



**ST. MARY'S UNIVERSITY**

***SCHOOL OF GRADUATE STUDIES***

***ASSESSMENT OF EMPLOYEES PERFORMANCE APPRAISAL PRACTICE  
AND CHALLENGES: THE CASE OF NIB INTERNATIONAL BANK S.C***

***BY***

***BERIHUN KASSA***

**JULY, 2019**

**ADDIS ABABA, ETHIOPIA**

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## **LIST OF ACRONYMS/ABBREVIATIONS**

HRM- Human Resource Department

PA- Performance Appraisal

EPA- Employees performance Appraisal

NIB- Nib International Bank

MBO- Management by Objective

SPSS - Statistical Package for Social Sciences



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## ABSTRACT

*Performance appraisal process is a key contributor to successful HRM, as it is highly related to organizational performance. The administrative purpose of performance appraisal can also be used as a motivational tool by recognizing successful performance and rewarding; whereas the developmental purpose guides on the required skills, competences and behaviors by providing trainings. In line with this, the study tried to assess the performance appraisal practice of Nib International Bank S.C by applying descriptive research method and with specific objectives of looking in to the process, effectiveness, problems of performance appraisal practice and investigating the employees' perception towards the fairness of performance appraisal practice of the bank. The study has used mixed research approach; in which the primary data were collected through questionnaire and unstructured interview. The target population for the study was clerical employees with experience greater than one year which was 1489 as June 2018. Sample size was determined by using 95% confidence level which was 317. The sampling technique used in this study was stratified simple random sampling. In checking the reliability, Cronbach's alpha score was applied and found to be acceptable. The study has found out that the bank's appraisal system has relevance and lacks acceptability to employees, practicability and sensitivity and reliability which is due to the subjective appraisal criteria. The Bank's appraisal system doesn't follow the six scientific steps, judgmental errors were also found in the system and the employee's perception towards the fairness of the appraisal system of the bank was negative. Therefore, Nib International Bank S.C should revise its performance appraisal manual and criteria in order to make its appraisal system effective. Besides sufficient training must be given to the rater so as to avoid the judgmental errors and set an accurate appraisal system.*

**Keywords:** *Performance Appraisal Process, HRM, Effectiveness and Perception*

# CHAPTER ONE

## INTRODUCTION

This chapter is an introductory chapter of the study which introduces the overall study. This chapter consists of background, problem statement, objectives, significance, study scope, and organization of the research work.

### 1.1. Background of the Study

Human Resource Management (HRM) is concerned with the people dimension of management, since every organization comprises of people, acquiring their services, developing their skills, motivating them to higher levels of performance and ensuring that they continue at the same level of commitment to the organization and are essential to achieving organizational goals according to Decenzo and Robbins (1989) as cited in Sweta Banerjee, (2018), This is true, regardless of the type of organization: government, business, education, health, recreation, or social action, Human resource management is one of an evolving science concerned with the management of people and people constitute the principal asset of any organization.

Human Resource Management focuses on personnel related areas such as job design, resource planning, performance management, recruitment, selection, compensations and employee relations. Out of these one function plays a critical role for the global success of the organization and this is performance evaluation. Organization tries to satisfy and motivate their employees to get better result. Performance appraisal is one of the main functions of human resource management. It is a method/ process which evaluate the individual's job performance in accordance with the objectives of the organization. Performance appraisal is effective and efficient for every organization (Saeed R., Lodhi R.N., Iqbal A. Munir M., Sandhu, M. A. and Amin, Acited in Faith Kisang, Margaret Kirai 2016).

Within Human Resources Management Function Performance Appraisal (PA) is the most distasteful task for line managers (Dessler 2011). Kondrasuk (2011) stated that, "performance appraisal is fraught with problems and conflicts, in what it was designed to accomplish, how it is conducted and how the results are used"

In today's competitive business world, it is becoming clear that organizations can compete in the market by innovation which will be attained by managing their human resource in a good way.

Employees are considered as a valuable asset to an organization that requires effective management. It is possible to make human resource system effective by having a valid and accurate appraisal system (Femi, 2013).

Performance appraisal is a method by which the immediate line manager or the supervisor evaluates the job performance of an employee in terms of quality, quantity, cost and time (Akinbowale, Jinabhai & Lourens, 2013). According to Saeed et al. (2013) performance appraisal is actually an evaluation and acknowledgement of an employee's performance with certain responsibilities and accountabilities. The evaluation task here is not based on the employee's personality feature instead it is based on the outcome of the employee in that specific profession.

The goal of performance appraisal (PA) is to improve employees' contribution to organizational goals and work performance. It helps employers and employees to define, communicate and revise expectations, goals and progression in the achievement of strategic goals (Bacal, 2004); however, appraisers and appraise only respond favorably to a PA system when they deem it fair and equitable (Brown & Benson, 2005). The reaction of employees affected by a company's performance appraisal system is considered one of the main criteria to evaluate the relevance of this system (Boachie-Mensah & Seidou, 2012; Levy & Williams, 2004; Keeping & Levy, 2000). The PA system cannot be deemed efficient if employees do not see the use of it and its fair and equitable nature (Keeping & Levy, 2000). Jawahar (2007) notes that the efficiency of a PA system depends not only on the validity and reliability of the performance appraisal measures but also on the employees' reaction. Yet, the question of employees' reaction to the performance appraisal has been given little attention (Abdelhadi, Naji1, Jamal, Ben Mansour & André Leclerc 2011 Cited in Abdelhadi et al. 2015 Vol. 3, No. 1, pp. 40-53)

Performance is defined as the record of outcomes produced on a specified job function or activity during a specified time period. Performance management isn't just a once-a-year assessment; effective managers incorporate performance review and feedback as part of their day-to-day communications with employees (Rohan Singh, Madhumita Mohanty, Mohanty. A.K 2013).

Performance appraisal is an action for testing, measuring, valuating and justifying about the performance during a certain period of time. It is synonymous with improvement of individuals' effectiveness and process of the organization's business from organizational viewpoint (Watz &

Levy, 2004: 352). When employees believe that organizational feedback is focused to support them, their loyalty towards organization will be greater ( Rohan S. et al. 2013)

The main intention of performance appraisal is to assess employees' performance as objectively as possible in which the results of it will be used in setting direction for the development of the individual performance by identifying the performance strength and weakness and then developing an action plan to bring the desired development (Gichuhi A. 2012).

Nib International Bank (NIB) was established on 26 May 1999 under license no. LBB/007/99 in accordance with the Commercial Code of Ethiopia and the Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994. The Bank has registered a steady growth and achievement in all aspects of its operations since its establishment. . It joined the banking industry as the sixth private bank licensed in the country. ([www.nibinternationalbank.com](http://www.nibinternationalbank.com))

Nib International Bank officially starts operation on May 26, 1999. The Bank's employees reached more than 1,489 worked in Addis Ababa as of June 2018 and the number of branches has reached to 220 and out of which 125 branch offices are located in Addis Ababa and the other 95 branches are in major regional towns of the country. The bank is conducting performance appraisal twice a year on January for the period covering from July up to December and July for the period covering from January to June.

## **1.2. Statement of the Problem**

Assessment of employees' performance is one of the common practices in almost every organization as it is an essential trend to brought better performance of employees and organizations as well. In creating better performance of the organization, satisfied employees play a crucial role (Karimi, R., Malik, M. I. and Hussain, S. 2011).

Performance of any organization mainly depends upon the performance of its employees. Organizations are increasingly realizing that there are number of factors which contribute to its success and therefore the knowledge and skills of an organization's employees have become increasingly important to its competitiveness and progression (Rohan S. et al. 2013)

Today performance appraisal is used as one of the important component of HR practices, which is strategic in nature and for obtaining maximum benefits by the organization helps to integrate with its policies. Performance appraisal is observed as a subject that covers various activities (Fletcher, 2001; 74 cited in (Rohan S. et al. 2013), Cascio (1991) stated that performance appraisal should serve as a development tool for personal. Similarly, Cardy and Dobbins (1994 cited in Rohan S. et al. 2013) said, “Performance appraisal should be more than simply the assessment of the past. It should also focus on the future and on the skill level of the rates”.

Performance appraisal practices, if performed correctly and logically are now considered as one of the key contributing factors to the success of an organization. Organizations have to put increased emphasize on performance appraisal to identify the strengths and weaknesses of their employees, to improve their productivity which in turn helps the organizations to gain competitive advantage with human resource. However, if it is abused and misused, appraisals can be a great source of dissatisfaction that obstruct employee motivation. Efficient implementation of the performance appraisal process can help the organization in various ways. This process offers the advantage of identifying the employees’ skill level and serving the employees development needs and career ambitions.

Preliminary survey using interview was carried out on June, 2018 at Nib International Bank S.C, with fifteen employees who are on non-managerial positions of the bank. The result indicate that employees are dissatisfied with the performance appraisal system of the bank and complaints have been presented towards the appraisal system of the bank in which there are performance appraisal errors like halo effect, stereotyping, recency, contrast effect and first impression.

Besides the performance appraisal parameters are not measurable and more of subjective, the performance appraisal are not based on the quality and quantity of employees work, there is a significant difference in the appraisal results from branch to branch in which the highest of one’s branch may be the average on the other branch, the highest of one branch may be the lowest of the other branch. Managers or supervisors appraise employee’s performance based on their judgment. In addition to the above; these employees have also complained that most of the supervisor or manager gives the result based on the employee’s relation or closeness towards them. Due to these complaints, the researcher is motivated to assess the existing performance appraisal practice and challenges of Nib International Bank S.C.

### **1.3. Basic Research Questions**

In light of the above statement of the problem, this study tries to find answers to the following basic research questions:

- ✓ How does the performance appraisal process is conducted in the bank?
- ✓ To what extent the performance appraisal system of the bank is effective on improving employees performance?
- ✓ What are the major challenges of performance appraisal practice of the bank?
- ✓ How do the employees perceive the fairness of performance appraisal of the bank?

### **1.4. Objectives of the Study**

#### **1.4.1. General Objective**

The general objective of the study was to assess performance appraisal practice and challenges at Nib International Bank Share Company.

#### **1.4.2. Specific Objectives**

- ✓ To investigate the performance appraisal process of the bank.
- ✓ To find out the effectiveness of performance appraisal practice of the bank on improving employees performance.
- ✓ To investigate the major challenges of performance appraisal practices of the bank.
- ✓ To look employees perception towards the fairness of performance appraisal of the bank.

### **1.5. Significance of the study**

This study is expected to provide a better understanding about the practice and challenges of performance appraisal practice; more specifically: It enables the banks managements to know about perception of employees on performance appraisal practice of the bank and enables them to identify the area of improvement on its performance appraisal practice, it helps as a basis for further researchers to conduct on this area and it serves as a reference material for both academicians and practitioners.

### **1.6. Scope of the study**

The scope of this study is assessing the performance appraisal practices and challenges at Nib International Bank S.C., which focuses only about the process, effectiveness of banks performance appraisal practice on improving employees performance based on the five key



requirements for sound appraisal system i.e. reliability, relevance, sensitivity, practicability and acceptability, fairness and challenges of performance appraisal practice of the bank. The study was delimited to the branches situated in Addis Ababa not include outlying branches; this was so due to budget and time constraint. The study is undertaken from 2017/2018 budget year to the current. Methodologically the study uses the descriptive research design and mixed approach.

### **1.7. Definition of Terms**

**Employee:** is an individual who works part-time or full-time under a contract of employment, (Business Dictionary, 2017).

**Standards:** are criteria's used to evaluate employees performance.

**Perception:** is the intuitive understanding, recognition and interpretation of things and events (Belete et al, 2014).

