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IMPACT OF PERFORMANCE APPRAISAL ON MOTIVATION, EMPLOYEE COMMITMENT& ORGANIZATIONAL EFFECTIVENESS IN BANKS OF UTTARAKHAND

Prof S.P.Singh

Shikha Rana

ABSTRACT The present study examined the impact of performance appraisal on the motivation, employee commitment and organizational effectiveness in banks of Uttarakhand. 477 bank employees were randomly selected from 12 scheduled commercial banks of Uttarakhand state in India. The results of the study concluded that performance appraisal has a significant and positive impact on the motivation, employee commitment and organizational effectiveness in banks.

KEYWORDS : Performance Appraisal; Motivation; Organizational Commitment; Organizational Effectiveness

Introduction

Performance appraisal is considered as the most important Human Resource Activity which lays foundation for many other functions like promotion, salary increment, training & development, succession planning and many more. Performance appraisal is a practice which widely used by both public as well as private sector organizations. Nowadays organizations consider their workforce as an asset, therefore responsible to satisfy their internal customers i.e., employees. Today there are a number of organizations that use performance appraisals strategically to support company goals and values, better focus employee efforts, and align employee performance with the company mission. Companies and researches have increasingly stressed the use of the employee evaluations for motivational and organizational planning purposes (Filiz K. McNamara, 2011). Performance appraisal has been examined in relation to its

* Professor, Faculty of Management Studies, Gurukul Kangri University, Haridwar, Uttarakhand, India.

** Research Scholar, Faculty of Management Studies, Gurukul Kangri University, Haridwar, Uttarakhand, India.

purposes as various researchers have revealed that performance appraisal has lost its effectiveness because of the ignorance of its purposes & and even the stakeholders associated with performance appraisal do not have any clarity about the purposes of performance appraisal (Decotiis & Petit, 1978; Ilgen et al., 1993; Kluger & Denisi, 1996). Various studies on performance appraisal has stressed on the training of raters. French (1990) claimed that there is no substitute for training, which can reduces the occurrence of rating errors and improve reliability and validity. Further, researchers have stated that raters' training is a nonstop practice to attain maximum effectiveness of performance appraisal (Dev Kumar, 2005; Caruth & Humphreys, 2008). The available literature on performance appraisal has also revealed that effectiveness of performance appraisal is directly linked with management commitment towards it (Ilgen, Barnes-Farrell, & Mckellin, 1993; Longenecker & Fink, 1999; Punia & Siwatch, 2009).

Performance appraisal has also been studied in context to motivation as Ojokuku (2013) revealed that performance appraisal has a significant impact on motivation of employees as its outcomes are directly linked with' promotion prospects and financial rewards. Further, Leonina & Patricia (2013) linked performance appraisal with Vroom expectancy theory and concluded that employee performance appraisal has a positive impact on their expectancy which in turn influences their job motivation Available literature has also studied performance appraisal in relation to organizational commitment. Fairness in performance appraisal increases the employee commitment, satisfaction and involvement in an organization (Tang et al, 1996). Further, Kumar & Krishnaveni (2008) proclaimed that effective human resource practices increases the level of commitment of employees working in an organization.

Organizational effectiveness has been studied by various researchers in context to various approaches. Thorndike (1949) revealed that effectiveness may be determined in terms of profits and productivity. Further, quality of work life and organizational culture emerged as predictors of organizational effectiveness (Macy & Mirvis, 1976). Later Cameron (1986) revealed that role ambiguities and loosely defined in an organization leads to reduced effectiveness of an organization.

Despite these studies, very few researchers studied the impact of performance appraisal on employee motivation, organizational commitment and organizational effectiveness of banks Hence, in order to fill this research gap the present study was conducted linking performance appraisal with employee motivation, organizational commitment and organizational effectiveness of banking industry.

Objectives

- To estimate the impact of performance appraisal on the employee motivation of bank employees of banks in Uttarakhand.
- To explore the impact of performance appraisal on the organizational commitment of bank employees in Uttarakhand.
- To measure the impact of performance appraisal on organizational effectiveness of banks in Uttarakhand

Hypotheses

H0 (1): Performance Appraisal has no significant impact on the motivation of Bank employees.

H0 (2): Performance Appraisal has no significant impact on the commitment of bank employees.

H0 (3): Performance Appraisal has no significant impact on the organizational effectiveness of banks.

Methods

This study employed the ex-post-facto survey design. This design is suitable for the study as it sought to examine the impact of performance appraisal on the employee motivation, organizational commitment and organizational effectiveness of banks. 477 bank employees of managerial level of 12 scheduled commercial banks were randomly selected from the five districts of Uttarakhand namely Dehradun, Haridwar, Rudraprayag, Nainital and Udhamsingh Nagar

Measures

Performance Appraisal Scale

In order to measure performance appraisal a questionnaire was adapted (B.K.Punia, 2009) consisted of 34 items measuring 5 dimensions of performance appraisal namely, awareness of existing performance appraisal, significance of existing performance appraisal, fairness in appraisal, views towards rater & performance based payment practices. Five Point Likert Scale was used to measure the items ranging from 1=Strongly Disagree to 5= Strongly Agree. The Cronbach Alpha reliability value was 0.902.

