independent variables and as a result it is better to omit one of the independent variables. Otherwise, retain all independent variables if the correlation between them is not too high ($r < 0.9$).

Tabachnick and Fidell (2007) suggested that multi-collinearity diagnosis can be tested by Tolerance and Variance Inflation Factor (VIF) values. Tolerance is an indicator of how much of the variability of the specified independent variable is explained by other independent variables in the model. Tabachnick and Fidell (2007) suggested that multicollinearity assumption is not violated or it is accepted if Tolerance value is greater than 0.1 or VIF value is less than 10 or correlation between independent variables is less than 0.9. the Tolerance and VIF values were summarized below.

Table 9: Tolerance and VIF values

Variable	Tolerance	VIF
Feedback richness of performance appraisal	.544	1.840
Purpose of performance appraisal	.198	5.0059
Method of performance appraisal	.426	2.350
Satisfaction with performance appraisal	.427	2.341

Source: SPSS output 2023

All tolerance values are above 0.1 and all VIF values are less than 10. Therefore, the correlation among the independent variables is not too high and there exists low collinearity diagnosis. This test indicates that the assumption of Multicollinearity is not violated, and all independent variables are retained (used in the analysis).

4.6.1.2 Normality Tests

Multiple regression analysis is sensitive to outliers (very high or very low values). Hence, to test the normal distribution of the data, the scores were plotted. Normal distribution of scores describes symmetrical curve which has the greatest frequency of scores lie in the center (middle) of the curve (Tabachinka and Fidel, 2007). The normal distribution of scores is tested by the graphical method such as histogram and straight lines plots.

Alternatively, normal distribution of a data set can be tested statistical methods using skewness and kurtosis values of variables. According to George and Mallery (2005), the data for research is said to be normally distributed when standardized statistics of skewness and kurtosis lies within ± 2 or $(-2, 2)$. For this study, both graphical methods (histogram and plots on a line) and statistical methods (skewness and Kurtosis) were used to measure the normality of data.

