Interactive Effects of Performance Appraisals on Employees' Motivation in Pakistani Banking Sector

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Abstract Purpose: The purpose of this research work is to check the impact of performance appraisals (incentive practices and benefits provided by the organization) on employee motivation. Importance: Performance appraisals are very important tool in Human resources management to retain efficient employees whose commitment level with the organization is relevantly high from others. Working with motivated employees actually increases the performance of the organization. The present study is about the performance appraisals that incentives and benefits increase the morale level of employees and stimulate them towards work. Employees who are compensated with appraisals and appreciations, they have done their work well. Design/methodology/ approach: Quantitative study was conducted in banking sector of Pakistan. 200 self-administrated questionnaires were distributed in different banks of Pakistan. 182 questionnaires were returned with 92% respond. Confidentiality of response is secured. Findings: The statistical analysis told that incentives and benefits have very positive and significant impact on employees’ motivation. Limitation and guideline for future research is also provided. Research limitations/implications: Sample size of the study was limited and only two variables related to performance appraisals were taken. Sample size can be increased for future research and the effects of other variable nature of the task, promotions as a variable, organizational environment, can be studied in the future.

Key words: Performance appraisals - Incentives - Benefits - Employees' motivation

INTRODUCTION

Performance appraisal is actually an evaluation and acknowledgement of an employee's performance of given responsibilities and accountabilities. Evaluation and assessment is based on outcomes got by the employee in his/her occupation, not on the employee's personality features. The appraisal measures expertise and accomplishments of employees with rational accuracy and equality. Appraisals are one of the utmost problematic and challenging modules of human resource management [1].

Incentives and benefits provided by the organization are very important for the profession, career and progression Performance evaluation designed for personal encouragement, position, inspiration and conduct upgrading, perfection, inverse administrative and directional purposes, along with nurturing enthusiastic relations between the administration and workforce. Appraisals are responsible for a familiar, standard, recognized, verified and an outline for potential and possible development. In diminutive, appraisal systems and occupation decision are important for management and organizations. Performance appraisal must to be treated as a permanent developing advancement to a certain amount than a set once-a-year review [2].

Appraisals frequently record a valuation of a worker's performance, probable and development requirements. The performance appraisal is an opportunity to take a general view of work content, masses and volume, work satisfaction to look back on what has been achieved and agree objectives and goals for the next. In current ages various organizations have been busy executing innovative, different or better-quality Performance
management systems. Current research displays that the consistent and steady practice of these systems points to better and healthier organizational consequences [3].

Encouragement and inspiration are an internal objective or an outlying stimulation and motivation to carry out for several methods to influence basically a practice. In additional archiving, spangled employees intended for the effectiveness and strength of thrashing all society afterwards imperative for the test of administration to motivate moreover, the ultimate employee’s. Motivation generates a foremost and prevailing module when successful through the practice of social information and understanding. If the collection does not hold the competence to encourage or stimulate its employees, the material and statistics within the Group is not fundamentally used to an extreme [1].

The basic purpose of my study is to know the impact of the impact of Performance appraisals including promotions, incentives and benefits on employees’ motivation. In sum, this study is fundamental, an investigational demonstration of a theoretical and operational way to know about appraisal system. So, I choose this area for research to know the interactive effects of appraisals on employees’ motivation and the organization’s performance [4-6].

**Objective:** To investigate the impact of Performance appraisals including promotions, incentives, benefits on employees’ motivation

The objective of the proposed project is as follows:

- To investigate the impact of incentive practices on employee motivation level.
- To investigate the impact of benefits on employee motivation level.
- To identify the correlation between performance appraisal practices and employees’ motivation.

**Research Question:** The research question of my work is as follows:

- Is there an important correlation between incentive practices and employees’ motivation?
- Is there an important correlation between benefits and employees’ motivation?

**Literature Review:** The latest two spans have perceived a melodramatic and affected change in human resource management (HRM) exploration from a micro-analytical methodology to a macro-strategic standpoint. The emphasis of consideration in HRM investigation and exploration in current years has been more on relating HRM performs with business approach and organizational performance [7-11]. Appraisals and incentives are one of the absolute challenging and stimulating modules of human resource management [5].

