Impact of performance appraisal on job satisfaction in banking sector of Pakistan.

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ABSTRACT:
Performance Appraisal is one of the key important factor which is practice by human resources management of every successful organization. The purpose of this research is to identify the factors impacting the employee satisfaction level by discussing the variables like performance appraisal, motivation, potential and competency. The research data was collected through 100 banking employees the outcome of research paper is analyzed statically by descriptive, correlation and regression by using the SPSS software.
This research investigate the level of job satisfaction of banking employees with is really depends on organization performance appraisal system because Job satisfaction is a positive attitude and feeling that employee have towards their job. When an employee have a high job satisfaction it shows that employee likes their job, feel good for job and value it. Job satisfaction is major technique used to motivate the employee towards their job.
The findings prove that employees who are satisfied with their performance appraisal of organization are also highly satisfied with their job and highly commit their self to achieve organizational goals and objectives. The research outcomes show that there is a positive and appropriate relationship between performance appraisal system of organization and employee job satisfaction.

Keywords: performance appraisal, job satisfaction, motivation, potential, competency.

1. INTRODUCTION:
For every organization employee satisfaction is very important to run the organization in a proper way. Lock and Lathan (1976) determine that employee job satisfaction is a positive attitude regarding performance appraisal which result bring good working environment and employee commit their self for achieving organizational goals and objectives.
Cole (2002) argues that performance appraisal is a process to assign the duties and responsibilities equally for employees. Employee appraisal result obtained by job performance, employee attitude and characteristics. According to Berman (2005) performance appraisal is very essential for succession and career planning for employee jobs and as well as for organization. Effective and fair practice of performance appraisal can bring motivation, employee behavior and attitude development and align individual goals with organizational goals and this will bring positive relationship between employee and management.
Employee formal performance appraisal mostly schedule annually or semiannually. According to Ahmed (2010) the performance appraisal system is a core mechanism of human resources development (HRD), which is design and utilize for the growth and development of employees and for organization also. Performance appraisal system is used to determine whether employees are performing their task and duties as per the expectations of supervisors.
Employee’s performance assessment is one of the common practice in every organization. It is necessary for the better performance of employee and organization. (Seldom, Ingraham & Jacobson, 2001) examined that more than 90% of bigger organization follow performance appraisal system and more than 75% are schedule annually. For organizational success, employee satisfaction must be there. The research conducting by (Malik, Bibi, and Rahim, 2010) and examines that employee enjoy working and strive to work in organizations which provide positive work environment where they observe they are making difference and people in organization are potential and able to move organization forward.
In last ten years, the number of research was found that the effect of employee performance appraisal system was increased. The study conducted by (Brown, 2010) and examined that there was a direct relationship among the performance appraisal satisfaction and employee outcomes, which creates job satisfaction among employees.

1.1. PROBLEM STATEMENT:
Performance appraisal plays an important role in employee job satisfaction which develops motivation, potential, commitment and loyalty towards organization. In Pakistan there is a research gap about the importance of performance appraisal and its major impact on organization so to disclose that gap we are finding the impact of performance appraisal on job satisfaction of banking sector of Pakistan.

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1.2. RESEARCH QUESTION:
Previous researches shows that performance appraisal is related to the job satisfaction but it mostly focus on the motivation but still there is a research gap in Pakistan. The search question of this study is:

• What is the level of job satisfaction of bank employees of Pakistan?
• What is effect of performance appraisal of bank employees of Pakistan?
• Is there a relationship between performance appraisal and job satisfaction?

1.3. OBJECTIVE OF STUDY:
The main purpose of this study is:

• To assess the performance appraisal and its impact on employees performance of bank employees of Pakistan.
• To study the relationship between performance appraisal and job satisfaction.
• To study that, how the performance appraisal is an effective tool for achieving the effectiveness and efficiency of organization.
• To study the performance appraisal transformation from traditional to modern.
• The study will help the students, managers and employees of banking sector of Pakistan.

1.4. SIGNIFICANCE OF STUDY:
The findings of this study will help the organization to understand the challenges of performance appraisal and its influence on employee performance. This will improve the employee appraisal process. This study provide guidance to the organization that effective performance appraisal can satisfy their employees and which lead them towards organizational commitments and organization can effectively and efficiently achieve their goals.