Table 10: Normality test using Skewness and kurtosis values of variables

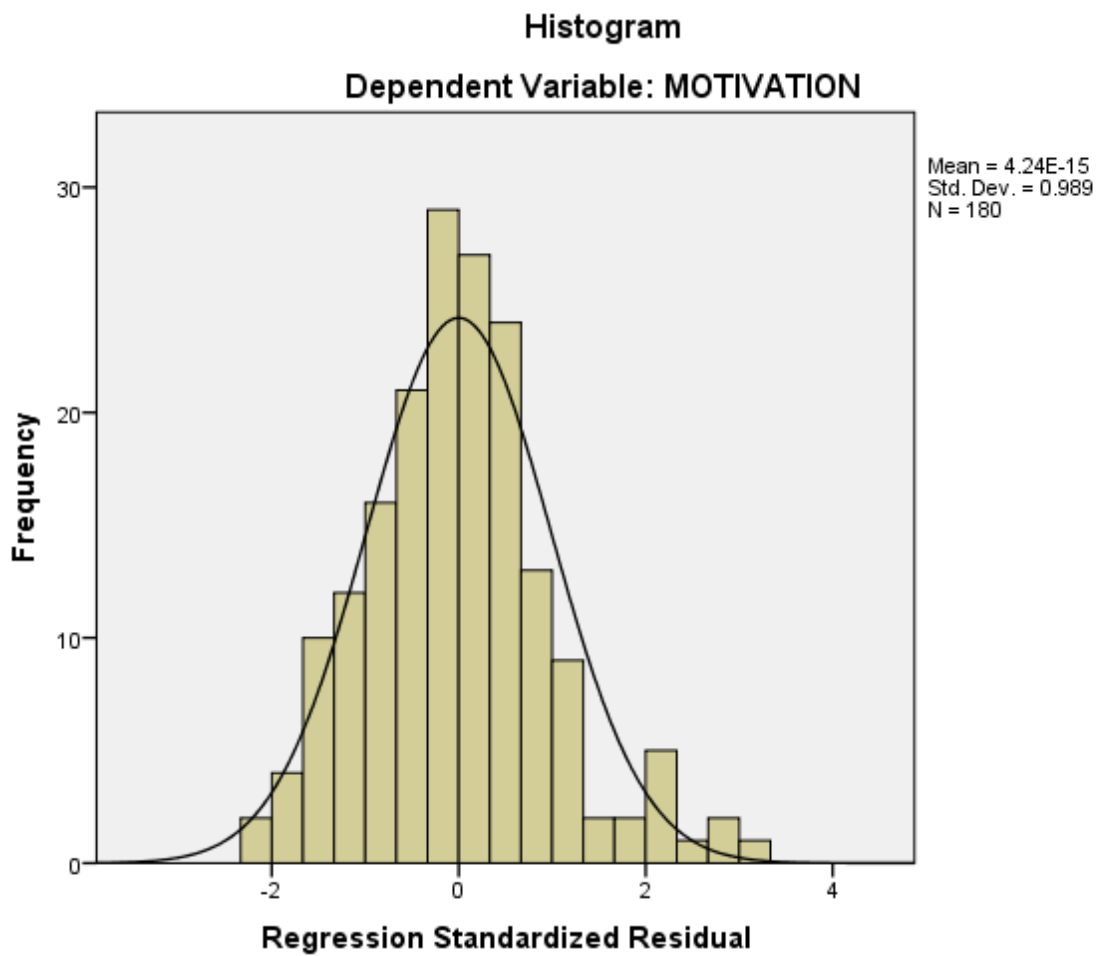
Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Feedback richness of performance appraisal	-.415	.181	.893	.360
Purpose of performance appraisal	-.599	.181	.807	.360
Method of performance appraisal	-.157	.181	-.689	.360
Satisfaction with performance appraisal	-.243	.181	-.621	.360
Motivation of employees	-.593	.181	1.155	.360

Source: Own survey and SPSS output, 2023

According to table 14, Skewness and Kurtosis values for each variable is belonged within the required interval $(-2, 2)$. Therefore, we can say that the data collected for this research is normally distributed. The outliers did not significantly influence the normality of the data.

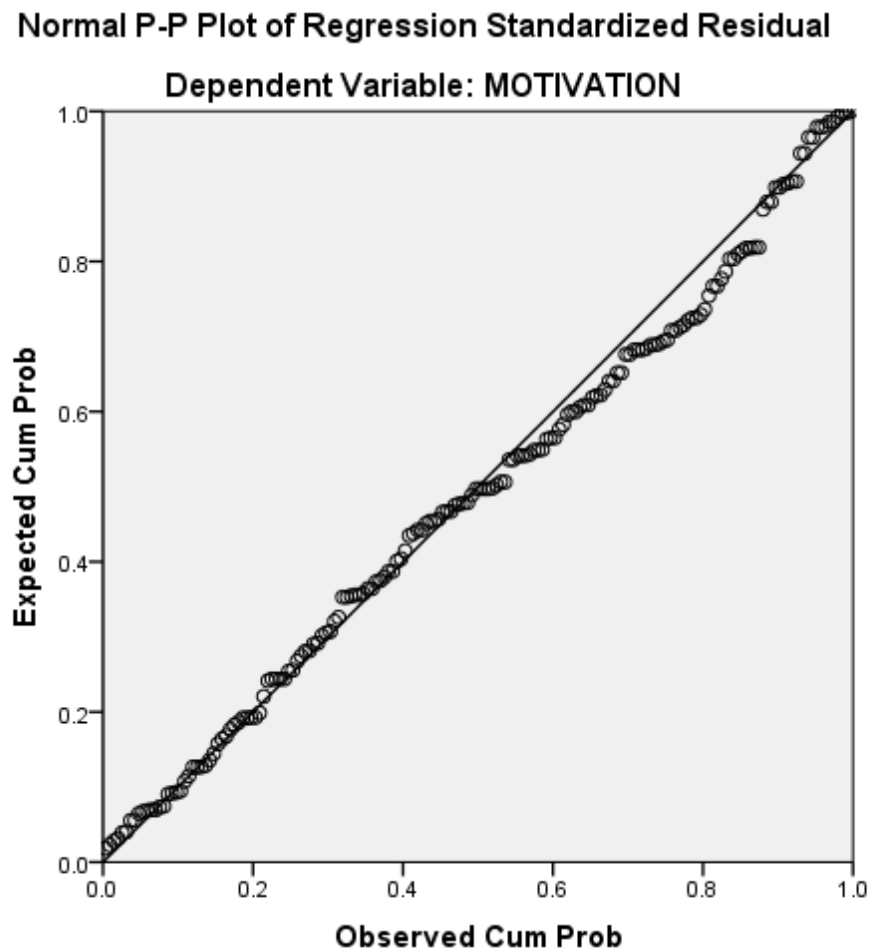
As shown from figure 2, the plots above indicates that there are no more extreme values (scattered values from the center) that can affect the normality of data. The values are scattered as neighborhood to each other and major data were lied at the center (middle) of the histogram. Therefore, the data can be considered as normal distribution and it assures the normality distribution assumption of data (Tabachnick and Fidell, 2007).