Today’s surroundings Organizations look forward to regulate the rational and the realistic stability between employee’s promise, motivation and the organization’s performance. The incentive, recognition and acknowledgement packages work in place of the utmost reliance element in observance workers’ self-assurance great and adoring [10] Specified that among all functions of administrators to encourage workforces effectively and impact their performance to attain superior organizational and structural competence [4] ionof the assessment that work and performance at job is the outcome of capability and inspiration. Capability expressed through learning, training, understanding, experience, tools, ease in job and two sorts of dimensions i.e. physical and psychological. The performance assessment and incentives are the issues that demonstrated to be the connecting agents of the performance appraisal packages [2].

The foremost purpose of an appraisal system is generally to analyze or review employees' potential and performance. There might also be a relationship with a reward assessment Appraisals can support both firms and employees by enlightening job performance, by making it easier and convener to classify and identify weaknesses and strengths and by influential appropriateness for development and growth (anonymous). Experiential investigation studies have found a substantial correlation between appraisals and organizational consequences and results such as worker turnover [11].

The efficiency of an organization’s performance evaluation system is a requirement for confirming the achievement and accomplishment of its assortment, training, selection and employee motivation performs. At a tactical level, the requirement for speedy and active structural change in today’s vigorous social, political and economic surroundings needs that workforces constantly re-align their enactment with the progressing objectives and goals of the organization [5]. The appraisal measures expertise and accomplishments of employees with rational accuracy and equality. (www.wpi.edu).

The determination of the study was to explore the connection and association among encouragements, acknowledgement, appreciation and incentives on
employee inspiration, motivation level and fulfillment. The consequences are relatively according to our suppositions. Though several proportions of job and work inspiration and enthusiasm are interrelated to incentive and gratification but work itself, recognition, acknowledgement and operational measures have small malicious standards as compared to other proportions and measurements. This illustrates that workers are encouraged with their complications of operating processes, their work contents and ignoring the facts of appreciation and acknowledgment. However, when employees have appropriate positive promotional opportunities and chances, their association with their co-workers and supervisors are friendly and responsive, they are rewarded and compensated for their work and effort and they treasure their career protected, their administrators are supportive and employees can sense that they can propagate existing inside the organizations and then their level of inspiration and satisfaction will high and their performance will be better [2].

Presently, many organizations are applying or planning to implement, reward and/or recognition programs rely on that these will support bring about the preferred cultural modification. In several organizations, large quantities of money are being invested in these types of activities and some executives and managers are required definitely to set away a certain volume from their resources for this determination (Denning, 2001). This foundation is based on the supposition that these types of incentives will inspire employee loyalty, nurture teamwork and eventually enable the development and growth of the preferred culture that encourages and backings knowledge sharing. Others maintain that to inspire knowledge-sharing organizations should enterprise reward and recognition systems that motivate distribution and involvement of all kinds: goals, responsibilities, visualization as well as understanding [5].

Usually employees' performance, pass on to behavior with the goal of applicable in the direction of clerical goal. Progression of the assessment and appraisal development is an authoritative topic in the government administrator arrangement which is once a year directed in the governmental organization, devote an abundant quantity of instants as well as distribution method for achieving the purpose related to: persons expansion, as well as enhancement, upgrades, promotions and projects in managerial point, influence, returns strengthen, recruits performance reaction as well as dominant for informative requirements [3].

In short, Appraisals, benefits and incentive can benefit equally employers and employees. They can increase employees' job performance and appropriateness for promotion while at the similar time helping to use employment more effectively. In addition, they can increase infrastructures, communications and the excellence of working life and make employees feel that they are appreciated and valued by the organization.

**Theoretical Framework:** The connection between the factors, a strong influence of performance appraisal practices leads towards loyalty of employees increase commitment of the employees with organizations which effects on the employee’s motivation level.