Employee Motivation Scale

Questionnaire on employee motivation was designed and validated which consisted of 16 items measuring 4 dimensions namely Affiliation, Autonomy, Job Security and Rewards & Recognition. The items were rated on Five Point Likert Scale ranging from 1= Strongly Disagree and 5= Strongly Agree. The Cronbach Alpha reliability value for this scale was 0.889

Organizational Commitment Scale

Allen & Meyer (1991) scale was adopted to measure the Organizational Commitment The scale consisted of 16 items measuring 2 dimensions of organizational commitment namely affective commitment & continuance commitment. The items were rated on Five Point Likert Scale ranging from 1=Strongly Disagree to 5= Strongly Agree. The Cronbach alpha reliability of the scale was 0.887

Organizational Effectiveness Scale

Questionnaire on organizational effectiveness by Kim Cameron (1978) was adapted consisted of 17 items measuring 4 dimensions namely Employment Satisfaction, Professional Development & Quality of Employees, System Openness and Community Interaction and Organizational Health. 5 point Likert scale ranging from 1=strongly disagree to 5= strongly agree was used for the purpose of measuring the items of this scale. The Cronbach alpha value of the scale was 0.831

Administration

The instruments were administered on the selected respondents of managerial level of both public sector and private sector banks of Uttarakhand. A total of 600 questionnaires were personally distributed. Out of 600 questionnaires 489 were recovered giving a return rate of 81.5%. Out of 489 responses, 12 responses being incomplete were discarded by the researcher. So, 477 questionnaires were utilized for the study.

Data Analysis & Interpretation

The data collected was analyzed using percentages, frequencies, Multiple Regression Analysis. The dependent variables were employee motivation, organizational commitment and organizational effectiveness while the independent variable was performance appraisal

Results

Table 1 presents the demographic profile of the respondents

Table: 1 Demographic profile of the respondents

Demographic Variables		Frequency	Percentage
Gender	Male	312	65.4
	Female	165	34.6
Age	20-30	180	37.7
	30-40	211	44.2
	40-50	28	5.9
	Above 50	58	12.2
Qualification	Graduation	96	20.1
	Post Graduation	183	38.4
	Professional Qualification	198	41.5
Managerial Level	Junior Level Managers	130	27.3
	Middle Level Managers	277	58.1
	Top Level Managers	70	14.7
Total Experience	0-10years	376	78.8
	10-20years	37	7.8
	20-30years	34	7.1
	Above 30 years	30	6.3
Nature of the Organization	Public Sector Banks	390	81.8
	Private Sector Banks	87	18.2

Table No.1 shows that majority of employees working in the banks of Uttarakhand were males in the age group of 30-40 years and professionally qualified working at middle-level management having an experience of less than 10 years employed in public sector banks.

Testing of Hypotheses

Ho (1): Performance Appraisal has no significant impact on the motivation of bank employees.

The regression analysis was performed on the data obtained from the selected respondents. The Table 2 presents the results of multiple regression analysis.

Table 2 Multiple Regression Analysis

VARIABLES	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	-63.252	5.079		-12.453	.000
Awareness	.478	.144	.096	3.322	.057
Significance	.933	.111	.151	4.933	.085
Fairness	.775	.157	.257	8.408	.000*
Views towards rater	1.131	.106	.348	10.651	.000*
Performance based pay	.948	.077	.377	12.268	.000*

*Multiple Regression is significant at the 0.05 level.
Dependent Variable: Employee Motivation
R= .816, R2= .743, Adjusted R2= .728
F-Test Value (162.921, p< 0.0001)

Ho (2): Performance Appraisal has no significant impact on the organizational commitment of bank employees.

The regression analysis was performed on the data obtained from the selected respondents. Table 3 presents the results of multiple regression analysis.

Table 3 Multiple Regression Analysis

VARIABLES	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		

Constant	-59.351	4.047		-13.883	.000
Awareness	.526	.137	.406	13.428	.045*
Significance	.811	.119	.157	9.677	.078
Fairness	.675	.112	.361	11.391	.000*
Views towards rater	.810	.102	.241	9.670	.030*
Performance based pay	1.001	.105	.134	8.177	.061

*Multiple Regression is significant at the 0.05 level.
Dependent Variable: Organizational Commitment
R= .880, R2= .775, Adjusted R2= .775
F-Test Value (168.446, p< 0.0001)

Ho (3): Performance Appraisal has no significant impact on the organizational effectiveness of banks.