Figure 2: Frequency Distribution of Standardized Residual



Source: Own survey and SPSS output, 2023

In the Normal Probability Plot it will be hoped that points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The study applied Normal P-P Plot of regression Standardized Residual (See Figure 3) to test linearity. Since the points were symmetrically distributed around a diagonal line, linearity pattern was observed. Hence, the straight-line relationship between the residuals and the predicted dependent variable scores depicted that linearity was achieved.



Source: Own Survey and SPSS output ,2023

4.6.2 Regression Analysis

To determine the contribution of each independent variable (components of performance appraisal) to the predicted variable (motivation of employees) in the case of NIB staff, multiple

linear regressions analysis was performed with the help of SPSS version 26.0 and interpreted as follow. The purpose of regression analysis was to test which variable does significantly affect the motivation of employees.

Table 11: Model summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.900 ^a	.811	.806	.26843

a. Predictors: (Constant), appraisal satisfaction, PA methods, feedback richness, PA purpose

b. Dependent Variable: Motivation

From table 12, it was shown that the correlation coefficient (R) value 0.900 indicates that there is a high linear association between dependent and independent variables. The combination of feedback richness, PA purpose, PA methods and satisfaction with PA together contributed about 81% ($R^2 \times 100$) of employee working motivation.

Table 12: ANOVA of Regression Analysis

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	54.041	4	13.510	187.501	.000 ^b
	Residual	12.609	175	.072		
	Total	66.651	179			

a. Dependent Variable: Motivation

b. Predictors: (Constant), Appraisal satisfaction, PA methods, feedback richness, PA purpose

As displayed in table 13, $(F_4, 179) = 187.501$, sig. value = 0.000 ($p < 0.01$) explains that the combination of independent variables (appraisal satisfaction, PA methods, feedback richness, PA purpose) significantly predict the dependent variable (working motivation of employees).

To show the individual effect of each independent variable on the motivation of employees, the regression coefficient analysis was summarized on table 14.