1.5. LIMITATIONS OF THE STUDY:
There are some limitations and shortcomings in this study, which are as follows:

• This study used secondary data so probability of errors in measuring the variables may have been hold in the research.
• The study focus on small sample size.
• The main restriction of this research is that this study is conducted within a short period of time and on a work place environment that restricted the researcher to consider more variables.
• This study is limited for employees of banking sector of Pakistan.
• At the same time other limitation are the biasness of respondents in filling the questionnaires.

2. LITERATURE REVIEW:
There are several research work have been done in many countries like turkey, Netherland, US, UK, Australia, Malaysia, Bangladesh, Singapore and many more to represent the importance of performance appraisal in different sectors like banking, telecommunication, educational, non-profit organization and health. This research highlight the major impact of performance appraisal on job satisfaction of employees which force them to commit their selves towards the organization.

Vroom (1964) sought to find out the casual relationship between job satisfaction and other factors such as employee attitude and behavior which consider at the time of appraise the employee. Job dissatisfaction create negative attitudes and job satisfaction positive and favorable attitudes. The data was collected through open handed questionnaire and the audience were the employees of Kenya commercial banks. The findings show that there is strong and positive relationship between performance appraisal and job satisfaction.

The findings of Marcson (1960) shows that the best way to enhance organizational productivity is to provide them demanding and challenging jobs. According to Herbergs (1968) two factor theory determined that there must be a hygiene and motivational factors present in individual jobs. By applying the random and stratified technique the researcher selected the branches of Canara bank. The sample size of this study was 120 and findings shows that the employee are at the age of 30 and 50 and most of them are married.
The impact of different variables on employee job satisfaction was studied by Dawson (1987) and analyzed that demographic elements of employee job satisfaction. Fair promotion, motivation, leadership style, potential are the important factors of employee satisfaction. For research 450 sample size of bank employees are used from which 295 were returned back accurate response and that data processed further for research. The research was completed with time duration of two or half month that is from January 4th to March 15th, 2010. The result of this research found that there is a positive relationship between promotion, motivation, leadership style, potential with employee job satisfaction.

Another study conducted by Thomas & Bretz, (1994) to identify the work performance and organizational justice. The study examined that fair practice of performance appraisal and organizational justice enhance the productivity of employee with high commitment. The data is analyzed by regression model and correlational study from 100 employees and result show that there is a no significant relationship between work performance and organizational justice.

The research conducted by Malik, Ahmed, Saif & Safwan (2010) and examines that impact of organizational commitment, job satisfaction and productivity and results shows that there is a positive significant of employee productivity. The research is examined by primary data in a sample of 450 employees by applying the linear regression and pearson correlation analysis. The findings shows that the more employee is satisfy the more they contribute for organizational development.

The research conducted by Bhatti and Qureshi (2007) determined that there is a positive relationship of job satisfaction with other factors such as employee participation, employee productivity and employee commitment. This job satisfaction of employee give benefits and at the same time also impact on participation and productivity in work place. The research data was collected in 60 days by 53 male and 48 female employees by applying the correlation and regression analysis.

Vance (1992) examined that performance appraisal is one of important practice of human resources management in every sector of organization. The performance appraisal is existing since 1990s. At that time it was develop to support a top down and control style of management. Whereas performance appraisal system is an effective tool for developing effectiveness and efficiency of workers. The research is conducted from 110 employees by regression and correlation method.

The research conducted by Poeter and Lowler (1969) determined that employee satisfaction effect their work affords, because increase in satisfaction automatically increase level of expectation for rewards. Further Caroll, keflas and watsn (1064) examined that satisfaction and productivity are positively related to each other. 237 response collected for collect the data by applying the coefficient correlation.

Another study conducted by De-Wall and Coverty, (2007) to identify the impact of effective performance appraisal and examined that there must be an effective management technique to handle the problem effectively and which change the current environment. The data was collected from 90 respondent by primary and secondary data by using the mean. Regression and correlation statistics.