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

### **1.8. Organization of the Study**

The research paper was organized in five chapters; the first chapter, the introductory part of the study consists back ground of the study, statement of the problem, research questions, objectives, significance and scope of the study. The second chapter focuses on review of related literatures in which previous studies are consulted. In this chapter overview, purposes, methods, benefits, challenges and guidelines of performance appraisal was discussed in detail. The third chapter, the research design and methodology, emphasizes on the design of the study and the methodologies used. In this chapter research design, sample size and sampling techniques, source of data and data collection tools, data collection procedures and data analyzing method were discussed. The fourth chapter, devoted to data presentation, analysis and interpretation. The last chapter was concerned with summary, conclusions and recommendations.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter contains theoretical discussion, empirical literatures and Conceptual framework regarding the performance appraisal system.

#### **2.1. Theoretical Literature**

It deals with the concept of performance appraisal, purpose of performance appraisal, the performance appraisal process, performance appraisal methods, and performance appraisal errors. It also discusses about the requirements of effective performance appraisal system and employees' perception on performance appraisal.

##### **2.1.1. Concept and Definition of Performance Management**

Dessler (2013) defined performance management as a special goal- oriented and continuous way to appraise and manage employees' performance. It is the continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the organization's goals.

According to Wilton (2013), performance management represents the range of human resources activities that enable, encourage, coordinate and support employees to achieve their objectives, monitor, measure and reward their achievements and fundamentally to contribute to the long-term success of an organization.

Performance management, in its broadest context, is a managerial process that links corporate objectives, performance standards and evaluation, to which the performance review, or Performance Appraisal (PA) , are often applied (Sheela R., 2014)

Performance management is the process of planning or defining performance, appraising/ evaluating performance, giving its feedback, and Counseling an employee to improve his performance. It is the process by which executives, managers, and supervisors work to align employee performance with the firm's goals.

Lansbury (1988) defined performance appraisal as "the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees

in terms of recognition, receiving feedback, catering for work needs and offering career guidance.” cited by (Seniwoliba, 2014: 601).

### **2.1.2. Purpose of Performance Appraisal**

Performance appraisal can be defined as a structured formal annual or semi-annual interaction between the subordinate and supervisor to examine and discuss the work performance of the subordinate by identifying strength and weakness as well as opportunities for improvement and skill development (Bhatia & Jain, 2012).

Performance appraisal is taken as the most important and crucial tools for the organization as it provides information which is very useful for decision making about different personnel aspects like promotions and merit increases (Obisi, 2011).

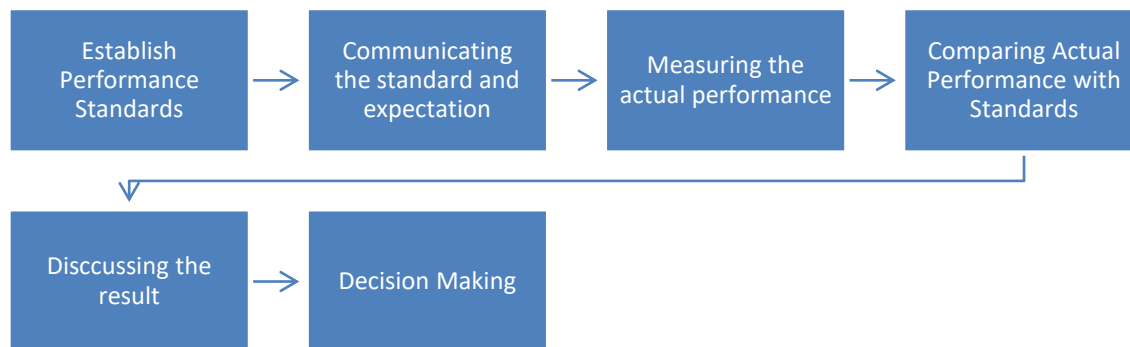
Gomez-Mejia, L.R., Balkin, D.B. and Cardy, R.L. (2012) state that appraisals are usually performed for administrative and /or development purposes. Behn (2000) cited by Mamimine and coworkers (2015) had also stated that, Performance appraisal is used administratively when the information gathered from it is used as a basis for decision regarding the work conditions of the employee. According to Rahim (2012: 386) “One of the most common uses of performance appraisal is for making administrative decisions relating to promotions, fringes, layoff, and merit pay increases.”

As per Kondrasuk (2011) cited by Mamimine and coworkers (2015), developmental purpose is the other major purpose of conducting performance appraisal. Providing feedback, consultation on effective work behaviors, training and other learning opportunities to employees based on their performance appraisal results so as to improve their performance and strengthening their job skills is the developmental uses of appraisal Gomez-M. et al (2012). Wangithi and Muceke (2012) indicate that one of the major uses of performance appraisal is to indicate performance areas that could get improved if appropriate training is provided.

### **2.1.3. Performance Appraisal Process**

If a systematic performance appraisal process is followed, the ability to generate accurate and reliable data will be enhanced as a result the information that can serve the organization’s goals and that compiles with the law will be provided (Ivancevich, 2004).

**Figure: 2.1. Performance Appraisal Process**



Source: Adopted from Manjunath (2015)

### **2.1.3.1. Establish Performance Standards**

It is the process of setting key performance criteria which could be used to judge the actual performance of employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives (Manjunath, 2015).

As Gomes (2003) cited in Subekti and Setyadi (2016) has argued that the quantity of work, quality of work, job knowledge, creativeness, cooperation, dependability, initiative and personal qualities are some indicators which become a performance appraisal measurement.

### **2.1.3.2. Communicating the Standards**

After setting the performance standards, the management should communicate it with the employees of the organization. There should be clear explanation of the standards to employees so that they could understand their roles and know what exactly is expected from them (Manjunath, 2015).

### **2.1.3.3. Measuring the Actual Performance**

Measuring the actual performance or the work done by the employees during the specified period of time, is the most difficult part of the performance appraisal process.

It is a continuous process involving monitoring the performance all through the year which requires the watchful selection of appropriate techniques of measurement, making sure there is no individual bias, and providing support instead of interfering in employee's work (Manjunath, 2015).

#### **2.1.3.4. Comparing the Actual with the Desired Performance**

In order to know that whether there is a positive or negative deviation in the organizational performance, the actual performance of an employee will be compared with the desired outcome or the standard performance. It includes recalling, evaluating and analysis of data related to the employees' performance (Manjunath, 2015).

#### **2.1.3.5. Discussing Results**

Here the results of the appraisal will be communicated and discussed with the employees on one-to-one basis with the aim of problem solving and agreement. Feedback will also be given with a positive attitude so as to have a positive effect on employee's performance and motivation (Manjunath, 2015).

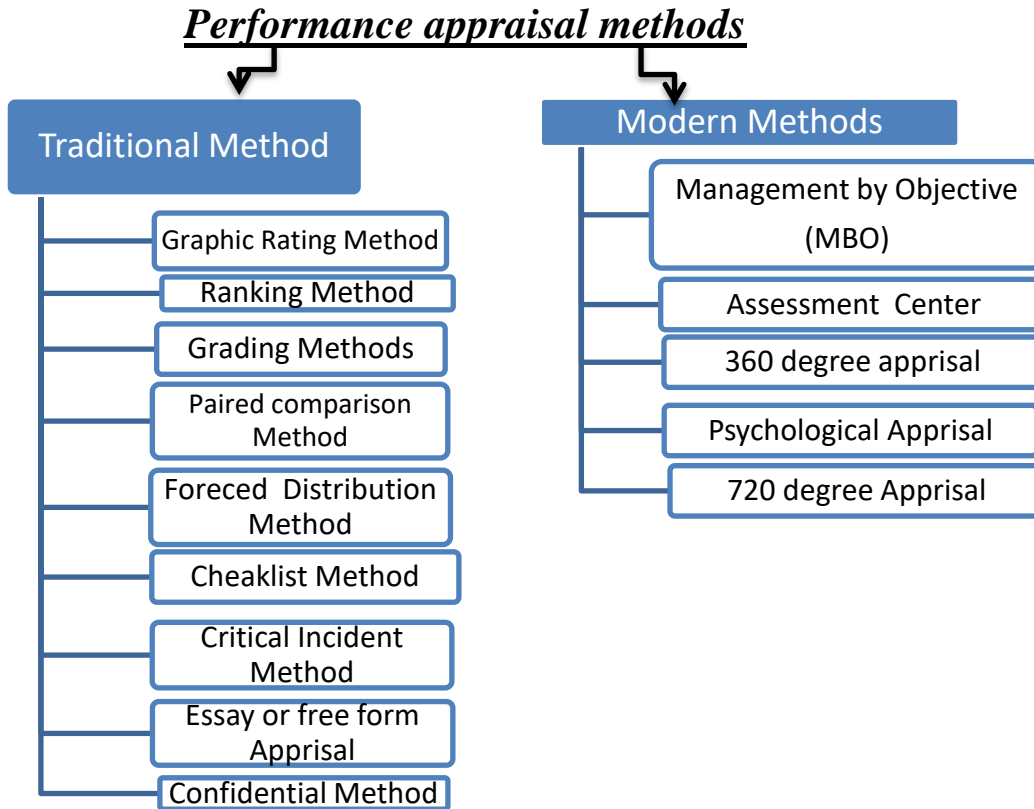
#### **2.1.3.6. Decision Making**

After discussing the results, the last step is to make a decision on either to improve the performance of the employee, take the necessary corrective action or the related human resource decisions like promotion, rewards, transfers and the like (Manjunath, 2015).

### **2.1.4. Performance Appraisal Methods**

Since employee's appraisal system is used as a basis for successful employee performance management and also provides valuable information to other HRM functions, it has to be properly designed and realized (Aggarwal and Thakur, 2013). There are a number of methods available to measure the employee's performance. These methods can be broadly classified into two groups: traditional methods (past oriented) and modern methods (future oriented) (Aggarwal and Thakur, 2013; Shaout and Yousif, 2014)

Figure 2.2. Performance Appraisal Method



Source: Aggarwal and Thakur,(2013)

#### **2.1.4.1. Traditional Performance Appraisal Methods**

Traditional methods are relatively older methods of performance appraisals which are based on the personal qualities of the employee including the knowledge, initiative, loyalty, leadership and judgment. These methods were past oriented approaches which concentrated only on the past performance (Aggarwal and Thakur, 2013).

##### **2.1.4.1.1. Graphic Rating Scale**

According to Dessler et al. (2011), Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait. It is a popular and simple method used to compare individual performance to an absolute standard. It is a scale which lists traits such as quality and reliability and the range of performance values from unacceptable to outstanding. The employee is then graded by identifying the score that best defines his or her level of performance for the trait (Lunenburg, 2012; Shaout and Yousif, 2014).

#### **2.1.4.1.2. Ranking Method**

According to Dessler et al. (2011), ranking method is ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked. It is an alternative method to graphic rating scale in which the employees are ranked based on their performance effectiveness one after the other from best to worst (Shaout and Yousif, 2014). According to Lunenburg (2012), the usual procedure in ranking method is that the rater will write the name of the best subordinate on the top of list, then the worst at the bottom and continue this sequential procedure until all the subordinates are listed.

#### **2.1.4.1.3. Paired Comparison Method**

This is a method where each employee is paired with every other employee in the same framework and then the raters make a two –way comparison. This is a useful method only where the number of comparisons made is less otherwise it will become ineffective when the number of employees increases (Khan, 2013; Lunenburg, 2012)

#### **2.1.4.1.4. Grading Method**

In this method, certain categories of grading of performance like excellent, very good, good, average, poor, very poor etc. will be defined in advance and employees are put in a particular category depending on their traits and characteristics. However, this method has one basic limitation which is the rater may give higher grades for most of the employees (Khan, 2013).