Table 13: ANOVA of Regression Analysis

Variables	Unstandardized coefficient		Standardized coefficient	t	Sig.
	(B)	Std. Error	Beta (B) value		
(Constant)	.587	.106		5.526	.000
Feedback Richness of Performance appraisal	.429	.032	.600	13.45	.000
Purpose of Performance appraisal	.469	.073	.475	6.418	.000
Methods of Performance appraisal	-.066	.028	-.118	-2.337	.021
Satisfaction with Performance appraisal	-.004	.040	-.005	-1.07	.915

a. Dependent Variable: Motivation of employees

Source: own survey and SPSS output, 2023

Regression model analysis

Estimated $Y = 0.587 + 0.429 \cdot \text{Feedback richness} + 0.469 \cdot \text{PA purpose} - 0.066 \cdot \text{PA methods} - 0.004 \cdot \text{PA satisfaction} + 0.106$, y is dependent variable (employee motivation).

Where: Constant $a = 0.587$, Feedback richness Coefficient = 0.429, PA purpose Coefficient = 0.469, PA method Coefficient = 0.066, PA satisfaction Coefficient = 0.004 and constant error $e = 0.106$.

But satisfaction with performance appraisal did not have significant effect on the working motivation of employees (sig. value = 0.915, $p > 0.05$). This means only PA purpose; PA methods

and PA feedback richness significantly predicted the motivation of employees. Therefore, the mathematical model of regression is reduced to:

Estimated $Y = 0.587 + 0.429 \times \text{Feedback richness} + 0.469 \times \text{PA purpose} + 0.066 \times \text{PA methods} + 0.004$; y is dependent variable (employee motivation).

According to the equation, taking all factors (feedback richness, performance appraisal purpose, performance appraisal methods, and satisfaction in performance appraisal) constant at zero, employee motivation will be 0.587. The data findings also show that a unit increase performance appraisal purpose will lead to a 0.587 increase in employee motivation holding other factors constant; a unit increase in feedback richness will lead to a 0.429 increase in employee motivation holding other factors constant; a unit increase in methods of performance appraisal will lead to -0.066 decrease in employee motivation holding other factors constant; while a unit increase in satisfaction in performance appraisal process will lead to a -0.004 decrease in employee motivation holding other factors constant.

At 5% level of significance and 95% level of confidence, performance appraisal purpose had a 0.000 level of significance; feedback richness had a 0.000, Performance appraisal methods had a 0.021 level of significance; However, the standardized coefficient (Beta values) of satisfaction with performance appraisal (Beta value = 0.004, $t = 1.07$, sig. Value 0.915, ($p > 0.05$)) suggested that this variables did not significantly affect the working motivation of employees. Implying that the most significant factors are performance appraisal purpose, feedback richness and Performance appraisal methods.

4.7 Discussion of Results

To assess the practice of performance appraisal, employee motivation level and the challenges that affect the effectiveness of performance appraisal in NIB, descriptive analysis was made using frequencies, mean scores and percentages. On the other hand, to investigate the relationship between the independent variables (feedback richness, PA purpose, PA methods and satisfaction with PA) and the dependent variable (motivation of employees), various data analysis techniques such as Pearson's correlation test and multiple linear regression analysis were used. The basic findings of the study were discussed based on the objectives of the study with the integration of related empirical literatures in the following section.

The descriptive analysis shows that the mean score of feedback richness is 3.25; performance appraisal purpose is 3.03; a performance appraisal method is 3.00; and Satisfaction with performance appraisal is 3.07. The mean scores indicated that performance appraisal is moderately practiced in NIB.

Concerning to the challenges of performance appraisal in NIB, the result of the descriptive analysis shows that evaluators' lack of skill and knowledge (mean = 2.80); absence of employee participation (mean = 2.80); the relation between the job's nature and the criteria (mean = 2.63); the rater comparison of employees rather than measuring their performance (mean = 3.17) and rater consideration of past performances to evaluate employees current performance (mean = 3.13) are moderately affecting performance appraisal practices in NIB. However, the mean score of rater biasness in the evaluation of the performance of employee (mean = 4.47) indicated that biasness of performance rater is highly affected performance appraisal of employees in NIB.

Regarding to the motivation of employees in NIB, the aggregate mean score of all items related to employee working motivation is 3.567. This result shows that the motivation level of employees in NIB is moderate level.

