

**EMPLOYEES' PERCEPTION ON PERFORMANCE APPRAISAL IN
COMMERCIAL BANKS OF NEPAL**

**A Dissertation submitted to the Office of the Dean, Faculty of Management in Partial
Fulfilment of the Requirements for the Master of Business Studies**

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have not researched and submitted the final draft of dissertation entitled **EMPLOYEES' PERCEPTION ON PERFORMANCE APPRAISAL IN COMMERCIAL BANKS OF NEPAL**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

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APPROVAL SHEET

We have examined the dissertation entitled **EMPLOYEES' PERCEPTION ON PERFORMANCE APPRAISAL IN COMMERCIAL BANKS OF NEPAL** presented by **Manish Shrestha** for the degree of **Master of Business Studies**. We hereby certify that the dissertation is acceptable for the award of degree.

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Perfection is anything that can hardly be thought of knowing the universal fact "Human is Error", I Have taken utmost care to avoid errors, but I know they are inescapable, so I shall be obliged if they are forgiven.

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ABSTRACTS

Performance appraisal is very important aspect of human resources management that increases the employee skills, abilities knowledge and performance. Banking sector in Nepal should focus on conducting the performance appraisal on a regular basis so that the employee job satisfaction can be enhanced. There should be clear dimensions for the banking sector in order to enhance the employee's perception for job satisfaction so that their productivity may be increased. This study tries to find out the impact of performance appraisal on employee performance with reference to banking sector in Nepal. Similarly, this study wants to check whether there is a significant relationship between the Performance appraisal and employee's perception towards it. Moreover, this study tries to find out the impact of Performance appraisal need assessment, mode of Performance appraisal feedback of employee job satisfaction. This study involved a sample of 202 employees from the banking sector in Nepal. Primary data was collected using a questionnaire, with convenience sampling employed for data collection. The data were analyzed using the Statistical Package for Social Sciences (SPSS). The various statistical tool used in SPSS are descriptive analysis, Regression assumption tests, correlation analysis, t-test and reliability test. The result indicate that banking industry have good policies regarding Performance appraisal program. As most of the respondents indicated that they have participated in Performance appraisal and most of them were provided with the opportunity to train under on joining the company. In examining the question relating to Performance appraisal quality, the results indicated that program undertaken by bank is relevant.

Key Words: Employees' Perception on Performance Appraisal in Commercial Banks of Nepal

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ABBREVIATIONS

CEO	:	Chief Executive officer
CV	:	Coefficient of variation
DF	:	Degree of freedom
N	:	Total no. of observation
S.D.	:	Standard deviation
C.C.	:	Coefficient of Correlation
K.P.	:	Karl Parsons Coefficient
T.F.	:	Transformational
T.L.	:	Transactional
C.H.	:	Chi-square
R.D.	:	Research Department

CHAPTER I INTRODUCTION

1.1 Background of the Study

The concept of "performance appraisal" cannot be universally standardized as it relies on individual perspectives and criteria. Determining what constitutes good, better, or best performance is inherently subjective and varies based on the evaluator's judgment. Since performance cannot be assessed by a single measure, the evaluation is dependent on the perceptions and assessments of those involved.

The formal practice of performance appraisal, while relatively modern, has roots that trace back to the early 20th century, with a more structured approach emerging around World War II. Despite its recent formalization, the act of evaluating others' performance is a long-standing human behavior. Historically, appraisal systems were primarily used to justify salary adjustments, linking pay directly to performance outcomes. If performance was deemed insufficient, pay cuts were implemented, whereas higher performance led to pay increases.

Early performance appraisal methods focused solely on financial incentives and did not consider the developmental potential of appraisal. It was believed that monetary adjustments alone would motivate employees to improve or maintain their performance. However, research has shown that financial rewards are not the sole motivators. Factors such as morale and self-esteem also play significant roles in influencing employee performance. Consequently, the traditional approach that emphasized financial outcomes was increasingly seen as insufficient and evolved over time to incorporate developmental aspects and more comprehensive evaluation methods.