#### **2.1.4.1.5. Forced Distribution Method**

Under this method of performance appraisal, the rater after assigning the point to the performance of each employee has to distribute his ratings in the pattern to conform the normal frequency distribution curve. The major drawbacks of this method occurs when organizations have a tendency to organize certain key departments with good employees and some other discards and laggard because relatively good employees of key departments get poor rating and relatively poor employees of laggards' departments' get good rating (Khan, 2013).

#### **2.1.4.1.6. Checklist Method**

It is a simple method of performance appraisal where the supervisors are given a list of statements or questions in the form of yes or no based questions and asked to check against employee's performance. After completing the checklist, it will be sent to HR departments for

further processing. The questions in the checklist may have more or equal weight depending on their importance (Khan, 2013; Khanna and Sharma, 2014).

#### **2.1.4.1.7. Critical Incident Method**

It is concentrated on certain critical behaviors of employee that makes significant difference in the performance. When such an action, a “critical incident,” affects the department’s effectiveness significantly, either positively or negatively, the manager writes it down. At the end of the appraisal period, the rater uses these records along with other data to evaluate employee performance. With this method, the appraisal is more likely to cover the entire evaluation period and not focus on the past few weeks or months (Shaout and Yousif, 2014).

#### **2.1.4.1.8. Essay or Free Form Appraisal**

It is a method where the raters are asked to write or give a description on the employee’s performance on the job at the end of evaluation time. This method tends to focus on extreme behavior in the employee’s work rather than on routine day-to-day performance (Aggarwal and Thakur, 2013). According to Lunenburg (2012), some organizations have combined the graphic and essay methods by providing space for comments on the graphic rating scale. However, the variation in the writing skills of the rater is a major limitation.

#### **2.1.4.1.9. Confidential Report**

It is highly secretive and confidential in which the employee’s performance will be presented in the form of annual confidential reports (Khan, 2013). Khanna and Sharma (2014) stated that this type of appraisal is usually used in government departments and the ratings may be with respect to attendance, self-expression, team work, leadership, initiative, technical ability, reasoning ability, originality and the like

### **2.1.4.2. Modern Method**

Modern Methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods such as biasness, subjectivity, etc. ( Ashima Aggarwal et al. 2013).

#### **2.1.4.2.1. Management by Objective (MBO)**

Management by objective is a result oriented process in which first supervisor and subordinate jointly establish objectives and individual area of responsibility, then the employee performance



will be measured by examining the extent to which predetermined work objectives have been met (Khan, 2013). In management by objectives, as performance is evaluated based on the achievement of the established objectives, it can be said that this method of appraisal is mostly concerned about the results achieved or goals attained but not the ways on how the employees performed it (Khanna and Sharma, 2014).

#### **2.1.4.2.2. Assessment Center**

It is “a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Appraisees are requested to participate in in-basket exercises, work groups, computer simulations, fact finding exercises, analysis/decision making problems, role playing and oral presentation exercises” (Shaout and Yousif, 2014 : 967)

#### **2.1.4.2.3. 360 Degree**

It is a popular performance appraisal technique that involves evaluation input from multiple levels within the firm as well as external sources. 360 Degree feedback relies on the input of an employee’s superior, colleagues, subordinates, sometimes customers, suppliers and/or spouses. It provides people with information about the effect of their action on others in the workplace. It provides a notion of behavioral change might be elicited through a process of enhanced self-awareness. There are four main parts of 360 feedback appraisal system: Self-appraisal Superior's appraisal, Subordinate's appraisal and Colleagues' appraisal (Sweta Banerjee, 2018)

#### **2.1.4.2.4. Psychological Appraisals**

This type of appraisals are more intended to assess the employees’ potential for future performance by focusing on emotional, intellectual, motivational, and other personal characteristic which affect their performance. It is done using In-depth interview, Psychological tests, discussion with supervisors and review of others evaluation (Khan, 2013; Khanna and Sharma, 2014).

#### **2.1.4.2.5. 720 Degree**

Is a method in which 360 degree appraisal method is practiced twice. When the 360- Degree appraisal is done, then the performance of the employee is evaluated and having a good feedback mechanism, the boss sits down with the employee again a second time and gives him feedback and tips on achieving the set targets ( Thakur 2013)

### **2.1.5. Requirements of Effective Appraisal System**

Performance appraisal process is a key contributor to successful HRM as it is highly related to the organizational performance (Erdogan, 2002 cited by Rao and Rani, 2014).

In order to develop an effective performance appraisal system, the raters should be trained on the process of managing, motivating and evaluating employee performance (Goff & Longenecker, 1990 cited by Ochoti and coworkers, 2012). The key requirements for sound appraisal system will be discussed as follows:

**Relevance:** implies that there is a clear relation between the performance standards and organization's goals and also clear links among the crucial job elements and the dimensions to be rated on an appraisal form (Khan, 2013; Cascio, 2003).

**Sensitivity:** the performance appraisal system is capable of distinguishing high performers from low performers in which the high and low performers receive criterion scores that precisely represent the variation in their performance (Ivancevich, 2004; Cascio, 2003).

**Reliability:** implies consistency of judgment in which appraisals for any given employee made by different raters must reach to similar conclusions about the quality of that worker's output (Ivancevich, 2004; Cascio, 2003).

**Acceptability:** is the most important requirement of all as the appraisal systems that are acceptable to those who will be affected by them guide to more favorable reactions to the process and also enhance trust for top management (Cascio, 2003).

**Practicality:** Understanding and using the appraisal instruments are easy for managers and employees that is the criterion is measurable and the data collection is efficient (Ivancevich, 2004; Cascio, 2003).

### **2.1.6. Performance Appraisal Errors**

Evaluating another individual's performance accurately and fairly is not an easy thing to do; moreover, errors often result in this process. According to Rao and Rani (2014) performance appraisals are designed for assessing the performance and potential of employees, however due a variety of limitations on their use, it may not be a valid indicator of what they are intended to assess. Performance appraisal errors affect the validity and dependability of the performance appraisal system, and they could be discussed as follows: Judgment Error, Poor Appraisal Forms and Ineffective Organizational Policies and Practices.

### 2.1.6.1. Judgment Errors

People commit mistake due to biasness and inadequate training while evaluating people and their performance. These errors are also called as Rater Errors. The following types of judgment errors/rater errors may emerge during performance evaluation (Rao and Rani (2014))

**Halo error:** Halo error occurs when a rater's general impression of a subordinate blurs true differences in the subordinate's performance on various dimensions of the job. An unacquainted rater with little direct knowledge about the rate would have no choice but to rely on general impressions in the rating process (James et al., 2007) cited in Ali Nasr E: Mehdi, Shahzad D, 2014).

**Stereotyping:** It is when the rater overestimates or underestimates the employee's performance based on the generalization made to the employee's behavior on the mental picture of rater about the sex, age, religion and the like (Rao and Rani, 2014).

**Central tendency errors:** Appraisers rate all employees as average performers. That is, it is an attitude to rate people as neither high nor low and follow the middle path. It fails to discriminate between subordinates and offers a little information for HRM decision making regarding compensation, promotion, training or what should be feedback to rates and the use of evaluations (Ivancevich, 2004).

**First impression (primacy effect):** It is an error arising when the evaluator made an assessment based on the employee's first impression which may be positive or negative and if it is positive primacy effect, the employee is considered as a good performer while in negative primacy effect, the employee is a bad performer (Rao and Rani, 2014).

**Recency:** Focusing only on recent performance within the evaluation period is a common error in performance evaluations. For example, a manager should not consider only an employee's performance within the last three months during an annual evaluation. The entire period of employee performance must be evaluated or the evaluation risks inaccuracy. Rating is influenced by the most recent behavior ignoring the commonly demonstrated behaviors during the entire appraisal period (Ali Nasr E: Mehdi, Shahzad D, 2014).

**Contrast Effects:** This error occurs when evaluation of a rate's performance is affected by comparisons with other people recently encountered. The rater lets another employee's performance influence the ratings that are given to someone else. It can also occur when a

supervisor unknowingly compares employee's present performance with their past performance which could have impact on the rating (Ivancevich, 2004).

**Spillover effect:** It is a type of a rater error in which the current performance of the employee is evaluated based on the past performance by assuming the good performer employee in the distant past is good at the present and bad performers in the past are still bad in the present too (Rao and Rani, 2014).

**Strictness or Leniency:** Some raters consider everything as bad and some consider as good which are referred as strictness and leniency errors. Leniency occurs when ratings are restricted to the high portion of the rating scale and strictness occurs when ratings are restricted to the low portion of the rating scale (Ali Nasr et al.2014).

### **2.1.6.2. Poor Appraisal Forms**

The appraisal forms used by the raters also affect the appraisal process on the basis of the below mentioned factors: The rating scale may be quite vague and unclear, they can cause perceptual differences in the meaning of the words used to evaluate employees. Thus good, adequate, satisfactory, and excellent may mean different things to different evaluators. The rating form may ignore important aspects of job performance. The forms may be too long and complex. (Rao and Rani, 2014).

### **2.1.6.3. Ineffective Organizational Policies and Practices**

Most of the time, the sincere appraisal report is not suitably rewarded and this diminish the motivation to perform the job thoroughly and sincerely (Rao and Rani, 2014).

### **2.1.7. Employees' Perceptions on Performance Appraisal**

In managing organizations effectively, it is important to any top management to set accurate performance appraisal system and meet the employees' perception of fairness. Perception of performance appraisal procedure unfairness could have an adverse effect on employee's organizational commitment, job satisfaction, and trust in management, performance, work-related stress, and theft (Belete et al. 2014). According to Ochoti and coworkers (2012) employee reaction to the performance appraisal system is significant aspect to the acceptance as well as effectiveness of the system.

Hui and Qin-xuan (2009) cited by Malik & Aslam (2013) have indicated that if employees' perceive performance appraisal as unfair, it will be turned to ineffective management tool and if they perceived as fair, it can be welcomed and resulted into positive attitude of the employees. Employees most likely perceive the performance appraisal as accurate and fair when; appraisals are conducted frequently, there is a formal system of appraisal, supervisors have high degree of job knowledge, there is opportunity for the ratees' to appeal, performance dimensions are seen highly relevant, and when there is formulating action plans to deal with present weakness (Murphy & Cleveland, 1995 cited by (Belete et al. 2014); Murphy & Cleveland, 1995 and Landy et al, 1978 cited by Ochoti and coworkers, 2012).

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 (Ilgen and Fisher, 1979; Pearce and Porter, 1986 cited by Malik & Aslam, 2013 cited in Fikregenet Getachew, 2016).

## **2.2. Empirical Review**

Perez A. Ngowi (2014) empirically evaluated the performance appraisal in commercial banks in Tanzania: a case of Stanbic bank Tanzania limited using judgmentally/purposively sampling. The study aimed to identify challenges facing employee's performance at Stanbic Bank, relationship between employee's performance and productivity of commercial bank at Stanbic Bank and the effect of human resource practices on employees' performance at Stanbic Bank. It was conclude that study employees reward and increment salaries is strongly correlated with employee performance, "Every employee would be comfortable at conducive environment that makes employees to serve for customers and improving performance of employees can significantly improve the quality and efficiency of bank particularly Stanbic Bank.

Fikregenet Getachew (2016) in the research entitled "performance appraisal practice at United Bank S.C" by using stratified sampling technique with a sample size of 328. The study found that United Bank S.C 's performance appraisal system is found to have judgmental errors like Halo/Horn effect, first impression or primacy effect, central tendency, spillover effect, strictness or leniency. Moreover, the performance evaluation and decision of the bank are highly influenced by interpersonal relationships.

Moreover, appraisal system of United Bank S.C., even if the system has relevance, reliability and the practicality, it lacks sensitivity and acceptability. Besides it is found that all the clerical employees are evaluated with the same criteria irrespective of their position and performance appraisal system of the bank is ineffective.