The result of Pearson correlation indicated that the relationship between employee motivation and performance appraisal feedback richness is $r = 0.749$ ($p < 0.01$). It has 56.10% relationship. According to the regression result of providing feedback has a positive and also significant relationship with employee work motivation in Nib international Bank. Feedback is in this case considered as important tool for increasing employee morale and motivation by pointing out areas where employee did something especially good. Specifically, the positive feedback motivates the employee to do better. In case of cases where the employee's performance was below expectation the fair criticism from the feedback helps address the deficiencies and failures and hence reinforce appropriate behavior in terms of better performance (Cardy & Leonard, 2011).

Cases where the employee's performance was below expectation the fair criticism from the feedback helps address the deficiencies and failures and hence reinforce appropriate behavior in terms of better performance (Cardy & Leonard, 2011).

The correlation between purpose of performance appraisal and employee motivation is 0.779 ($p < 0.01$). The relationship is about 60.68%. This also indicates that have a good understanding of

the purpose of the performance appraisal and also it has a positive and significant relation with motivation.

Again, the correlation between method of performance appraisal and employee motivation is 0.555 ($p < 0.01$). The magnitude of relationship is 30.80%. Performance appraisal systems should be developed so that they foster views of fair treatment in comparison to other workers as well as the employee's own expectations. This can considerably contribute to positive attitudes, which have been demonstrated in this study to be a key driver of employee motivation and, as a result, job performance.

The correlation between satisfaction with performance appraisal and employee motivation is 0.529 ($p < 0.01$). The relationship is about 27.98%, the outcome of the research pointed out a positive correlation amongst satisfaction with appraisal and motivation as well. So, it can be said that besides developing an effective appraisal system an effective approach to deliver the results of the appraisal to employees is crucial, failing to do so may result in a demotivated workforce. This result revealed that the practice of performance appraisal in terms of purpose, method, satisfaction and feedback has statistically significant relationship with the motivation of employees in NIB. In harmony with the result of this study, Eyoel (2017) conducted a descriptive research study on the role of performance appraisal on performance of job in National Tobacco Enterprise. The research findings indicated that there is low level work performance in the Company. The analysis indicates that there is no performance appraisal satisfaction in the Company and work performance relationship that is weak or low level of the work performance. Among them, performance appraisal purpose highly influenced the motivation of employees. In harmony with the result of this study,

The study of Alene (2017) on the effect of performance appraisal system on employee's motivation in Commercial Bank of Ethiopia shows that the performance assessment system is an essential component in employee motivation. The performance assessment methods aids in the improvement of employee job performance and motivation at work. From the regression analysis of this study, by comparing the standardized coefficient Beta values the significant predictors to the motivation of employees in NIB respectively are purpose of performance appraisal (Beta value = 0.469, $t = 6.418$, sig. 0.000, ($p < 0.01$)), method of performance appraisal (Beta value = 0.006, $t = -2.337$, sig. Value 0.020, ($p < 0.01$)) and Performance appraisal feedback richness (Beta

value = 0.429, $t = 13.453$, sig. Value 0.000, ($p < 0.01$)). The result suggested that feedback richness, purpose and method of performance appraisal have statistically significant effect on the motivation of employees.

In contrary to this, the standardized coefficient of satisfaction with performance appraisal (Beta value = 0.004, $t = 0.107$, sig. Value 0.915, ($p > 0.05$)) shows that satisfaction with performance appraisal did not significantly affect the working motivation of employees.

Among them, purpose of performance appraisal shares largest effect (dominant contributor) on the motivation of employees. In general, performance appraisal of employees has a positive significant effect on the motivation of employees in NIB.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This study aims to examine the effect of performance appraisal practices on the motivation of employees in Nib international bank. In order to achieve the major objective of the study, the researcher used the most popular data analysis methods, and the key findings of the study were presented and discussed in chapter four. Based on the key findings of the study, the summary, conclusions and recommendations of the study were provided as follow.