In the 1950s, the United States began recognizing the value of performance appraisals as tools for motivation and development. The performance appraisal model we know today evolved from this period. Individuals often seek clarity on their performance, expectations, improvement areas, and opportunities for advancement. Performance appraisals are intended to address these concerns and enhance communication among staff.

Feedback is a crucial element of performance appraisals and is typically provided by Human Resources (HR) to support managers in motivating their teams. HR professionals frequently discuss performance management processes and the forms used to document appraisals. Ideally, managers should offer and bring feedback that helps employees understand their performance and growth opportunities. However, HR's emphasis on formal records and

documentation can sometimes detract from the appraisal's effectiveness, with many employees and managers viewing it as a bureaucratic process rather than a valuable tool for improvement.

Effective performance appraisals can significantly impact an employee's career, provided that feedback is delivered properly and follow-up actions are taken. Despite HR's efforts to update appraisal forms and processes annually, success in performance management often falls short due to a lack of perceived benefit from the review process.

Human Resources is integral to any organization, and HR practices have evolved significantly in recent decades due to globalization, competition, and technological advances. Modern business success relies more on effective human resource management rather than just technological or economic advantages. The role of HR is increasingly critical in managing and leveraging human capital to drive organizational success.

In today's dynamic environment, organizations need to implement effective human resource (HR) practices to sustain high performance levels. Properly aligning talent with roles and ensuring timely hiring are critical for capturing organizational opportunities and maintaining competitiveness. The success of an organization is significantly influenced by how well its human resources are managed, and effective HR practices must be adapted to specific cultural and situational contexts (Adhikari, 2008).

Research on HR practices in developing countries, such as Nepal, is limited. In Nepal, HR management began to evolve significantly after the liberalization and privatization policies introduced in 1990. Prior to this, HR practices were often inadequate due to poorly defined strategies, limited employee participation, and hierarchical communication issues. Organizations faced challenges including nepotism, centralized decision-making, non-challenging managerial roles, and a disconnect between rewards and performance (Adhikari, 1992; Upadhyaya, 2009).

Since 1990, the emergence of private businesses and joint ventures has led to a growing emphasis on performance and competitive compensation. Despite this, HRM in Nepal remains largely operational, focusing more on administrative tasks rather than strategic management (Adhikari, 2008). There has been some advancement in areas such as computerized HR information systems and recruitment practices, yet many Nepali organizations continue to face issues such as unproductive staff, lack of corporate culture, ineffective labor legislation implementation, and inadequate compensation (Adhikari, 2010).

The role of personnel departments in key HR functions like recruitment, training, and performance evaluation often remains limited, affecting employees' career development (Adhikari & Gautam, 2010). Additionally, there is a notable mismatch between job opportunities for graduates and the skills they possess, reflecting broader labor market challenges (Pant, 1993).

1.1.1 Concepts of performance appraisal

Traditionally, performance appraisal has focused primarily on feedback from employees' direct supervisors. However, with the growing emphasis on teamwork, development of employee, and customer service, there has been a shift toward incorporating feedback from a broader range of sources. This approach, often referred to as “360-degree feedback,” involves collecting performance evaluations from a variety of individuals, including supervisors, peers, subordinates, customers, and the employees themselves.

Research indicates that using multiple sources for performance assessment yields more accurate, reliable, and credible information. This is why the U.S. Office of Personnel Management advocates for the use of diverse feedback sources as an effective method for performance evaluation and development.

The 360-degree feedback process involves gathering insights from various feedback providers, although it is not always necessary or suitable to include all possible sources in every appraisal program. The choice of feedback sources should align with the organizational culture and mission, as well as the specific objectives of the appraisal. For instance, feedback from subordinates can offer valuable guidance for supervisory development, peer feedback can enhance teamwork, and customer feedback can assess the quality of services or products delivered by the team or organization. Thus, establishing the goals of the performance appraisal and the relevant aspects of performance to be evaluated is essential before selecting the appropriate feedback sources.