Hiwot Aydenko (2013) the research entitled “assessment of performance appraisal practices and challenges at Awash International Bank Share Company”. The study found that the major challenges of Performance evaluation at AIB S.C. are lack of rater ability to evaluate employee performance, rater bias in evaluating performance, lack of communicating performance standards and expectations to the employees, no link between some evaluation criteria and employee job, absence of employee participation in setting performance evaluation criteria and lack of focus and carelessness by some branch managers.

Gabriela Rusu, Silvia Avasilcai, Carmen-Aida Hutu (2016) a study undertaken by the Chartered Institute of Personnel Development (CIPD, 2011) indicates the following key elements of a performance appraisal process: 1) Measurement – assessing performance according to agreed objectives and assessing employee behaviors and attitudes to their values; 2) Feedback – informing the employees on their achieved levels of performance, while mentioning the issues which should be enhanced; 3) Positive reinforcement – giving constructive criticism on what should be improved; 4) Exchange of views – providing a discussion on work results and how employees should be supported by managers to achieve their aspirations in relation to their future career; 5) Agreement – achieving a common agreement between managers and employees on what needs to be done to improve and sustain performance.

Opath (1992) research entitled “assessment of employees performance appraisal practice of selected state corporation in Sir Lanka” Even if all corporations had established some procedures and practices to ensure that the appraisals were done accurately EPA in all cases had suffered from the lack of the following: (i) Provision of an opportunity to the appraisee for appealing against the appraisal made by his/her superior. This practice contributes to bring about a sound labor relations and improving employee morale. (ii) Provision to recognize and reward appraisers for accurate appraisal and-developing their subordinates (iii) Provision to make the chief executive directly responsible for any failure in EPA. (iv) Provision to conduct research to discover methods of improving EPA as a responsibility of the Personnel Division.

Appraisal systems had not been maintained by monitoring its operation through periodic reviews in all cases. As with any management program, the performance evaluation program has to be reviewed continuously to assess how effectively it is operating, how efficiently it is being administered, how it is being accepted by those who are covered by it, how much it is costing, what problems it is giving rise to, and what is going on in the Outside world that might suggest new approaches to the accomplishment of its purpose or even suggest new purposes (Lopez, 1968, p. 143). This internal and external search for information had been ignored totally and is a major defect in EPA in all cases. The lack of close review and follow up of what is being done leaves a considerably unfavorable gap in the effectiveness of Employees Performance Appraisal.

### **2.3. Conceptual Framework of the Study**

A model of performance management developed by Armstrong (2009) emphasizes elements of the employee performance process, such as setting objectives, feedback on the achieved performance and learning. We included these elements in the design of the proposed conceptual model of employee performance appraisal.

The study investigates the effectiveness, process, challenges, and employees' perception towards the fairness of the appraisal system are taken in to consideration in performance appraisal practice of an organization. This is because if organizations failed to have effective performance appraisal system, it couldn't increase organizational performance and employee motivation. The process of performance appraisal is taken in to consideration as accurate and reliable data will be generated when the systematic performance appraisal process is followed. In the same manner, the problems which may be judgmental error, or poor appraisal forms or ineffective organizational policies and practices affect the validity and dependability of the performance appraisal system. Employees' perception towards the fairness of performance appraisal system is also a significant aspect to the acceptance of the system.

**Figure 2.3. Conceptual framework of the study**



**Source: Own Work, (2019)**



## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This section was the methodology which the researcher employed in assessing performance appraisal practice and challenges of Nib International Bank S.C. It includes the research approach & method, source of information, population of the study, sampling techniques and procedures, sample size determination, methods of data collection, pilot testing, methods of data analysis and research ethical consideration.

#### **3.1. Research Design and Approach**

The research approach used in this study was mixed (combination of qualitative and quantitative) research approaches because of the researcher uses both questionnaires and interview to get necessary data for the study and as the objective of this study was to assess the performance appraisal practice of Nib International Bank S.C, descriptive research was applied. According to Williams (2007), descriptive research method examines the situation as it exists in its current state. It looks at individuals, groups, institutions, methods and materials in order to describe, compare, contrast, classify, analyze and interpret the entities and the events that constitute the various fields of inquiry.

#### **3.2. Populations, Sample Size and Sampling Techniques**

##### **3.2.1. Research Populations**

The target population of the study was employees working in Addis Ababa branches and in the banking industry each branch categorized to different grades depending on the performance of the branch. The study targeted on the employees of the bank working in Addis Ababa branches. As of June 30, 2018, the total number of employees working in Addis Ababa city branches of the bank has reached 1,489. Hence, the target population of this study was 1,489.

##### **3.2.2. Sample Size**

The sample size of the study was determined by a mathematical formula using confidence level as parameter which assumes 95 times out of 100, the estimate from sample will include the population parameter. The mathematical formula with 95% confidence level as most social science researches is:

$$n = \frac{N}{1 + e^2 N} \quad \mathbf{n = 1,489}$$

$1 + (0.05)^2 1,489 = 317$  Where, N=Population size n=sample size e=acceptable magnitude of error with 95% confidence level

### 3.2.3. Sampling Techniques

Stratified random sampling technique was applied to obtain a representative sample therefore the populations divided in to strata which are the six types of branch grades then a simple random sample was taken from each stratum so that every employee working in the different branch grades had equal chance to be included in the sample. From the 125 city branches of Nib International Bank S.C, two of them are special branches, 4 of them are grade V, 6 of them are grade IV, 11 of them are III, 17 of them are grade II and the remaining 85 are grade I branches, therefore the sample drawn proportionally was as follows:

**Table 3.1. Sample proportion**

<i>Grades of branches</i>	<i>Number of branches</i>	<i>Sample proportions</i>	<i>Sample of branches</i>
Special branches	2	0.016	30
Grade V branches	4	0.032	20
Grade IV branches	6	0.048	70
Grade III branches	11	0.088	68
Grade II branches	17	0.136	35
Grade I branches	85	0.68	61
Head Office			33
<b>Total</b>	<b>125</b>	<b>1</b>	<b>317</b>

### 3.3. Method and instruments of Data Collection

The source of information for the study was both primary and secondary sources of information used so as to achieve the objectives of the study. Primary data was collected using a questionnaire which was quantitatively measured on a five point Likert scale. This method selected due to its nature of anonymity and cost effectiveness.

The researcher developed questions to address the research questions of this paper. Besides for qualitative data, open ended questions included in the questionnaire and unstructured interview

was conducted to support the quantitative analysis. Secondary sources were journals, reference books, performance appraisal manual of the bank and annual reports of the bank.

### 3.4. Data Collection Procedures

The form of questionnaire that was used in the study was both open and close ended questions. The questionnaire is distributed for employees who are in randomly selected branches and head office to managerial and non-managerial employees. The questionnaires were distributed to the respondents physically. The respondents answered the questions and the filled questionnaires were collected from each respondent according to the time line provided for data collection. The researcher personally gave out the questionnaires. A total 317 questionnaires was given out.

### 3.5. Validity and Reliability

Validity means that correct procedures have been applied to find answers to a question. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good (Kothari, 2004). To ensure validity, the questionnaire was evaluated by the research advisor before distribution and necessary amendments have been made.

Reliability refers to the quality of a measurement procedure that provides repeatability and accuracy. To ensure validity, the questionnaire will be evaluated by the research advisor before distribution and necessary amendments be made. Regarding reliability, Cronbach's alpha scores will be applied to check the reliability of the measurement instruments under each variable and the results had fell within the acceptable range above .70 as follows:

**Table 3.2, Reliability Statistics**

Variables	Cronbach's Alpha	No. of Items
Process	.909	25
Effectiveness	.737	5
Challenges	.726	8
Fairness	.717	5

**Source;** Authors calculation using SPSS, 2019

### **3.6. Methods of Data Analysis**

Data collected from respondent employees through questionnaires and interview discussions are analyzed and interpreted so as to arrive at meaningful findings.

Statistical Package for Social Sciences (SPSS) version 20 program will be applied for data analysis. After proper editing, data were coded; entered to the software and then they were made ready for analysis. Descriptive statistical techniques are adopted for analysis of data collected from questionnaire respondents. In so doing frequency tables and percentages were used. This helped the researcher thoroughly analyze and interpret the questions one by one in order to reach meaningful results.

Data collected from interview discussion was also incorporated in the data discussion and interpretation part of the study. Hence, the results are easily interpreted to assess performance appraisal practice and challenges at NIB S.C. Conclusions were drawn based on the data analysis and interpretation.

### **3.7. Ethical Considerations**

In order to ensure ethical issues, first the researcher gets full permission from the establishment and participant under the study. The researcher provided information concerning the topic, purpose, and overall benefit of the study to the participants. The researchers also make sure that participation in the study was voluntary and harmless. While collecting and analyzing, the data the name of the participants remained confidential and questionnaires were administered without interrupting the normal work place. The final report of the study used for the purpose mentioned above. The references used in this study were dually acknowledged. In addition to this, the final report presented to the organization and the participants upon request.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

In this chapter, the data which was collected through questionnaire and interview is, analyzed, discussed and interpreted. It consists of five parts the first is about demographic Information, the second about process of performance appraisal practices, the third part on effectiveness of performance appraisal practice, the fourth regarding challenges of performance appraisal practices and the last on perception of fairness on performance appraisal practice.

A total of 317 questionnaires were distributed, from which only 305 were collected and properly filled which makes the response rate 96.2%.

#### 4.1. Respondents Personal Profile

In this section, respondents' general profile which includes age category, gender, educational background and job experience in the bank is discussed.

**Table 4.2. Demographic Information of the Respondents**

			Frequency	Valid Percent
Gender	Valid	Male	167	55.3
		Female	135	44.7
		Missing	3	
		<b>Total</b>	305	100
Age	Valid	Below 25	84	27.8
		26-35	175	57.9
		36-45	37	12.3
		45-55	5	1.7
		Above 56	1	0.3
		Missing	3	
		<b>Total</b>	305	100
Educational Background	Valid	Diploma	12	4
		First degree	257	85.7
		Masters and above	31	10.3
		Missing	5	
		<b>Total</b>	305	
Job Experience	Valid	1-2 years	95	31.5
		3-4 years	90	29.5
		5-7 years	56	18.50
		8-10 years	32	10.6
		Above 10 years	29	9.6
		Missing	3	
		<b>Total</b>	305	

**Source:** Questioner Survey Data, May 2019

As table 4.1 shows, from the 302 respondents 167(55.3%) are males and the remaining 135(44.7%) are females which indicates majority of the respondent are males. Regarding the age of the respondents, majority of them 175(57.9%) fall under the age of 26 to 35, while 84(27.8%) are below 25, 37(12.3%) are from 36 to 45, 5(1.7%) are in 46 to 55 and the remaining 1(0.3%) fall under the age of above 56. From these it can be concluded that most of the employees of Nib International Bank S.C working in City branches are youngsters.

The above table shows that majority of the respondent which are 257(85.7%) are first degree holders while 31(10.3%) have masters and above and the remaining 12(4%) are diploma holders. Regarding job experience 95(31.5%) of the respondent have work experience of 1 to 2 years, 90(29.5%) have 3 to 4 years, 56(18.5%) have 5 to 7 years, 32(10.6%) have 8 to 10 years and the remaining 29(9.6%) have above 10 years work experience. therefore, all of the respondents have been appraised more than two times as a bank conduct performance appraisal twice a year for every six months. From this the researcher concludes that the majority of the respondents of Nib International Bank S.C have understanding on the performance appraisal practice of the bank, they knows the standards, have understanding about what a bank expect from them and they able to work to achieve the expectations.