5.1. Summary of the Study

Regarding to the demographic information of participant employees of the study from NIB, the descriptive statistics indicates that the majority of respondents in this study were males (53.3%), customer service officers (63.3%), bachelor degree holders (76.7%), married (66.7%) and had working experience of below 5 years (56.7%).

The mean distribution of variables indicated that the practice of performance appraisal components is feedback richness 3.25; performance appraisal purpose 3.03; performance appraisal method 3.00 and satisfaction with performance appraisal 3.07. According to the category scale of Ahmed Khorsheed (2008), the mean scores of all components lied in the category of moderate or medium level. That is, the practice of performance appraisal of employees in terms of its components is moderate level in NIB.

The average score of items on level of working motivation of employees was 3.567, which is under the category of moderate level. From this we can say that NIB employees were moderately motivated and engaged in their organizational tasks.

The result of descriptive analysis shows that evaluators' lack of skill and knowledge, absence of employee participation, the relation between the job's nature and the criteria, the rater comparison of employees rather than measuring their performance and rater consideration of past performances to evaluate employees' current performance are moderately affecting performance appraisal practices in NIB. But the respondents agreed that rater biasness in the evaluation of the

performance of employee as well as the rater comparing you with other employees rather than measuring your performance is highly affecting performance appraisal of employees in NIB.

The analysis of correlation suggested that employee motivation has statistically significant relation with performance appraisal feedback richness ($r = 0.749$), purpose of performance appraisal ($r = 0.779$), method of performance appraisal (0.555) and satisfaction with performance appraisal (0.529). That is, the practice of performance appraisal in terms of purpose, method, satisfaction, and feedback richness has statistically significant relationship with the motivation of employees in NIB. Performance appraisal purpose is highly correlated with the motivation of employees.

In addition to correlation analysis, the regression analysis also shows that purpose of performance appraisal (Beta value = 0.469, $p < 0.01$), method of performance appraisal (Beta value = 0.066, $p < 0.01$) and Performance appraisal feedback richness (Beta value = 0.469, $p < 0.01$) respectively have statistically significant effect on the motivation of employees. But, satisfaction with performance appraisal (Beta value = 0.004, $p > 0.05$) did not show significant effect on the working motivation of employees at NIB. The highest contributing performance appraisal practice for employee motivation is the purpose of performance appraisal component.

5.2 Conclusions

This study is expected to contribute to the knowledge for the Human Resource department in the areas of performance appraisal and motivation. The primary objective of this study was to assess performance appraisal system and its effect on employees' motivation in the case of Nib International Bank, and This study made a modest attempt to examine the components of the performance assessment system in NIB by focusing on the research aims and questions; the study attempted to conduct the study and sought to satisfy the research objectives. And by considering the key findings of the study summarized above, the researcher provided the following conclusions.

The basic purpose of an appraisal system should be to improve the employee performance that will leads towards the organization success. The system must be deeply observed the people and recognize that employees are the most important resource. The system should first contribute to

motivate all of the employees. This ideology will require a continuous effort in, coaching, counseling and just, flat communications between the employees and supervisors. The findings of this study conducted seem to suggest that if the bank is interested in improving their performance through the performance appraisal systems. NIB should seek to enhance the employee's motivation so that they become satisfied toward the appraisal system. The operating site of performance appraisal is not only for motivation; it is also used for promotions, job transfers and also pay increases. Therefore it is important to define a purpose for conducting a performance appraisal. Due to the research, performance appraisal is a good too to motivate employees, but not combined with pay increases, job transfers or promotions. This purpose, might lead to competition, unfair conditions, discrimination and misunderstandings.