Traditionally, performance appraisals relied heavily on unilateral and subjective evaluations, often overlooking the significance of the relationship between the evaluator and the employee. In India, performance appraisal systems were formally established during the colonial period under a framework known as the 'Character Rules.' This system focused primarily on assessing personality traits such as loyalty, integrity, and obedience, aligning with the specific needs and priorities of the colonial administration.

With the advent of professional management in both public and private sectors, there has been a shift towards evaluating performance based on results and achievements. This approach is commonly referred to as Performance Appraisal. Appraisal, according to Smith (2000), involves the identification of cause and effect relationships on which employment and labour policies are based or can be based and are a routine process that organizations use to evaluate their employees. It is a systematic assessment that is as objective as possible of an ongoing program or policy, its design, implementation and results. Its aim is to appraise the relevance and fulfillment of objectives, efficiency, effectiveness, impact and sustainability.

Although, performance appraisal itself is often a process that involves documentation and communication, the tendency in recent years has been to formalize the appraisal process, whereas in years past, an informal approach with very little record keeping sufficed, now more documentation is required. Organizations usually formalize part of the process by using a standard form.

A. Superiors

Evaluations by superiors are the most traditional Note of employee feedback. This form of evaluation includes both the ratings of individuals by supervisors on elements in an employee's performance plan and the evaluation of programs and teams by senior managers.

B. Self-Assessment

This form of performance information is actually quite common but usually used only as an informal part of the supervisor-employee appraisal feedback session. Supervisors frequently open the discussion with: "How do you feel you have performed?" In a somewhat more formal approach, supervisors ask employees to identify the key accomplishments they feel best represent their performance in critical and non-critical performance elements. In a 360-degree approach, if self-ratings are going to be included structured forms and formal procedures are recommended.

C. Peers

In modern organizations, characterized by downsizing, flatter hierarchies, and increased use of teams, peers often become key evaluators of their colleagues' performance. Peers offer valuable insights into a co-worker's job performance due to their direct observations and interactions. Employees typically respond well to peer evaluations, especially when the expertise or performance of the individual being assessed is known and observable. However,

incorporating peer feedback into a comprehensive appraisal program presents both notable advantages and potential challenges that need to be carefully managed.

D. Subordinates

An upward-appraisal process, also known as a feedback survey or "Subordinates Appraising Managers" (SAM), is a critical yet contentious component of a comprehensive performance evaluation system. Both the managers undergoing evaluation and their superiors recognize that subordinates offer unique and often crucial insights into managerial and supervisory behaviors. Subordinate feedback can provide valuable data on these performance aspects. Despite its benefits, implementing this type of evaluation often meets with considerable reluctance and apprehension. Nonetheless, the advantages can outweigh the concerns if appropriate precautions are taken.

E. Customers

Establishing Customer Service Standards involves several key steps: conducting surveys with both internal and external customers, publishing the established standards, and evaluating the organization's performance against these benchmarks. Internal customers are those who use products or services provided by another employee or team within the same organization. External customers, on the other hand, are individuals or groups outside the organization, including the general public.

F. Basic Purposes

Effective performance appraisal systems consist of two interrelated components: an evaluation system and a feedback system. The evaluation system's primary objective is to identify any performance gaps—instances where actual performance falls short of the organization's established standards.

Conversely, the feedback system aims to communicate to employees how their performance measures up to expectations. This process is not solely unidirectional; appraisers also receive feedback from employees, which can include insights on job challenges and other concerns. Understanding performance appraisal from the perspectives of both employees and the organization helps clarify its objectives and benefits.