This theoretical framework fundamentally describes the connection between variables. The variables in my work are incentives practices and benefits provided by the organization (performance appraisals) which are independent variables and employee motivation is a dependent variable. This is the elementary subject of interest in our whole work.

**Definition of variables:**

**Incentives:** Incentives are something as a reward or appreciation which motivates and stimulates a person to perform the work well. It encourages employees to do some specific actions efficiently and effectively.

The incentive programs used in the organization are actually evaluated the overall performance of employees. These programs are regularly used to increase the moral level of employees, their loyalty to the organization, improve their work efficiency, reduce employee turnover and stimulate employees to do their job well [11].

**Benefits:** Benefits are provided by the organization to their employees on their performance, like some organizations provide life insurance and financial aid to their employees. The author delivers flexible hours, 13th salary for effective work and free medical services.

These types of benefits increase the performance of employees, their commitment level to the job, their satisfaction level and loyalty to the organization [2].

**Employee’s Motivation:** Employee motivation is depended upon appreciation and acknowledgments of their work.
now days. Usually when employees are rewarded and compensated with appraisals, incentives and benefits, their level of motivation increases and they do their job and task well.

If an organization is not offering appraisals to their employees, there is no point for employees to compete for work. These appraisals and incentives are actually to increase their loyalty level and their performance level, which is beneficial for the organization [2].

Hypothesis: The hypothesis is essentially a particular declaration which is formulated for experimental testing. The hypothesis are created with bases in the general theory described overhead. Many researchers stated that there is positive relationship between Incentive practices and employee motivation.

From the overhead literature following hypotheses develop;

- Incentive Practices and employees Performance [13, 3]

H1.: The incentive practices are interrelated positively and significantly with work motivation and employees’ satisfaction.

H0.: The incentive practices are not related positively and significantly with work motivation and employees’ satisfaction.

- Benefits and employees Performance [13, 3].

H1.: The benefits provided by the organization are interrelated positively and significantly with work motivation and employee satisfaction.

H0.: The benefits provided by organization are not related positively and significantly with work motivation and employee satisfaction.

MATERIALS AND METHODS

The literature review has helped us to discover that these variables had widely been studied in different countries and contexts and most of the studies were carried out in developed countries but not in the Pakistani banking sector as done here. Many researchers as (Danish and usama, 2010) (Messah, 2011) (Paul and Anantharaman, 2003) (Waal and Coeverat, 2007) (jabeen, 2011) already did quantitative research to check the impact of performance on employee’s motivation [2, 5, 11, 13, 3].

Data Collection Method: The objective of this research is to find the impact of performance appraisals including benefits and incentives on employee motivation. For this research, the study chose the area of bank sector in Pakistan. The purpose of choosing bank sector is their prominent and positive growth in current years. For this research, Bank sector is favorable because they cover

- Workers from every segment shares collective features.
- Central and Line level workers

The selection of these respondents was from different banks of Pakistan. Convenience sampling process is used for recording the replies of 200 respondents. Sample of 182 employees and managers were taken from different banks of Pakistan and 150 were returned with a response rate of 92%. It took almost one week to collect the data for this study. [12-17] Convenience sampling is used here for the material and statistics collected from the employees who were conveniently, simply and easily retrieved.

Data Analysis Method: To measure the sample characteristics, mean, median, mode, standard deviation. Multiple regression models applied in this paper to measure the relationship between dependent and independent variables. First, we applied regression model on incentives by keeping incentives as independent variable and employee motivation as the dependent variable. Then the regression model was applied to measure the relationship between the benefits provided by organization as independent variables with employee motivation as the dependent variable.