## **4.2. Analysis of Collected Data**

### **4.2.1. Process of performance appraisal**

In assessing the process of performance appraisal practice of Nib International Bank S.C, the following questions were brought to the employees of the bank and their response is summarized as follows:

**Table 4.3. Respondents Opinion on the Linkage between Organizational Strategic Objective and Performance Appraisal Practice**

<b>1. Organizational Strategic Objective</b>					
No.	Statements	Level of Agreement	Frequency	Valid Percent	Mean
1.1	The performance appraisal is in line with the banks strategic objective.	1 Strongly Disagree	18	5.9	3.4521
		2 Disagree	53	17.5	
		3 Neutral	45	14.9	
		4 Agree	148	48.8	
		5 Strongly Agree	39	12.9	
		Missing	2		
		<b>Total</b>	<b>305</b>	<b>100</b>	
1.2	My job is directly contribution towards objectives of the organization.	1 Strongly Disagree	8	2.6	4.0762
		2 Disagree	29	9.6	
		3 Neutral	11	3.6	
		4 Agree	138	45.7	
		5 Strongly Agree	116	38.4	
		Missing	3		
		<b>Total</b>	<b>305</b>	<b>100</b>	
1.3	Employee's performance objectives support the overall corporate objectives.	1 Strongly Disagree	16	5.2	3.7180
		2 Disagree	44	14.4	
		3 Neutral	25	8.2	
		4 Agree	145	47.5	
		5 Strongly Agree	75	24.6	
		<b>Total</b>	<b>305</b>	<b>100</b>	
1.4	My overall performance is part of the overall success of the organization	1 Strongly Disagree	7	2.3	4.0132
		2 Disagree	38	12.5	
		3 Neutral	12	4	
		4 Agree	133	43.9	
		5 Strongly Agree	113	37.3	
		Missing	2		
		<b>Total</b>	<b>303</b>	<b>100</b>	
<b>Aggregate mean</b>				<b>3.8149</b>	

**Source:** Questioner Survey Data, May 2019

The level of agreement of the respondents to the statement “The performance appraisal is in line with the banks strategic objective” is 53(17.5%) disagree, 45(14.9%) neutral, 148(48.8%) agree. From this it can be conclude that the performance appraisal practice of the bank is linked with its overall strategic objective with a mean level of 3.4521 (Behagian Perancangan dan Penyelidikan Dasar Pendidikan 2006).

Regarding to the statement “My job is directly contribution towards objectives of the organization” 29 (9.6%) disagree, 116(38.4%) strongly agree and the majority 138(45.7) agree, which indicates that employees highly contribute towards the banks strategic objective with a mean level of 4.0762.

The above table 4.3 shows that 145(47.5%) of the respondents of the study have agreed, 75(24.6%) strongly agree and 44(14.4%) have disagree on Employee’s performance objectives support the overall corporate objectives. This indicates that the employee’s performance objective highly supports the corporate objective of the bank with the mean level of 3.7180.

The greater parts of the respondents 133(43.9%) shows their agreement on the overall performance is part of the overall success of the organization, while 113(37.3%) strongly agree and 38(12.5%) disagree to it. Implies that the overall performance of employees is highly apart of overall success of the organizations with a mean level of 4.0132.

Based on the aggregate mean the performance appraisal of the bank is highly linked with the strategic objective of the bank and employee’s performance highly supports the overall objective with a mean level of 3.8149.

This implies theta the achievements of banks strategic objectives are highly dependent on the performance of employees, bank gives the major task to its employees to achieve strategic goal and implies that the performance standards are cascaded from the banks strategic objective



**Table 4.4. Respondent’s Perception on Establishment of Performance Standards**

<b>2. Establish Performance Standards</b>					
No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
2.1	The performance appraisal process begins with setting of performance standards and expectations	1 Strongly Disagree	16	5.2	3.3869
		2 Disagree	81	26.6	
		3 Neutral	12	3.9	
		4 Agree	161	52.8	
		5 Strongly Agree	35	11.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
2.2	The standards used to evaluate employee’s performance are clearly defined prior to the evaluation process	1 Strongly Disagree	21	6.9	3.2295
		2 Disagree	98	32.1	
		3 Neutral	14	4.6	
		4 Agree	134	43.9	
		5 Strongly Agree	38	12.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
2.3	The standards set are evolved on job descriptions	1 Strongly Disagree	20	6.6	3.1377
		2 Disagree	112	36.7	
		3 Neutral	15	4.9	
		4 Agree	122	40	
		5 Strongly Agree	36	11.8	
		<b>Total</b>	<b>305</b>	<b>100</b>	
2.4	Performance appraisal standards are clear and measurable	1 Strongly Disagree	27	8.9	2.6820
		2 Disagree	171	56.1	
		3 Neutral	5	1.6	
		4 Agree	76	24.9	
		5 Strongly Agree	26	8.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>					<b>3.1090</b>

**Source:** Questioner Survey Data, May, 2019

As can be observed from the above table, the level of agreement of the respondents to the statement “the performance appraisal process begins with setting performance expectations or standards” is 161(52.8%) agreed, 98(32.1%) disagreed and 38(12.5%) have strongly agreed. Coming to the interview the performance appraisal practice of the bank begins with setting the performance standards and expectations and have justified that at the time of placement, every employee get the job description which is clearly stating what the bank expects from the employee and they have taken this as a performance standard and those standards cascaded from

the bank's strategic objective and employees didn't participate on setting standards rather the higher officials set the standards at head office level no such practice yet in the bank. Therefore, the researcher has reached to a conclusion that the bank's appraisal process begin with setting performance expectation or standards with a mean level of 3.3869. This implies that employees of the bank clearly know what the bank expect from them and they work towards the achievements of their standards which indicates there is communication between the employees and the bank management on performance appraisal standards.

Regarding definition of standards, 134(43.9%) of the respondents agreed, 98(32.1%) disagreed and 38(12.5%) strongly agreed on the standards used to evaluate employee's performance are clearly defined prior to the evaluation process. This implies that the performance appraisal standards are communicated and defined before the evaluation process with a mean level 3.2295

Majority of respondents 122(40%) agreed on the standards are evolved from the job descriptions, while 112(36.7%) disagreed and 36(11.8%) strongly agreed on it. Furthermore, the interview response from the managers and HRM department officials the performance standards are evolved or cascaded from the bank's mission, vision and core values in addition to the employees job description. This reveals that the bank's performance rating practice is based on the job related requirements derived from the job description with a mean level of 3.1377, which implies employees are evaluated based on the tasks they have been assigned

From the table 4.4 clearly shows that 171(56.1%) of the participants of this study have disagreed, 76(24.9%) agreed and 27(8.9%) strongly disagreed on Performance appraisal standards are clear and measurable. While analyzing interview questions, performance standards are not clear and measurable, most of the standards are vague and difficult to measure due to their qualitative nature. This implies that the performance standards of the bank performance standard are not clear and measurable with a mean level of 2.6820.

Based on the aggregate mean 3.1090 the performance appraisal practice of Nib International Bank S.C begins with setting performance standards and standards define before the evaluation period without the involvement of employees. This helps the bank used to judge the actual performance of employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. However, the standards are low level of clarity and measurement.

**Table 4.5. Respondents Attitude on Communicating Performance Standards**

<b>3. Communicating Performance Standards</b>					
No.	Statements	Level of agreement	Frequency	Valid percent	Mean
3.1	Standards for performance are clearly communicated.	1 Strongly Disagree	36	11.8	2.6361
		2 Disagree	156	51.1	
		3 Neutral	15	4.9	
		4 Agree	79	25.9	
		5 Strongly Agree	19	6.2	
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.2	There is an effective communication between me and my rater regarding to standards and expectations	1 Strongly Disagree	38	12.5	2.4885
		2 Disagree	172	56.4	
		3 Neutral	11	3.6	
		4 Agree	76	24.9	
		5 Strongly Agree	8	2.6	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>					<b>2.5623</b>

**Source:** Questioner Survey Data, May, 2019

Regarding communication of performance standards, 79 (25.9%) agreed, 36(11.8%) strongly disagree, the majority 156(51.1%) disagreed that the standards of the performance appraisal is not communicated and discussed with the employees. This indicates that there is a low level of communication on standards of the performance appraisal is practiced in Nib International Bank S.C. with a meal level of agreement 2.636. Which implies that employees didn't participate on setting standards rather the higher officials set the standards at head office level and directly given to employees?

About an effective communication of standards and expectation between the raters and employees 76 (24.9%) of the respondents have agreed, 38(12.5%) strongly disagreed and the majority 172 (56.4%) have disagreed that there is no effective communication between the raters and employees regarding the performance standards and expectations. This reveals that there is poor communication between raters and employees with level of agreement 2.4885.

The result shows that there is ineffective or low level of communications of performance standards between the evaluators and employees with the rate of 2. Ineffective communication of standards and expectations results could misunderstand their roles and they may unable to know what exactly expected from them.

**Table 4.6. Respondents Opinion of the Measurement of Actual Performance Standards**

<b>4. Measuring the Actual Performance Result</b>					
No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
4.1	My performance was measured based on the established performance standards.	1 Strongly Disagree	18	5.9	3.4000
		2 Disagree	70	23	
		3 Neutral	18	5.9	
		4 Agree	170	55.7	
		5 Strongly Agree	29	9.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
4.2	My rater has enough knowledge regarding performance appraisal system.	1 Strongly Disagree	21	6.9	3.3289
		2 Disagree	76	25	
		3 Neutral	22	7.2	
		4 Agree	152	50	
		5 Strongly Agree	33	10.9	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
4.3	Actual performance is based on reference obtained from different reports such as written, oral and through personal observation.	1 Strongly Disagree	28	9.2	3.0099
		2 Disagree	119	39.1	
		3 Neutral	11	3.6	
		4 Agree	114	37.5	
		5 Strongly Agree	32	10.5	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
4.4	My rater applies appropriate measurements instruments	1 Strongly Disagree	24	7.9	2.8158
		2 Disagree	142	46.7	
		3 Neutral	21	6.9	
		4 Agree	100	32.9	
		5 Strongly Agree	17	5.6	
		Missing	2		
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>				<b>3.1387</b>	

**Source:** Questioner Survey Data, May, 2019

As depicted in the above table 170(55.7%) of respondents agreed that performance was measured based on the established performance standards while 70(23%) indicated they don't support and 29(9.5%) strongly agree. This indicates that the performance of employees was measured based of the standards which was developed as the beginning with the rate of 3.4000.

As shown in table 4.4 above 152(50%) of the respondents agreed that raters have enough knowledge regarding the performance appraisal system, while 76(25%) disagreed and 33(10.9%) strongly agree. This implies that the raters of the bank have enough understanding and knowledge about the performance appraisal system and capacity to measure the actual performance of employees with the rate of 3.3289, indicates that employees and the bank enable to identify strength and weakness properly and help the to take corrective measures, due to the raters knowledge on measuring employees performance.

The level of agreement on the statement of the respondents on the statement “Actual performance is based on reference obtained from different reports” 32(10.5%) strongly agree, 114(37.5%) agreed and the majority 119(39.1%) disagree on it. However, coming to the interview for the managers’ actual performance of employees is based on the reference obtained from different sources like customer suggestion and comments, from their colleagues and observation from immediate supervisor and mangers. From this it can conclude that actual performance of employees is moderately based on the reference obtained from written, oral and personal observations with rate of 3.0099, helps the rater to get the true picture of employees and helps rates free from subjective judgment.

Regarding the measurement instruments, 24(7.9%) of the respondents have strongly disagree, 100(33%) agree and the mass 142(46.7%) have disagree on measurement instruments applied in performance appraisal. This indicates that the bank doesn’t apply proper performance appraisal instruments to measure the performance of its employees with rate of 2.8158, which implies the raters may unable to measure the actual performance result of employees as a result of improper measurement instruments.