G. Employee Viewpoint

From the employee's perspective, performance appraisal aims to clarify expectations, inform them of their performance levels, assist in improving their skills, and reward their

achievements. It serves to outline what is expected, provide feedback on their performance, support their development, and acknowledge their accomplishments.

H. Organizational Viewpoint

From the organization's perspective, a key purpose of performance appraisal is to ensure alignment between responsibility and accountability. Research has shown that one major cause of organizational failure is the misalignment of these elements. When employees are assigned responsibilities without corresponding accountability, it often leads to overlapping roles and a tendency for individuals or teams to deflect blame, resulting in inefficiencies and potential failure. Performance appraisals aim to address this issue by clearly linking responsibility with accountability at all levels of the organization, thereby promoting better performance and operational effectiveness.

1.2 Statement of the Problem

Employees are central to the success and operations of any organization. Their contributions are vital, and their performance can significantly influence whether an organization flourishes or falters. Good organizational practices are crucial for success, while poor practices can lead to failure and potentially drive the organization out of business. To maintain a thriving organization, it is essential to effectively manage human resources through recruitment, selection, training, compensation, retention, job security, and recognition. Effective human resource management is key to achieving organizational goals and ensuring long-term success.

In the banking sector of Nepal, identifying the most critical human resource practices can be complex. Questions about the relative importance of recruitment, compensation, training, job security, organizational culture, and employee recognition are particularly significant. These aspects must be carefully considered to determine their impact on organizational effectiveness.

Different performance appraisal methods offer varied approaches to evaluating employees. The "Tell and Listen" method involves supervisors providing performance feedback and then listening to the employee's response without judgment. This approach focuses on communication and feedback but may lack in-depth developmental support.

The "Problem Solving" approach emphasizes employee development through counseling, where supervisors avoid giving direct evaluations initially. Instead, they work with

employees to identify weaknesses and develop action plans for improvement. This method is aimed at fostering growth and addressing performance issues collaboratively.

The "Mixed Model" combines elements of both the "Tell and Listen" and "Problem Solving" approaches. It starts with a problem-solving session to identify areas for improvement and concludes with a more directive evaluation. This model seeks to balance developmental support with evaluative feedback. Performance appraisal data are carefully recorded and used for multiple purposes, including motivating employees, supporting their development, and aiding in human resource planning. This approach enhances individual growth and helps in effective human resource management.

Performance appraisals serve several critical functions within an organization. They provide employees with a formal opportunity to express their career ambitions and goals, helping to align personal aspirations with organizational needs. This process demonstrates the organization's commitment to employee development, which is essential for retaining skilled and ambitious individuals rather than losing them to competitors. Additionally, appraisals establish a structured communication channel between employees and management, clarifying mutual expectations and enhancing overall job satisfaction. Managers are expected to translate organizational goals into specific job objectives, clearly communicate their performance expectations, and provide constructive feedback based on these objectives. They should also coach employees on achieving these goals, assess their strengths and weaknesses, and identify appropriate development activities to enhance their skills and job performance.

1.3 Research Questions

The research study would attempt to answer the following questions:

R1: How effective is the employee perception to enhance Self-Efficacy, employee perceptions to learn, employee perception towards transfer, performance appraisal reaction and organizational support?

R2: Is there any competence between the employee's perception after the application of Self-Efficacy, employee perceptions to learn, employee perception towards transfer, performance appraisal reaction and organizational support?

1.4 Objectives of the study

The main objective of the study is to examine the employee perception on the existing performance appraisal system.

The specific objectives of the study are as follows:

- i. To determine the relationship between employee's perception with Self-Efficacy and employee perception to learn.
- ii. To examine the relationship between employee's perception with employee perception towards transfer and performance appraisal reaction.
- iii. To assess the relationship between an employee's perception with organizational support.