In a study while determining a relationship of many variables the author examined that there is a negative relationship among job satisfaction of employee and their turnover. Malik, Zaheer & Ahmad, (2010). The study shows that to stop the employees to leave the organization the job satisfaction is the best tool. So the more the employee will satisfy with their job the less they leave the organization.

Another study conducted on commitment of employee. Jaoras ET AI (1930), Mathew &Zajac (1990), Mowdayetal (1982) there research outcomes show that the commitment of employees towards his or her organization have tried to understand the organization commitment. Etzion, (1961) find out that involvement is the sign for commitment towards organization task. Modaday et al, (1982) find out that the organization commitment is the strength of an individual identification with participation in organization. The recent conception of commitment by Allen & Meyer, (1990) argue that difference among conceptualization include the psychological state demonstrate in commitment the antecedent condition reflected in its development and behavior which are expected to result from communication.

The research conducted by Abdullah (2011) determined that job stress and communication is a major factor of employee job satisfaction and examined no significant impact on job satisfaction whereas significant relationship examined between job satisfaction and its variables. The sample size of this research was 250 banks employee of Bahawalpur district. The data was analyzed by regression and correlation analysis and results show that less job stress and more communication can bring positive result.
McClelland, (1965) conduct the study and try to determined that the employee with high level of achievement definitely show high work performance. The employees are always interested for money or profit. The data was collected through open handed questionnaire on linkert scale from 100 respondent Ravi autos private limited.
Luthans, (1998) recent research evidence examined that employee satisfaction may not be necessarily for an employee performance improvement but it is necessary for departmental and organizational improvements. It is still a huge debate that whether the performance lead to satisfaction or satisfaction leads to performance.

3. RESEARCH METHODOLOGY:
Research is an organized method to find the solution of problem. This paper contains the information of research design, data collection sources and statistical technique used to analyze the data to achieve the outcomes and results of the study.

3.1. RESEARCH DESIGN:
The purpose of this study is to find out the relationship between performance appraisal and job satisfaction by using the quantitative method and explanatory research design. The study determined the level of job satisfaction among the bank employees of Pakistan. To find out the solution we are circulating the questionnaire which is consist of 5 scale like 1-Strongly agree, 2-Agree, 3-Neutral, 4-strongly disagreed, 5-disagree.

3.2. DATA COLLECTION:
In this study the data was collected from 100 employees including male and female working in the banking sector of Pakistan to identify the impact of performance appraisal on employee job satisfaction. For this study we are gathering the primary data to find the attitudes related to job satisfaction, performance system, employee motivation, potential and competencies. The responses were collected through the close ended questionnaire. For this study the likert type scale is used to design the questionnaire.

3.3. HYPOTHESIS OF THE STUDY:
The study tested the following hypothesis:
Ho= There is a no relationship between performance appraisal and job satisfaction.
H1= There is a relationship between performance appraisal and job satisfaction.
Ho= There is no relationship between employee motivation and employee potential.
H2= There is relationship between employee motivation and employee potential.
Ho= There is no relationship between employee motivation and competencies.
H3= There is relationship between employee motivation and competencies
3.4. THEORETICAL FRAMEWORK:

![Theoretical Framework Diagram]

**Figure 1: Theoretical Framework**

4. DATA ANALYSIS:
To analyze the data correlation, regression and descriptive analysis is used to identify the impact of performance appraisal on employee job satisfaction of banking sector. The analysis also shows the level of satisfaction of employees towards their job.

4.1. RELIABILITY OF QUESTIONNAIRE:

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.881</td>
<td>20</td>
</tr>
</tbody>
</table>

*Table 4.1: Reliability Statistics*
The table shows the result of reliability analysis. The value of Cronbach’s Alpha is given by 0.881 and the number of item in the data set is 20. The value associated with Alpha is said to be good and its concludes that this data is reliable to understand and forecast.