- ❖ The appraisal performance of employees in Nib international bank is practiced moderately. The effectiveness of performance appraisal at NIB in terms of its purpose, method, feedback, and satisfaction to employees is also not effectively done.
- ❖ From the findings of the study, it was concluded that the working motivation level of an employee in Nib international bank is not high. The practice of performance appraisal of employees can share some part of the factors for high motivation.
- ❖ There are varieties of factors affecting the practice of performance appraisal of employees. The main challenges those influence practice of performance appraisal of employees in NIB are rater biasness in the evaluation of the performance of employee and the rater comparing you with other employees rather than measuring your performance
- ❖ Managers might be victims of recency mistakes as well. The mistake can arise when managers consider only the past few weeks or months of a rating period as proof of their assessments of others, which can have an impact on employee performance and motivation.
- ❖ Based on the results of regression analysis, the researcher concluded that purpose of performance appraisal, method of performance appraisal and performance appraisal feedback richness was significantly affecting the motivation of employees, which determines productivity and quality of works.

5.3. Recommendations

Based on the conclusions made before, the researcher suggested and forwarded the following possible recommendations to Nib international bank and other related institutions to improve motivation of employees for effectiveness of the organization performances.

- Raters should take note that performance evaluation purpose is to sieve out those who cannot or would not do the job so rather than being biased in the evaluation of the performance of employee raters should conduct fair assessment of the employee's performance which in turn may enhance their motivation. Accordingly, Nib international bank is recommended to apply effective performance appraisal of employees, without considering previous performance and by rejecting comparison of employees than measuring their performances.
- Managers have to be careful in conducting employees. They have to avoid biases such as, ranking their favorite employees higher and the others lower. Performance appraisal is not about personal matter, it is based on business and performance. It is not reasonable to appraise employees with that opinion, further; Managers have to think logically, they have to be aware of the purpose of the appraisal and the consequences of the appraisal
- According to the studies, NIB should have well-defined policies in place for dealing with feedback from the staff and reacting to employee feedback. The feedback appraisal policy should also be in line with the aims of the NIB organization and guarantee that all workers are evaluated based on their performance. And the bank should guarantee that performance assessment feedback is provided. This should be done as soon as possible in order to increase staff motivation. This will assist employees understand where they can improve and what they should modify in their responsibilities.
- NIB and other related institutions are commented to assess and evaluate the performance appraisal of employees by clearly indicating its purpose, methods, and provide feedbacks for the satisfaction of employees by the performance appraisal procedures.
- The study recommends that organization appraisal method is known by each member of the organization and ensure that this method does not infringe the employees' right and the organization policies. Organization should ensure this method is formulated to improve staff environment since it has a positive relation with motivating the employee. Aside from that,

the proper method for performing performance appraisal is important to the appraisal's success. Organizations vary in ideology, culture, scope, and structure. As a result, managers must reassess their performance evaluation and tailor it to their goals and expectations, as well as the needs of each individual.

- Regular reviews should be conducted based on recent favorable or unfavorable occurrences rather than an entire year's worth of activity. In this instance, the management can evaluate the employees accurately and fairly and it will tend to reduce recency errors.
- Unskilled appraisers that are biased and therefore are not able to accomplish an effective performance and lead to negative attitude toward the appraisal system should not allow the feelings they have towards the individual to impact their evaluation.
- In general, by applying effective performance appraisal procedures, NIB and others should increase the motivation of employees for the productivity of organization.

Area for further research

- For future research, there were other factors highlighted by the respondents that influenced employee motivation. A different research design should be used on a different demographic and a bigger sample size to obtain more diverse results to establish the effect and relationship of performance appraisal with other variables since this study only focused on four factors: satisfaction of performance appraisal, methods, purpose, and feedback, there should be a study on other performance appraisal factors that influence employee's motivation.

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Appendix

Questionnaire

ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

I am a graduate student in the department of MBA, at St Mary's university, currently, I am undertaking a research entitled “ The effect of performance appraisal on employee's motivation in Ethiopian banking institution in the case of Nib international bank” you are one of the respondents selected to participate on this study . I would like to express my warm appreciation in advance for your cooperation in completing the questionnaires. Your identity will be maintained strictly confidential and your response will be merged and analyzed with the others respondent for better result. This study is purely for academic purpose. Thank you in advance!