1.5 Rationale of the Study

At the organizational level, performance appraisal systems influence various other systems and align with the broader organizational strategy. Latham and Wexley (2001) highlight that a robust performance appraisal system is essential for the success of selection, training, and employee motivation practices. In a rapidly changing environment marked by social, economic, and political shifts, organizations must ensure that employees continuously adjust their performance to meet evolving goals and objectives (O'Donnell and Shields, 2002). This study aims to address this knowledge gap by examining how performance appraisal systems impact employee performance specifically within the Kathmandu Valley.

1.6 Limitation of the Study

Many studies have inherent limitations that pave the way for future research. The primary limitations of this research are as follows:

1. This study is based on an empirical analysis that draws on existing research by other scholars, who have explored various HR practices.
2. The research focuses on a limited selection of these practices for its analysis.
3. It relies exclusively on primary data.
4. The study considers only the perspectives of employees at the corporate office, which may not represent the views of employees across the entire industry.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Review

This chapter examines the concept of bank profitability and investigates the factors influencing the financial performance of banks and other financial institutions. It reviews existing research related to profitability within the banking sector, covering a range of studies. The literature review is structured into four main sections: the first provides an overview of the banking sector and the concept of firm performance, with a focus on profitability. The second section discusses previous research on factors affecting firm performance. The third section explores studies on the financial performance of banks in Nepal. Finally, the fourth section summarizes empirical literature concerning the factors impacting bank profitability.

The internal determinants of banking sectors' profitability are those management controllable factors which account for the inter-firm differences in profitability, given the external environment. These internal determinants can be broadly classified into two sub-categories namely financial statement variables and non-financial statements variables. The financial statement variables are determining factors which are directly driven from items in a balance sheet and profit & loss accounts of the banking sector. On the other hand, the non-financial statement variables are those factors which are not directly displayed on the financial statements accounts.

The impact of these firm level characteristics on performance of selected Banking sectors of Nepal over eight years from 2006 to 2014 has been studied in this research. The variables used in this study to quantify firm characteristics are size in terms of total assets, market share in terms of premium collection, paid up capital, return on assets, return on equity, leverage, liquidity, aviation, motor, agricultural & livestock, engineering& CAR (Contractor's All Risk) and Miscellaneous business portfolio investment and deposit collection.

Net income is a company's total earnings. Net income is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses. This number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share.

Company performance is crucial for management as it reflects the achievements of individuals or groups within an organization, aligned with their authority and responsibilities, and executed legally and ethically. Performance is determined by how effectively an organization acquires and manages resources to gain a competitive advantage. It serves as a measure of what has been accomplished over a certain period, providing insights into fund flow, fund utilization, effectiveness, and efficiency. This information is also valuable for motivating managers to make informed decisions.

Profitability is a key objective in financial management, as it aims to maximize the wealth of owners and indicates strong financial performance. According to Hifza Malik (2011), banks play a vital role in supporting commercial and infrastructure projects, contributing to financial and social stability. They mobilize and channel savings, support trade and commerce, and enhance overall well-being. Malik (2011) highlights that banks are crucial for financial intermediation, transferring and sharing risk, which fosters economic confidence and aids in the efficient allocation of financial resources.

Theoretically, the level of a firm's profit is influenced by the level of revenue and expenditure. These two factors revenue and expenditure are intend influence by firm-specific characteristics, industry features and macroeconomic variables. The firm-specific features which are mostly under the direct control of management are size, sales growth, capital, and efficiency and risk management. Business researcher has found that the profitability of companies is positively impacted by size, sales growth and investment. Well-capitalized banking sectors not only meet regulatory capital requirements but also have additional funds available for lending, which can enhance profitability. Similarly, well-capitalized insurers can increase underwriting profits by investing in large, capital-intensive projects like hydropower and infrastructure developments.

Research shows that most companies agree with this view, though a small minority does not. There is also general agreement on the importance of prioritizing a candidate's potential to learn during recruitment. Performance appraisals play a crucial role in evaluating the effectiveness of HR programs, such as selection, training, and transfers. An effective performance appraisal system involves continuous documentation of performance, providing evaluators with evidence and a basis for their ratings.