**4.2 DESCRIPTIVE ANALYSIS**

<table>
<thead>
<tr>
<th>Statistic</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job satisfaction</td>
<td>99</td>
<td>1.33</td>
<td>4.67</td>
<td>3.0438</td>
<td>.74786</td>
<td>.070</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>99</td>
<td>1.67</td>
<td>5.00</td>
<td>3.2559</td>
<td>.77785</td>
<td>-.126</td>
</tr>
<tr>
<td>motivation</td>
<td>100</td>
<td>1.67</td>
<td>5.00</td>
<td>3.3600</td>
<td>.84577</td>
<td>.102</td>
</tr>
<tr>
<td>potential</td>
<td>99</td>
<td>1.33</td>
<td>4.67</td>
<td>3.2997</td>
<td>.74611</td>
<td>-.311</td>
</tr>
<tr>
<td>competency</td>
<td>98</td>
<td>1.67</td>
<td>5.00</td>
<td>3.2517</td>
<td>.78219</td>
<td>-.104</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 4.2: Descriptive Statistics*

To measure the impact of performance appraisal on job satisfaction we collect the data from 100 employees of banking sectors. The findings found that 99 employees give response for the job satisfaction which standard deviation is 0.74786, standard error is 0.243 minimum statistic is 1.33 and maximum statistic 3.0438. For the variable of performance appraisal 99 give response which standard deviation is 0.77785 standard error is 0.243 minimum statistic is 1.67 and maximum statistic 5. For the variable of motivation 100 give response which standard deviation is 0.84577 standard error is 0.241 minimum statistic is 1.67 and maximum statistic 5. For the variable of potential 99 give response which standard deviation is 0.74611 standard error is 0.243 minimum statistic is 1.33 and maximum statistic 4.67. For the variable of competency 98 give response which standard deviation is 0.78219 standard error is 0.244 minimum statistic is 1.67 and maximum statistic 5. In descriptive we apply the Pearson statistic because the amount of skewness statistic is came in mid of plus 1 and minus 1.

**4.3 REGRESSION ANALYSIS:**

HYPOTHESIS 1

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.251a</td>
<td>.063</td>
<td>.053</td>
<td>.73080</td>
</tr>
</tbody>
</table>

*Table 4.3: Model Summary*

The analysis finding shows that there is a weak positive relationship between performance appraisal and job satisfaction as derived from the coefficient of determination R of 0.251 and a correlation coefficient R = 0.63. The result of regression analysis shows that up to 63% of dependent variable is affected by independent variable. The more the R square the more the independent variable predict the dependent variable.
Table 4.3.1: Coefficients

Linear regression equation:

performance appraisal = 2.255+.241 job satisfaction

The interpretation of the equation is 1 unit increase in independent variable will increase the dependent variable .241. The findings show that there is a significant and appropriate relationship between performance appraisal and job satisfaction because the significant level is less than α=0.05 and it also shows that the null hypothesis is rejected. Those employees who were satisfied with their performance appraisal system of organization were found satisfied with their job.

HYPOTHESIS 2

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.516*</td>
<td>.266</td>
<td>.258</td>
</tr>
</tbody>
</table>

Table 4.4: Model Summary

The analysis findings shows that there is a strong positive relationship between performance appraisal and job satisfaction as derived from the coefficient of determination R of 0.516 and a correlation coefficient R = 0.266. The result of regression analysis shows that up to 26.6% of dependent variable is affected by independent variable. The more the R square the more the independent variable predict the dependent variable.

Table 4.4.1: Coefficients

Linear regression equation:

Motivation=1.421+.586 potential

The interpretation of the equation is 1 unit increase in independent variable will increase the dependent variable .586. The analysis findings show that the dependent variable employee motivation found positively and significantly related to the independent variable employee potential. Because the significant level is 0.000 and it also shows that the null hypothesis is rejected. The result shows that employee motivation will increase if there is a high employee potential.

HYPOTHESIS 3

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.619*</td>
<td>.383</td>
<td>.377</td>
</tr>
</tbody>
</table>

Table: 4.5: Model Summary
The analysis findings shows that there is a strong positive relationship between performance appraisal and job satisfaction as derived from the coefficient of determination R of 0.619 and a correlation coefficient  \( R = 0.383 \). The result of regression analysis shows that up to 38.3\% of dependent variable is affected by independent variable. The more the R square the more the independent variable predict the dependent variable.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.166</td>
</tr>
<tr>
<td></td>
<td>competency</td>
<td>.670</td>
</tr>
</tbody>
</table>

**Table: 4.5.1: Coefficients**

Linear regression equation:

Motivation = 1.166 + .670 competency

The interpretation of the equation is 1 unit increase in independent variable will increase the dependent variable .670. The findings show that the dependent variable employee motivation found positively and significantly related to the independent variable employee potential. Because the significant level is 0.000 and it also shows that the null hypothesis is rejected. It shows that those employees who have effective competencies like skills, knowledge and ability are more motivated towards their job.