Multiple linear regression models used here to measure the relationships because we have two independent variables. In multiple linear regressions, there are numerous independent variables or purposes of independent variables. This equation is used for multiple regressions

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon \]

Here

- \( Y \) = Employees motivation
- \( \beta_0 \) = Constant variable
- \( X_1 \) = Incentive practices
- \( X_2 \) = Benefits provided by organization
- \( \epsilon \) = Error

By this equation, effect of independent variables on dependent variable was measured.
Findings of the Study

Descriptive Statistics: From 200 questionnaires 115 questionnaires were filled by males and 67 questionnaires were filled by females. In which mostly people belong from 20-30 age group and they are employees of banking sector Pakistan. Most employees done the masters level education and have above 30,000 salaries. The gender has 1.3681 mean and 0.48363 standard deviation. The age group has a 2.6319 mean and 0.83545 standard deviation. The educational qualification has a 1.9176 mean and 0.36234 standard deviation. The Monthly income has 3.4560 mean and 0.84471 standard deviation.

Inferential Statistics

Reliability: The reliability specifies the strength and consistency with which the instrument measures the opinion and helps to evaluate the reliability of a measure. An instrument of this study, i.e. questionnaire was found reliable with Cronbach’s alpha value of.984 (Table2). Table 3 shows that the instrument used was reliable with a cronbach’s alpha value of the 1st independent variable (incentives practices) 0.918, with a cronbach’s alpha value of 2nd independent variable (benefits) 0.973, with a cronbach’s alpha value of the dependent variable (employee motivation) 0.952.

Correlation: The Pearson correlation technique was used here to identify the relation between the three variables. Incentives and benefits show a positive and significant relationship. Incentives have also a positive and significant relationship with employee motivation with correlation value 0.943 at 0.001 significant levels. The relationship between employee motivation and benefits has correlation value 0.940 at significant level 0.001, which also shows a significant and positive relationship between these two variables as shown in Table 4.

Regression: Regression table measures the amount of total variation in dependent variable due to independent variable. The value of R square in table is 0.896. This value indicates that there is almost 89% variation in dependent variable (employee’s motivation) due to a one unit change in independent variable (incentives and benefits) as shown in the table.

Coefficient of Regression: Moving on the beta value of independent variable (incentive practices) is 0.341 with t value 4.747 and significant level of 0.000. The beta value of independent variable (benefits) is 0.619 with t value 8.163 and significant level of 0.000. These beta values indicate the amount of change in the dependent variable (employee motivation) due to changes in independent variables (incentive practices and benefits) as shown in Table 6.

Summary of Findings: The following table summarizes all the results in terms of the hypothesis that were found to be true.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Sig.</th>
<th>Direction</th>
<th>Hypothesis Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Incentives practices have a positive relationship with employee motivation.</td>
<td>.000</td>
<td>Positive</td>
<td>Yes</td>
</tr>
<tr>
<td>H2: Benefits have a positive relationship with employee motivation.</td>
<td>.000</td>
<td>Positive</td>
<td>Yes</td>
</tr>
</tbody>
</table>

So, the entire hypotheses were found to be true at the end of this study.
Table 5:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>R Square Adj</th>
<th>Std. Error of Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.947</td>
<td>.897</td>
<td>.896</td>
<td>.28533</td>
<td>.897</td>
<td>782.342</td>
<td>2</td>
<td>179</td>
<td>.000</td>
<td>2.157</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), benefits, incentive
b. Dependent Variable: employees motivation

Table 6:

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>.037</td>
<td>.112</td>
<td>.331</td>
<td>.741</td>
<td></td>
</tr>
<tr>
<td>incentive</td>
<td>.367</td>
<td>.077</td>
<td>.341</td>
<td>4.747</td>
<td>.000</td>
</tr>
<tr>
<td>benefits</td>
<td>.592</td>
<td>.069</td>
<td>.619</td>
<td>8.613</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: employees motivation

CONCLUSION

The main purpose of this research work is to identify the impact of performance appraisals including incentives and benefits on employee’s motivation levels. Two hypotheses are considered in this study and they both are accepted. The findings of the study revealed that incentives and benefits provided by organization do an important role in increasing the employee’s motivation level of work for organizing. Secondly, performance appraisals have a positive and significant relationship with employees’ motivation. Increments in salaries, financial aid 13th salary, recognition, appreciation about work, give periodically promotions to employees keep their moral high and stimulate employees to do their job effectively and efficiently.

REFERENCES