The regression analysis was performed on the data obtained from the selected respondents. Table 4 presents the results of multiple regression analysis.

Table 4 Multiple Regression Analysis

VARIABLES	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	61.351	4.047		14.463	.000
Awareness	.545	.123	.380	12.111	.040*
Significance	1.131	.101	.045	3.561	.068
Fairness	.875	.181	.351	11.391	.000*
Views towards rater	.930	.137	.355	11.401	.010*
Performance based pay	.945	.111	.127	7.433	.031*

*Multiple Regression is significant at the 0.05 level.
Dependent Variable: Organizational Effectiveness
R= .753, R2= .621, Adjusted R2= .603
F-Test Value (153.297, p< 0.0001)

The multiple regression analysis was performed on the data collected from the respondents of banks to estimate the impact of performance appraisal on the employee motivation (Table 2), organizational commitment (Table 3) and organizational effectiveness (Table 4) of banks in Uttarakhand. A significance level of 5 per cent was used for the analysis.

As, the value of $p < 0.05$ for the fairness in performance appraisal, views towards rater and performance based payment practices, therefore it may be inferred that performance appraisal have a significant impact on the motivation of bank employees. The F-Test value indicates that the model is significant (Table 2).

Table 3 shows that the awareness of performance appraisal ($p < .05$), fairness in performance appraisal ($p < .05$) & views towards rater ($p < .05$) had a significant impact on the organizational commitment of bank employees. The F-Test value shows that the model is significant Table 4 indicates that the awareness of performance appraisal (p= .040), fairness in performance appraisal (p = .000), views towards rater (p = .010) and performance based pay (p= .031) significantly predicted the organizational effectiveness of banks. A significant model emerged according to F-Test value.

Results & Discussion

The results of the study indicated that performance appraisal had a significant impact on motivation.. These results are supported by findings of previous studies which proclaimed that performance appraisal is a significant predictor of employee motivation (Singh and Rana, 2014; Kofi Osei Akuoko, 2012). Further, fairness in performance appraisal emerged as a significant predictor of motivation. Earlier studies confirm this finding as Christian Jonathan Cowandy (2014) found that fair performance appraisal had a significant impact on the employee motivation and satisfaction with performance appraisal. The study also reported that performance based payment practices had a significant impact on employee motivation. Previous research confirm this finding as Prowse and Prowse (2009) concluded that performance based rewards motivates the employees and make them committed towards appraisal process. On the contrary there was a study which did not support the findings of the present study as Umihanic and Cebic (2012) stated that performance appraisal did not have any significant impact on employee motivation.

Further, the present study also concluded that performance appraisal had a significant impact on the organizational commitment of employees. These results are in tune with the findings of previous researches which found that performance appraisal is a significant predictor of organizational commitment (M.G.Shahnawaz and Rakesh Juyal, 2006; Ram Kumar and Krishnaveni, 2008). In the present study the awareness of performance appraisal emerged as a significant predictor of performance appraisal. Earlier study confirm this finding as Singh & Rana (2015) revealed that awareness of the mechanism of performance appraisal significantly predicted the organizational commitment of employees. In the present study, the fairness of performance appraisal had a significant impact on the organizational commitment of employees. This finding is supported by the finding of previous research which concluded that fair performance appraisal and feedback of performance results had a significant impact on organizational commitment of employees (Thanuja Rathanveera, 2010). The present study also revealed that views towards rater significantly predicted the organizational commitment of employees. The finding is supported by the results of previous studies which revealed that employee's perception towards rater for being treated with dignity in performance appraisal leads to organizational commitment of employees (Farnadale et al, 2010). However, there was a contradictory study which found that performance appraisal had no significant impact on the organizational commitment of employees (Guy Paré, et al, 2001).

The study, further, reported that performance appraisal had a significant impact on the organizational effectiveness of banks. These findings are in tune with the inding o previous research which found that performance appraisal significantly predicted the organizational effectiveness.

Implications

In the present study performance appraisal significantly predicted the employee motivation, organizational commitment and organizational effectiveness in banks of Uttarakhand The study has the following implications in four areas of performance appraisal in the banking organizations namely the awareness of existing appraisal, fairness in the appraisal, views towards rater & performance-based payment practices.

There is need for the banking organizations to enhance the employee participation in performance appraisal process by making employees aware about the performance appraisal programme. The employees are involved in setting the expected goals and objectives aspects of performance appraisal. Further, there is a requirement to give due importance to fairness in performance appraisal as this lays strong foundation of trust among employees and bank administration.Another implication is for raters who plays a major role in performance appraisal. The outcome of performance appraisal depends largely on the perception and evaluation of rater. Therefore, rater must incorporate those behaviors which enhance the performance of ratee. Lastly, these

banking organization must enhance the performance-based payment practices as this increases the interest of employees in the organization.

These factors motivates and enhances the organizational commitment of bank employees and leads to improved effectiveness of these banking organization.

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