The above table shows that the raters of the bank adequately measure the actual performance result of employees by referring different reports like oral, written and personal observations, which helps the raters to measure the actual performance of employees, helps to avoid biased judgment on performance and motivate employees, However they doesn’t apply appropriate measurement instrument with the rate of 3.1387.

**Table 4.7. Responses attitude on comparing the Actual performance with the Stated Standards.**

<b>5. Comparing the Actual Performance With the Stated standards</b>					
No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
5.1	The raters properly compare the performance results with the established standards	1 Strongly Disagree	23	7.6	2.8717
		2 Disagree	127	41.8	
		3 Neutral	39	12.8	
		4 Agree	96	31.6	
		5 Strongly Agree	19	6.3	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
5.2	The raters have enough knowledge to compare the results to the standards	1 Strongly Disagree	22	7.2	3.0066
		2 Disagree	109	35.9	
		3 Neutral	44	14.5	
		4 Agree	103	33.9	
		5 Strongly Agree	26	8.6	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
5.3	The comparison enables the determination of the gap between the actual and the expected performance.	1 Strongly Disagree	20	6.6	2.7566
		2 Disagree	152	50	
		3 Neutral	32	10.5	
		4 Agree	82	27	
		5 Strongly Agree	18	5.9	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>				<b>2.8783</b>	

**Source:** Questioner Survey Data, May, 2019

As depicted in the above table 127(41.8%) of the respondents disagreed that the raters properly compare the performance result with the established standards, while 96(31.6%) agreed and 39(12.8%) were neutral. This indicates that the raters didn't properly compare the actual performance results of employees with the established standards rather they simply fill out the result with rate of 2.8717, which implies that the raters may not identify the deviations from the standards.

Regarding raters knowledge on comparison of results to the standards 44(14.5%) of the respondents have neutral, 103(33.9%) agreed and the majority 107(35.9%) have disagreed on the raters knowledge to compare the actual performance result with the standards. Therefore the

result shows that rater have moderate level of knowledge to compare the actual performance result of employees with the standards with the mean value of 3.0066, implies that the bank should give training to raters on its performance appraisal system.

The majority of the respondents 152 (50%) shown their disagreement to the statement “The comparison enables the determination of the gap between the actual and the expected performance” while 82(27%) agreed and 32(10.5%) neutral to it. This implies that the comparison is not enough to determine the gap between the actual and expected performance 2.7566. Since, one of the objectives of performance appraisal is employees’ performance improvement, gap between the actual and expected is very important, so the bank unable to identify the performance gap due to poor comparison of performance.

As indicated from the table above the majority of respondents agreed that there is a comparison between the actual performance result with the standards and the comparison is not enough to determine the gap between the actual and expected performance with of the mean of 2.8783. This implies that comparison between actual or desired standard may not disclose the deviation between standard performance and actual performance and doesn’t allow the evaluator to carry on with the discussion of the appraisal with the concerned employees.

**Table 4.8. Respondent’s opinion on performance feedback.**

<b>6. Providing Performance Feedback</b>					
No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
6.1	The evaluators provide constructive feedback to me	1 Strongly Disagree	36	11.8	2.6361
		2 Disagree	156	51.1	
		3 Neutral	14	4.6	
		4 Agree	81	26.6	
		5 Strongly Agree	18	5.9	
		<b>Total</b>	<b>305</b>	<b>100</b>	
6.2	Feedback helps me to identify the weak areas and initiates action to overcome them.	1 Strongly Disagree	29	9.5	2.8066
		2 Disagree	150	49.2	
		3 Neutral	12	3.9	
		4 Agree	79	25.9	
		5 Strongly Agree	35	11.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
6.3	The result of the appraisal is communicated and discussed with the employees on one to	1 Strongly Disagree	38	12.5	
		2 Disagree	158	51.8	
		3 Neutral	15	4.9	

	one basis.	4 Agree	78	25.6	2.6230
		5 Strongly Agree	36	8.2	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
6.4	My raters prepare me psychologically presenting the appraisal results and communicated with lots of positivity.	1 Strongly Disagree	34	11.1	2.5311
		2 Disagree	171	56.1	
		3 Neutral	18	5.9	
		4 Agree	68	22.3	
		5 Strongly Agree	14	4.6	
		<b>Total</b>	<b>305</b>	<b>100</b>	
6.5	The feedback enables me to identify Weakness and strength	1 Strongly Disagree	35	11.5	2.5180
		2 Disagree	178	58.4	
		3 Neutral	10	3.3	
		4 Agree	63	20.7	
		5 Strongly Agree	19	6.2	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>					<b>2.6229</b>

**Source:** Questioner Survey Data, May, 2019

As indicated from the above table, 156(51.1%) of respondent indicated that evaluates or managers didn't provide constructive feedback for the employees regarding performance results, while 36(11.8%) strongly disagree and 81(26.6%) agree on it. Coming to the interview managers respond that they face difficulty to give constructive feedback for the employees due to the ambiguity and non-measurability nature of some parameters. This implies that employees didn't get constructive feedback from their evaluators or managers with the rate of 2.6361.

The level of agreement of respondents to the statement "Feedback helps me to identify the weak areas and initiates action to overcome them" is 35(11.6%) strongly agree, 79(25.9%) agree and the mass 150(49.2%) disagree. From the result shows that the feedback given to the employees doesn't help them to identify weak and to take corrective actions with mean value of 2.8066.

Discussing results is one of the processes of performance appraisal and with this regard, 78 (25.6%) agreed, 38 (12.5%) strongly disagree, the majority 158 (51.8%) disagreed that the result of the appraisal is communicated and discussed with the employees on one to one basis. In the bank's manual also, after the completion of the appraisal, the employees are allowed to see the rating given to him or her and should sign the form. This reveals that there is no discussion on results of the performance appraisal is practiced in Nib International Bank S.C only sign the



result. However, while analyzing the open ended questions' response, even if there is contact to sign performance results, it is only one way because once the appraisal result is given, there will not be any change irrespective of the complaint as the appraiser couldn't agree to receive feedback from the employees and also the top managers or the human resource management will not take the written feedback given from the employee and take corrective action. They also indicated that the discussion is not also timely. This reveals that performance result is not communicated to employees on one to one bases rather are allowed to see the rating given to him or her and should sign the form with rate of 2.

As per presented from the table 4.7 above, 34(11.1%) strongly disagree, 68(22.3%) agree and the majority 171(56.1%) have disagree on raters prepare employees psychologically on presenting appraisal results and communicated with a lots of positivity and when analyzing the open-ended questions response evaluators simply give the appraisal result to sign without giving some highlights about the result. This indicates that the rater doesn't prepare employees psychologically when presenting performance results with mean value of 2.5311.

The finding of the survey indicates that 63(20.7%) of respondents have agreed to the statement "The feedback enables me to identify Weakness and strength" while 35(11.5%) strongly disagree and 178(58.4%) disagreed. Coming to the interview managers face difficulty to provide constructive feedback for their subordinates due to the qualitative nature and ambiguity of some parameters, and subjective nature of parameters. Therefore the researcher concludes that the feedback given to employees unable to identify their strength and weakness with rate of 2.5180.

Based on the aggregate mean 2.6229 the result revealed that the performance feedback given to the employees not constructive and unable to identify weakness and strength. This result the raters unable to know employee strengths and weaknesses, has a very strong impact on employee's self-esteem and, is affect their future performances.

**Table 4.9. Respondents Opinion on Corrective Actions.**

<b>7. Initiating Corrective Actions</b>					
No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
7.1	My raters take corrective actions based on the performance result.	1 Strongly Disagree	23	7.5	3.0984
		2 Disagree	100	32.8	
		3 Neutral	25	8.2	
		4 Agree	138	45.2	
		5 Strongly Agree	19	6.2	
		<b>Total</b>	<b>305</b>	<b>100</b>	
7.2	Decision will be made either to improve the performance or to take the necessary corrective action like promotion, rewards, transfers and the like	1 Strongly Disagree	37	12.1	3.0787
		2 Disagree	87	28.5	
		3 Neutral	32	10.5	
		4 Agree	113	37	
		5 Strongly Agree	36	11.8	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>				<b>3.0886</b>	

**Source:** Questioner Survey Data, May, 2019

As presented from the above table 4.7, 25(8.2%) have neutral, 100 (32.8%) disagree and the majority 138 (45.2%) agreed on raters corrective action. Coming to the interview managers take corrective actions based on the performance result and Human resource department initiate corrective measures. This implies that raters take adequate corrective measures based on the performance results with mean value of 3.

The level of agreement on the statement “Decision will be made either to improve the performance or to take the necessary corrective action like promotion, rewards, transfers and the like” is 37(12.1%) strongly disagree, 87(28.5%) disagree and the majority 113(37%) agreed. However, while analyzing the open ended question result showed that the performance appraisal system of the bank is not for staff development in which instead of providing the necessary training to the poor performers, the bank is only penalizing them from their bonus. The performance appraisal system of the bank is not designed well; they didn’t saw any performance based actions like promotion, demotions or training except the bonus. They have clearly indicated that only the bonus is based on the performance appraisal while training, promotion and demotion are not with rate of 3.0787.

As per the data presented above ratters of Nib International Bank S.C take adequate corrective measures made decision to improve the performance and take the necessary corrective action like promotion, rewards, and transfers with mean value of 3.0886.

#### 4.2.2. Effectiveness of Performance Appraisal Practice

The effectiveness of the performance appraisal practice of Nib International Bank S.C on improving performance of employees is measured based on the following five key requirements for sound appraisal system, these are Relevance, Reliability, Sensitivity, Acceptability and Practicability.

**Table 4.10. Respondents Opinion on Effectiveness s of Performance Appraisal Practice**

No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
2.1	The standards for appraising employees' performance are aligned to the bank's goal and reflect the most important factors in my job	1 Strongly Disagree	16	5.2	3.3377
		2 Disagree	78	25.6	
		3 Neutral	26	8.5	
		4 Agree	157	51.5	
		5 Strongly Agree	28	9.2	
		<b>Total</b>	<b>305</b>	<b>100</b>	
2.2	Consistency of judgment made by different raters reach to similar conclusions about the quality of that worker's output	1 Strongly Disagree	19	6.2	2.6098
		2 Disagree	179	58.7	
		3 Neutral	19	6.2	
		4 Agree	78	25.6	
		5 Strongly Agree	10	3.3	
		<b>Total</b>	<b>305</b>	<b>100</b>	
2.3	The performance appraisal system of the bank is acceptable by me	1 Strongly Disagree	33	10.8	2.6754
		2 Disagree	151	49.5	
		3 Neutral	18	5.9	
		4 Agree	88	28.9	
		5 Strongly Agree	15	4.9	
		<b>Total</b>	<b>305</b>	<b>100</b>	
2.4	The performance appraisal system of the bank is capable of distinguishing high performers from low performers	1 Strongly Disagree	37	12.1	2.6361
		2 Disagree	147	48.2	
		3 Neutral	21	6.9	
		4 Agree	90	29.5	
		5 Strongly Agree	10	3.3	
		<b>Total</b>	<b>305</b>	<b>100</b>	
	The appraisal instruments are	1 Strongly Disagree	24	7.9	

2.5	easy and practicable	2 Disagree	137	44.9	2.8066
		3 Neutral	36	11.8	
		4 Agree	90	29.5	
		5 Strongly Agree	18	5.9	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>					<b>2.8131</b>

**Source:** Questioner Survey Data, May, 2019

Regarding the relevance, 28(9.2%) of the respondents have neutral to the statement “The standards for appraising employees' performance are aligned to the bank’s goal and reflect the most important factors in my job” while 78(25.6%) are disagreed and 157(51.5%) have agreed. This implies that the bank’s standards for appraising employees’ performance are aligned to its goal which is indicative of relevance with rate of 3.3377.