5. CONCLUSION AND RECOMMENDATION:

5.1. FINDINGS:

The objective of this research paper is to establish the level of employee job satisfaction of bank employees to identify the impact of performance appraisal on job satisfaction of banking sector of Pakistan. The result founds that the bank employees were moderately satisfied with their job because the positive relationship between management and employees enhance employee morale and it proves that they are satisfied with their job.

The study also found that some employees are not satisfied with the existing performance appraisal of their organization but still they give their best for organizational outcome. Their performance is aligned with organizational goals and objectives and are satisfied with their roles and responsibilities of their job.

The research also found that the employee performance has improved on the basis of rewards and intensive they get after performance appraisal.

5.2. CONCLUSION:

The purpose of this research is to classify the impact of performance appraisal on job satisfaction of banking sector employees. The result found that all the variables such as performance appraisal, motivation, potential and competency have appropriate and highly significant relationship with employee job satisfaction. It shows that for employee satisfaction these all factors are very important to consider by every organization.

For this research three tests were applied such as regression, correlation and descriptive analysis. By applying the regression method it show that the regression model is good fit. The correlation analysis indicates that all the relationships are significant. The finding of research observed that, employee job satisfaction level is based on performance appraisal, motivation, potential and competency.

By conducting this research it founds that organization must focus on developing ways to make the performance appraisal system more effective so that it will enhance the employee satisfaction level towards their job. Some of the employee feedback shows that effective performance appraisal system is not only the source to make the employee satisfy but it is considered one of the important factor which affect employee satisfaction.

The research findings show that there is no significant difference between female and male employee according to their job satisfaction and performance appraisal. The research result found that in every
successful organization there must be a fair performance appraisal system to keep all the employee satisfy. Because the satisfied employee are the key source of accomplishing organizational goal and objectives. The study conclude that Performance appraisal system is one of the major component of job satisfaction for that employee satisfaction with performance appraisal system is very important. Employee were satisfied with the performance appraisal system which are free from error and they are getting proper and equal output according to their performance. This show that satisfaction with appraisal system relay on the fairness of the appraisal system. Fairness of the Performance Appraisal System is also very important for organization. Research finally concludes that there is a high relationship between performance appraisal system and employee job satisfaction.

5.3. RECOMMENDATION:

For an organization performance appraisal is important to motivate or realize the employee towards organizational objectives and goals. Performance appraisal must be considered as a regular activity but its important should be also communicated to all the employees. So every successful organization must create and maintain fair practice of performance appraisal system. Satisfied employees are those who give effective productivity in work place and have positive attitudes towards their job. In every organization there must be review of job analysis, job design and work environment which based on performance appraisal system. At the same time organization should introduce new methods of appraisal so that appraise and appraiser take high interest in performance appraisal process. Every employee should give feedback for their appraisal which help them to improve their weak areas.

To motivate the employee more towards his or her job the organization must linked the financial and nonfinancial benefits to the annual appraisal system. This research may help or be a source for the banking sector management to motivate, attract and retain the efficient employee by considering this variable as important factor for the employee. Effective human resources management techniques including performance appraisal that help to motivate the employee to keep them satisfied with their work and committed their self towards organization. Because the results of research found that employee who are satisfied with their performance appraisal system of organization were also satisfied with their work and highly commit their self towards organization.

Employee satisfaction with organizational performance appraisal is important because employee dissatisfaction create negative impact on employee job performance. Therefore in every organization there should be a fair and transparent performance appraisal system that is equal for every employee to feel them more satisfied with their job and towards organization. The result of this will give the mental peace to employees and the growth of organization automatically increases day by day.