GENERAL INSTRUCTIONS: -

- 1) Please answer all questions
- 2) In all questions you are required to put / ✓ / on the option of the letters as instructed
- 3) All information given would remain confidential and to maintain anonymity no names are required.

Part I- Demographic Profile of the Respondents

Kindly requested to make a (✓) mark where applicable and do not indicate your name.

1. Gender: Male ☐ Female ☐
2. Educational background: Certificate ☐ Diploma ☐
First Degree ☐ Master's degree and above ☐
3. How long have you been working in NIB? _____
4. Marital status: Single ☐ Married ☐
Widowed ☐ Divorced ☐
5. What is the level of your job position in the organization? _____

Part II- General questions on performance appraisals

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
	Feedback richness	1	2	3	4	5
1	I receive constructive feedback from my manager that would help me to improve my performance and attain my goals					
2	There is regular, timely and clear performance based feedback to employees					
3	The feedback helps me to gain insight on my weakness and strength					
4	Feedback is promptly given or communicated to employees					
Performance appraisal purpose						
5	Appraisal outcome has helped me to maintain and asses my potential for growth and development					
6	My organization use info created as a result of performance appraisal to let employees know where they stand with respect to goal achievement					
7	My organization use info created as a result of performance appraisal to motivate staff through recognition and promotion					

8	My organization use info created as a result of Performance appraisal to motivate staff through recognition and promotion					
9	My organization use info created as a result of performance appraisal to take corrective actions such as counseling to improve performance and to prevent the occurrence of undesirable results.					
10	My organization use information created as a result of performance appraisal help to determine the need for training and development					
11	In my opinion performance appraisal carried out in the organization helps to change the behavior of employees					
Performance appraisal methods						
12	I am aware that performance appraisal exists in the organization					
13	Subordinates have the opportunity to review the performance of their superiors or managers					
14	Appraisers use different information sources such as supervisors, colleagues as well as customer to evaluate employee performance appraisal					

15	The standard for appraising employees performance are based on job related requirements derived from job analysis and reflected in the job description					
Satisfaction in the performance appraisal						
16	My appraiser helps me to understand the process used to evaluate and rate my performance					
17	My appraiser knows enough about my work to give me a fair appraisal result					
18	My view of my performance is taken into account by my appraiser when assessing my performance					
19	Individuals who conduct performance appraisal possess the necessary competency (knowledge, skills and expertise)					
20	In my opinion the criteria of performance appraisal are correct I am satisfied with the way the performance appraisal system helps me identify areas to improve my work					
21	In my opinion the criteria of performance appraisal are satisfactory					
Challenges associated with applying the performance appraisal						
22	Evaluators' lack of skill and knowledge					

23	There is absence of employee participation					
24	Rater biasness in the evaluation of the performance of employee					
25	There is no r/n between the job's nature and the criteria.					
26	The rater compares you with other employees rather than measuring your performance.					
27	The rater only considers performances done in the past to evaluate employees regardless of current performance.					
Effect of performance appraisal on staff motivation						
28	Performance appraisal is a critical component in my organization					
29	My performance is evaluated depending on my function as an employee.					
30	The process of staff PA is conducted accurately					
31	Performance evaluation has assisted me in improving my job performance.					
32	I am motivated with the way performance appraisal is used to evaluate my performance					
33	I am motivated by the methods in which employees and management communicate about the PM process and any other					

	problems.					
34	I am pleased with the present continuous feedbacks used at my organization, as they assist me in improving my performance.					
35	I have great value to performance feedback that highlighted my developmental need.					
36	I am motivated with reward than recognition					

SOURCE: FROM LITERATURE

THANK YOU!!!