The finding of the survey indicates that 19(6.2%) have strongly disagree on “The performance rating I get is a result of my rater applying performance-rating standards consistently across employees” while 78(25.6%) agree and the majority 179(58.7%) disagree. This implies there is no consistency of judgment in appraisals for given employee made by different raters to reach similar conclusions about the quality of that worker’s output with mean value of 2.6098.

From the table 4.8, shows that 151(49.5%) disagree to the statement “The performance appraisal system of the bank is acceptable by me”, 33(10.8%) strongly disagree and 88(28.9%) of the participant agreed to it. Coming to the interview, the managers the performance appraisal system of the bank should be changes, it is outdated. This indicates that, the performance appraisal system is not acceptable by employees with a mean level of 2.6754.

As per the data presented in the above Table 4.8, 37(12.1%) strongly disagree on the capability of the bank’s appraisal system in distinguishing high performer from low performer which is called sensitivity, while 90(29.5%) agree and the majority 147(48.2%) have disagreed on it. Coming to interview the managerial level respondent’s show their disagreement, the first one is the criteria in the performance appraisal are more behavioral and subjective like the property usage, protocol, cooperativeness which are more related to the working environment instead of technical like the analytical, job knowledge, or the criteria related to the actual output. The other justification of the managerial level respondents is that, most appraisal parameters are not

measurable. The researcher has found the performance appraisal system of the bank is incapable in distinguishing high performer from low performer with rate of 2.6361.

Regarding practicability, the respondents were asked to show their level of agreement on the statement “The appraisal instruments are easy and practicable” 36(11.8%) are neutral, 90(29.5%) have agreed and 137(44.9%) disagreed on it. This implies that the appraisal instruments need certain amendments with mean of 2.8066.

The researcher found that the performance appraisal practice of the bank is aligned to its goal. However, it lacks practicability, sensitivity, acceptability and reliability with mean value of 2.8131.

### 4.2.3. Challenges of Performance Appraisal Practice

**Table 4.11. Respondents Attitude on the Challenges of Performance Appraisal Practice.**

No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
3.1	The rater most of the time is influenced by specific dimension of performance.	1 Strongly Disagree	13	4.3	3.5578
		2 Disagree	45	14.9	
		3 Neutral	43	14.2	
		4 Agree	164	54.1	
		5 Strongly Agree	38	12.5	
		Missing	2		
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.2	The rater overestimates or underestimates the employee’s performance based on sex, age, religion and the like.	1 Strongly Disagree	37	12.2	3.0724
		2 Disagree	74	24.3	
		3 Neutral	49	16.1	
		4 Agree	148	38.8	
		5 Strongly Agree	26	8.6	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.3	Evaluators give the same results to all their subordinates as medium.	1 Strongly Disagree	24	7.9	3.0530
		2 Disagree	98	32.5	
		3 Neutral	34	11.3	
		4 Agree	130	43	
		5 Strongly Agree	16	5.3	
		Missing	3		
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.4	Evaluator made an assessment based on the employee’s first	1 Strongly Disagree	12	3.9	
		2 Disagree	81	26.6	

	impression which may be positive or negative.	3 Neutral	40	13.2	3.2829
		4 Agree	151	49.7	
		5 Strongly Agree	20	6.6	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.5	The raters focusing only on recent performance within the evaluation period.	1 Strongly Disagree	10	3.3	3.4178
		2 Disagree	75	24.7	
		3 Neutral	34	11.2	
		4 Agree	148	48.7	
		5 Strongly Agree	37	12.2	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.6	The raters evaluation of performance is affected by comparisons with other people recently encountered.	1 Strongly Disagree	8	2.6	3.3816
		2 Disagree	80	26.3	
		3 Neutral	33	10.9	
		4 Agree	154	50.7	
		5 Strongly Agree	29	9.5	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.7	Current performance of the employee is evaluated based on the past performance.	1 Strongly Disagree	20	6.6	3.1410
		2 Disagree	97	31.8	
		3 Neutral	37	12.1	
		4 Agree	122	40	
		5 Strongly Agree	29	9.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
3.8	Performance appraisal rating is restricted to either high or low portion of the rating scale.	1 Strongly Disagree	11	3.6	3.3967
		2 Disagree	61	20	
		3 Neutral	52	17	
		4 Agree	158	51.8	
		5 Strongly Agree	23	7.5	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>					<b>3.2879</b>

**Source:** Questioner Survey Data, May, 2019

As depicted from the above table, 43(14.2%) are neutral, 45(14.9) have disagreed and the majority 164(54.1%) agreed on the rater most of the time is influenced by specific dimension of performance. This indicates that the raters most of the time are influenced by specific dimension of the performance with a rate of 3.5578.

The majority of the participants of this study 74 (24.3%) disagreed and 49 (16.1%) neutral and 148 (38.8%) have agreed that based on some characteristics of the employee, the raters give high or low rating time after time. This reveals that there is practice of giving high or low rating of people based on certain characteristics like gender and religion with mean value of 3.0724.

Regarding central tendency, 98(32.5%) have shown their disagreement to the statement “Evaluators give the same results to all their subordinates as medium in order to avoid opposition and rivalries among them”, while 34(11.3%) neutral, 130 (43%) shown their agreement indicating that, employees are given same result among them as medium so as to avoid opposition between them with rate of 3.0530.

About the first impression or primacy effect, 81(26.6%) of the respondents have disagreed, 40(13.2%) neutral and the mass 151 (49.7%) have agreed that the evaluator makes an assessment based of the employee’s first impression which may be positive or negative. This reveals that there is first impression or primacy effect in Nib International Bank S.C with mean of 3.2829.

Out of the total 305 respondents, 75(24.7%) have shown their disagreement to the statement “The raters focusing only on recent performance within the evaluation period” while 37(12.2%) agreed, 148(48.7%) shown their agreement indicating that in Nib International Bank S.C, raters focusing only on recent performance of employees with a rate of 3.4128.

From the table above shows that, 33(10.9%) neutral, 80(26.3%) have disagreed and the majority 154(50.7%) agreed on that the rater lets another employee’s performance influence the ratings that are given to someone else with arte of 3.3816.

Regarding the spillover effect, 97 (31.8%) of the respondents have shown their disagreement, 37(12.1%) neutral, and 122 (40%) agreed that their current performance is evaluated based on their past by assuming the good performer in the past is still good and the bad employee in the past are still bad performer implying that the bank’s performance appraisal system has spillover effect with a mean of 3.1410.

About strictness or Leniency 61 (20%) have disagreed to the statement “In some branches performance appraisal rating is restricted to either high or low portion of the rating scale and resulting in high or low rates in that specific branch” while 52(17%) neutral and the majority

158(51.8%) have agreed. This can clearly indicate that there is strictness or Leniency in the performance appraisal system of the bank 3.3967.

The above table shows that the Nib International Bank S.C performance appraisal practice is found to have judgmental errors like Halo effect, stereotyping, central tendency, recency, first impression or primacy effect, spillover effect, strictness or leniency and contrast effect with aggregate mean value of 3.2879.

### 4.3.Perception of Employees on Fairness of Performance Appraisal

**Table 4.12, Respondents Perception on Fairness the Performance Appraisal Practice.**

No.	Statements	Level of agreement	Frequency	Valid Percent	Mean
4.1	The standards may be tailored or revised in the light of feedback obtained from me.	1 Strongly Disagree	36	11.8	2.5869
		2 Disagree	155	50.8	
		3 Neutral	25	8.2	
		4 Agree	77	25.2	
		5 Strongly Agree	12	3.9	
		<b>Total</b>	<b>305</b>	<b>100</b>	
4.2	There are ways to appeal a performance rating that I think is biased or inaccurate	1 Strongly Disagree	29	9.5	2.6525
		2 Disagree	157	51.5	
		3 Neutral	24	7.9	
		4 Agree	81	26.6	
		5 Strongly Agree	14	4.6	
		<b>Total</b>	<b>305</b>	<b>100</b>	
4.3	The weights assigned to the evaluation criteria are fair	1 Strongly Disagree	30	9.9	3.0230
		2 Disagree	105	34.5	
		3 Neutral	19	6.3	
		4 Agree	128	42.1	
		5 Strongly Agree	22	7.2	
		Missing	1		
		<b>Total</b>	<b>305</b>	<b>100</b>	
4.4	The evaluators or managers properly identify the deviation of my performance from the established standards	1 Strongly Disagree	26	8.6	2.2650
		2 Disagree	166	54.6	
		3 Neutral	19	6.3	
		4 Agree	82	27	
		5 Strongly Agree	11	3.6	
		<b>Total</b>	<b>305</b>	<b>100</b>	
	My raters take proper action	1 Strongly Disagree	20	6.6	



4.5	which stated before on the standards	2 Disagree	183	60	2.5410
		3 Neutral	25	8.2	
		4 Agree	71	23.3	
		5 Strongly Agree	6	2	
		<b>Total</b>	<b>305</b>	<b>100</b>	
<b>Aggregate Mean</b>				<b>2.6137</b>	

**Source:** Questioner Survey Data, May, 2019

As indicate form the above table, 36(11.8%) strongly disagree, 77(25.2%) agree and the majority 155(50.5%) of the respondent disagreed that the standards may be tailored or revised in the light of feedback obtained from me, in addition when analyzing the open ended questions the standards are developed by the Human resource department of the bank, the employees feedback didn't get acceptance. This implies that standards don't revise in light of the employee's feedback with the rate of 2.5829.

The finding of the survey indicates that 81(26.6%) are neutral, 29(9.5%) strongly disagreed and the majority 157(51.5%) disagreed that ways to appeal a performance rating that I think is biased or inaccurate. Furthermore, interview results showed that, even though there is a chance of checking the performance result, there is no way of acceptance of appeal by the raters also there is no clear information to the employees on where to complain as the rater block the way by making them to sign on the performance appraisal report. This infers that, the bank doesn't allow employees to appeal a performance rating that they think are biased or inaccurate with mean of 2.6525.

The majority of the participants of this study 128 (42.1%) have shown their agreement on the weights assigned to the evaluation criteria are fair, while 105(34.5%) of the respondents have disagreement to this and 30 (9.9%) strongly disagree to it, which indicates in Nib International Bank S.C, assign fair evaluation criteria for appraisal parameters with rate of 3.0230.

The above table shows that, 26(8.6%) strongly disagree, 82(27%) agree and the majority 166(54.6%) disagree on that the evaluators or managers properly identify the deviation of my performance from the established standards. From this the researcher concludes that the evaluators of the bank don't properly identify the deviations of the employee's performance from the established performance with mean of 2.2650.

Regarding raters actions, 25(8.2%) are neutral, 71(23.3%) agreed and the majority 183(60%) disagreed on raters action which stated before on the standards. This implies that the raters didn't take proper actions.2.5410.

From this the researcher can conclude that the employees of the Nib International Bank S.C perceived that the performance appraisal practice of the bank is unfair with mean value of 2.6137. This Revealed that employees' satisfaction on performance appraisal is affected, employees attitude and behavior in achieving their goals is also affected.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

From the data analysis made in the previous chapter, the major findings are summarized, conclusion drawn and further recommendation forwarded in this chapter.

#### 5.1. Summary of the Major Findings

Based on the discussion and data interpretation undertaken in the previous chapter, the following summaries of major finding are presented:

- ✓ The result shows that the performance appraisal of the bank is highly in line with the strategic objective of the bank and employees performance highly support the overall objective with a mean level of 3.8149.
- ✓ It was observed that the performance appraisal practice of Nib International Bank S.C begins with setting performance standards without the involvement of employees. However, the standards are low level of clarity and measurement with mean level of agreement 3.1090.
- ✓ The result shows that there is ineffective communications on performance standards between the evaluators and employees with the rate of 2.5623.
- ✓ It was observed that the raters of the bank adequately measure the actual performance result of employees by referring different reports like oral, written and personal observations, However they doesn't apply appropriate measurement instrument with the rate of 3.1387.
- ✓ Majority of respondents agreed that there is moderate level of comparison between the actual performance result with the standards and the comparison is not enough to determine the gap between the actual and expected performance with of the mean of 2.8783.
- ✓ The result of the study revealed that the performance feedback given to the employees not constructive and unable to identify weakness and strength of employees with mean value of 2.6229.
- ✓ The study result shows that the ratters of Nib International Bank S.C take adequate corrective measures made decision to improve the performance of employees and take the necessary corrective action like promotion, rewards, and transfers with mean value of 3.0886.

- ✓ The researcher found that the performance appraisal practice of the bank is aligned to its goal, However, it lacks practicability, sensitivity practicability and reliability with mean value of 2.8131
- ✓ The above table shows that the Nin International Bank S.C performance appraisal practice is found to have judgmental errors like Halo effect, stereotyping, central tendency, recency, first impression or primacy effect, spillover effect, strictness or leniency and contrast effect with mean value of 3.2879.
- ✓ The result shows that the employees of the Nib International Bank S.C perceived that the performance appraisal practice of the bank is unfair with mean value of 2.6137

## **5.2. Conclusions**

Based on the basic research questions and research specific objectives the following conclusions are drawn:

Performance appraisal system have 6 steps as indicated in the literature review parts of the study, while checking the presence of these steps in Nib International Bank S.C, it is found that there is a practice of setting the performance expectations or standards at the beginning of performance appraisal process by human resource department of the bank without the involvement of employees. The study found that there is poor communication of standards between employees and raters. However, the bank is using the same performance appraisal criteria (which are more behavioral) to all clerical employees for several years without making adjustment. Moreover, since these criteria are subjective they lead to a biased judgment. There is no discussion on results of the performance appraisal, the feedback doesn't help them to identify weak areas and to take corrective actions and there is no action is taken based on the performance appraisal result like improving the future performance of the employees' or motivating employees by promoting except bonus payment and job increments.

Regarding to the appraisal system of Nib International Bank S.C., the system has relevance, it lacks reliability, the practicality, sensitivity and acceptability. In addition the researcher found that all the clerical employees are evaluated with the same criteria irrespective of their position. Also the criteria are found to be more general, subjective and behavioral parameters which can't measure the technical knowledge of the employee as a result it is found that the performance appraisal system of the bank is ineffective and requires making adjustments on the existing performance appraisal system.

The study has found that the Nib International Bank S.C, performance appraisal system is found to have judgmental errors; Halo effect, stereotyping, first impression or primacy effect, recency, contrast effect, central tendency, spillover effect and strictness or leniency. Moreover, the performance evaluation is highly influenced by personal relationship. In addition the performance appraisal forms are not clear and rating form ignores important aspects of job performance.

The perception of employees on performance appraisal practice of Nib International Bank .S.C, employees have the opportunity to see their performance result, this doesn't mean that the bank has proper performance appraisal system, because the standards don't revise in light of the employee's feedback and the bank doesn't allow employees to appeal a performance rating that they think is biased or inaccurate. Even if the bank assigns fair evaluation criteria for appraisal parameters, the evaluators of the bank don't properly identify the deviations of the employee's performance from the established performance and the raters didn't take proper actions.

### **5.3. Recommendations**

Based on the summary of findings and conclusions drawn above, the following recommendations are made for the banks management considerations:

- The banks performance appraisal parameters was developed before ten year and lacks measurability and more of behavioral, The bank has recommended to revise its performance appraisal form and manuals which was designed ten years back and appraisal criteria by adding more technical and measurable performance parameters and make to be aligned with the job description of employees so as to get acceptance on the employees as well as to ensure the effectiveness on improving employees performance of the performance appraisal system of the bank.
- One important elements of performance appraisal is steps that organizations follow to recognize performance appraisal practice. In order to generate accurate and reliable data of employees' performance on Nib International Bank S.C, it is recommended to apply proper steps of performance appraisal system.

- The raters of the bank lack knowledge on comparing actual performance with the standards, the bank is recommended to provide sufficient training to rater on the job content of the employee under evaluation so as to understand the job requirements of the employees avoid judgmental errors and giving a fair result.
- Performance appraisal system of the bank is found to have judgmental errors, as the bank industry is customer based and different parties involved, it is better to use 360 degree appraisal method where inputs will be taken from customers, peers, supervisors, team leaders and subordinates so as to get necessary information or feedback regarding performance of the employee and helps the raters to minimize such judgmental errors.
- It will be better if the bank arranges clear and proper ways to appeal a performance rating which the employees think is biased, also it will be better if the complaints of the employees are given feedback and if there is a way to revise the performance appraisal of the employee which proved in correct so as to meet the employees' perception of fairness.
- From the finding of the research the measurement parameters of the bank are more of subjective, in addition to making the criteria of performance appraisal based on the job description, it will also be better to avoid the subjective criteria so that the performance appraisal will be based on the quality and quantity of the employees' work and will also minimize the influence of interpersonal relationship on performance appraisal.

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# *Appendixes*

## *Appendix One-Questioner*

*St. Mary's University*

*School of Graduate Studies*

### *Questionnaire to be filled by Respondents*

Dear Respondents:

The purpose of this questionnaire is to collect primary data for conducting a research entitled: *"Assessment of Performance Appraisal Practice and Challenges in case of Nib International Bank S.C."* for the Partial Fulfillment of MBA in General Management. In this regard I kindly request you to provide me reliable information for the said research. I strongly assure you that the information you provide will be used only for academic purpose and will be kept confidential.

I would like to extend my deep appreciation in advance for being a volunteer to devote your valuable time in filling this questionnaire.

Sincerely Yours, **Berihun Kassa.**

#### **Part I. Personal Profile of the Respondents**

***Instruction:*** For each items listed below please tick (✓) in the appropriate box which fits you.

1. Gender: Male  Female

2. Age: Below 25  26-35  36-45  46-55  56 & above

3. Educational Background: Diploma  First Degree  Master & above

4. Job experience: 1 - 2 years  3 - 4 year  5 - 7 years  8 - 10 years   
above 10 Years

5. Job position: Please specify-----

## Part II: Opinion Survey Regarding Performance Appraisal

For each of the following statement listed below please show the extent of your agreement by putting “√” mark using the following rating scale; *1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree*

### 1. Organizational Strategic Objectives

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1.1.	The performance appraisal is in line with the banks strategic objective.					
1.2	My job is directly contribution towards objectives of the organization.					
1.3	Employee’s performance objectives support the overall corporate objectives.					
1.4	My overall performance is part of the overall success of the organization					

### 2. Performance Standards

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
2.1	The performance appraisal process begins with setting of performance standards and expectations					
2.2	The standards used to evaluate employee’s performance are clearly defined prior to the evaluation process					
2.3	The standards set are evolved on job descriptions					
2.4	Performance appraisal standards are clear and measurable					
2.5	The standards for appraising employees' performance are aligned to the bank’s goal and reflect the most important factors in my job (Relevance)					

### 3. Communicating Performance Standards

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
3.1	Standards for performance are clearly communicated.					
3.2	There is an effective communication between me and my rater regarding to standards and expectations					
3.3.	The standards may be tailored or revised in the light of feedback obtained from me.					
3.4	There are ways to appeal a performance rating that I think is biased or inaccurate					

### 4. Measuring Actual Performance Result

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
4.1	My performance was measured based on the established performance standards.					
4.2	My rater has enough knowledge regarding performance appraisal system.					
4.3	Actual performance is based on reference obtained from different reports such as written, oral and through personal observation.					
4.4	My rater applies appropriate measurements instruments					
4.5	Consistency of judgment made by different raters reach to similar conclusions about the quality of that worker's output (Reliability).					
4.6	The performance appraisal system of the bank is acceptable by me (Acceptability)					
4.7	The performance appraisal system of the bank is capable of distinguishing high performers from low performers (Sensitivity)					
4.8	The appraisal instruments are easy and practicable (Practicability)					
4.9	The weights assigned to the evaluation criteria are fair					

**5. Comparing the Actual Performance With the Stated standards**

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
5.1	The raters properly compare the performance results with the established standards					
5.2	The evaluators or managers properly identify the deviation of my performance from the established standards					
5.3	The raters have enough knowledge to compare the results to the standards					
5.4	The comparison enables the determination of the gap between the actual and the expected performance.					

**6. Providing Performance Feedback**

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
6.1	The evaluators provide constructive feedback to me					
6.2	Feedback helps me to identify the weak areas and initiates action to overcome them.					
6.3	The result of the appraisal is communicated and discussed with the employees on one to one basis.					
6.4	My raters prepare me psychologically presenting the appraisal results and communicated with lots of positivity.					
6.5	The feedback enables me to identify Weakness and strength					

### 7. Initiating Corrective Actions

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
7.1	My raters take corrective actions based on the performance result.					
7.2	Decision will be made either to improve the performance or to take the necessary corrective action like promotion, rewards, transfers and the like					
7.3	My raters take proper action which stated before on the standards					
7.4	My performance ratings can be changed if I can show that it is incorrect or unfair.					

### 8. Challenges of Performance Appraisal

S/N	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
2.1	The rater most of the time is influenced by specific dimension of performance(Hallo effect)					
2.2	The rater overestimates or underestimates the employee's performance based on sex, age, religion and the like (Stereotyping )					
2.3	Evaluators give the same results to all their subordinates as medium (Central Tendency).					
2.4	Evaluator made an assessment based on the employee's first impression which may be positive or negative (First Impression or Primacy Effect)					
2.5	The raters focusing only on recent performance within the evaluation period					
2.6	The raters evaluation of performance is affected by comparisons with other people recently encountered (Contrast Effects)					
2.7	Current performance of the employee is evaluated based on the past performance (Spillover effect)					
2.8	Performance appraisal rating is restricted to either high or low portion of the rating scale (strictness or Leniency)					

For what purpose do you think of Performance Appraisal is conducted-----

-----  
-----  
-----

Please state any ideas which you think important with regard to the process of performance appraisal-----

-----  
-----

Please indicate any ideas which you think important regarding challenges of performance appraisal practice -----

-----  
-----

Please state any ideas which you think important for fairness of performance appraisal -----

-----  
-----  
-----

What problem do you observe on the performance appraisal system of the bank?-----

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-----  
-----

Please state any idea which you think to be changed regarding performance appraisal practice of NIB?-----

-----  
-----  
-----

What are the major Problems on the performance appraisal practice of the bank? -----

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-----  
-----

## *Appendix –Two*

### *Interview Questions for Managers*

1. What is the process of the bank follow for performance appraisal practice?
2. For what purpose the performance appraisal is conducted?
3. What performance appraisal method the banks follow? Why?
4. How does the performance appraisal standard derived?
5. Do managers encourage employee to participate in setting performance standards? If yes how, if not why?
6. How often performance appraisal is conducted in a year?
7. What are the major challenges of performance appraisal in Nib International Bank S.C? Explains it?
8. Do you think that the performance evaluation system of your organization is serving its purpose? If not why?
9. Do you think that the performance evaluation system differentiates effective performers from non-performers at all levels? How?
10. How do you communicate the performance appraisal Results of the employees in your organization?
11. What is your general idea about the performance appraisal practice of the bank?



## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Shoa Jemal. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Berihun Kassa

Name

**St. Mary's University, Addis Ababa**

\_\_\_\_\_

Signature

**July, 2019**

## ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate studies for examination with my approval as a university advisor.

Shoa Jemal

\_\_\_\_\_

Advisor

Signature

**St. Mary's University, Addis Ababa**

**July, 2019**