Key components of an effective appraisal system include setting clear, achievable, and measurable goals, using a practical and straightforward format, and selecting appropriate

evaluation techniques. The appraisal should be performance-based and consistent, with criteria focusing on observable, measurable employee behaviors. Communication is essential throughout the performance appraisal process, including setting expectations and providing feedback. An open communication system encourages employee engagement and active participation in the appraisal process.

Feedback should aim to be developmental rather than judgmental. To be effective, feedback must be timely and delivered in a manner that motivates employees to improve their future performance. It is crucial that evaluators are trained to conduct performance appraisals without personal bias and to handle the process impartially.

In Nepal, the concept of Human Resources Management (HRM) gained prominence after the liberalization and privatization policies introduced in 1990. Before this period, Nepali organizations did not employ well-defined HR strategies. The emergence of private businesses and joint ventures post-1990 marked a shift, with a greater focus on competitive pay, benefits, and performance management. Training and development programs became more prevalent as organizations sought to enhance employees' skills and knowledge (Adhikari, cited in Adhikari & Gautam, 2011). Despite these advances, HRM in Nepal is still evolving, and its foundational practices remain under development (Adhikari & Muller, 2001).

An examination of HR practices across Nepali, Japanese, and US companies reveals notable differences. In Nepal, the size of an organization typically determines whether it has an HR department (Agrawal, 2009). Most Nepali organizations are small or medium-sized, defined by the government as having less than 100 million in fixed assets and fewer than 100 employees. Gautam (2011) shows that 69% of organizations in Nepal have HR departments and 28% have an HR director on the board. In these organizations, HR representatives are predominantly male, and 68% have written HR policies (Cranet, 2005).

In contrast, HR departments in Japanese companies are integrated into the administrative core and handle broader responsibilities compared to their US counterparts (Japan Institute for Labor Policy and Training, JILPT). Japanese HR departments are also male-dominated, while US HR departments are largely female-dominated. According to Forbes (2011), over 70% of HR professionals in the US are female. Furthermore, 60% of Japanese companies have written HR policies, whereas 90% of US companies have such policies (Cranet, 2011).

Recruitment, a crucial component of the hiring process, involves identifying and attracting qualified candidates. This process encompasses attracting, collecting, shortlisting, and evaluating applicants (Gautam, 2011; French, 2006). Effective recruitment aims to create a large pool of qualified candidates, increasing the likelihood of hiring the most suitable and competent individuals.

Recruitment Notes, as outlined by Agrawal (2009) and Dessler (2009), can be categorized into Internal Notes such as promotions, transfers, rehires, and job rotations and External Notes, including advertising, online platforms, employment agencies, executive recruiters, educational placements, internships, professional associations, referrals, and walk-ins. The selection process involves effectively screening applicants to find the best fit for the organization, a crucial HR function since the right skills and attitudes significantly benefit the organization (French, 2006; Dessler, 2009).

In Nepal, Agrawal (2009) notes that referrals from friends and family are the most common recruitment method, often leading to nepotism, favoritism, and a lack of transparency. This has been a challenge for many Nepali organizations; although Gautam (2011) highlights that since 1990, there has been a stronger focus on combating favoritism to remain competitive. Nepali organizations now utilize various recruitment methods, including company and commercial websites, and educational institute placements.

Greene and Segal (2008) explain that profitability in financial institutions is primarily influenced by underwriting performance encompassing product pricing, risk selection, claims management, and expenses and investment performance, which relates to asset allocation and management. They note that Return on Assets (ROA) is often used to measure profitability. Conversely, Greene and Segal (2004) suggest that financial performance in the banking sector is also evaluated through net premiums, underwriting profitability, annual turnover, and return on equity. Many researchers, including Malik (2011), argue that ROA is the preferred measure of profitability.

Profit variation in the banking sector often points to the importance of internal or firm-specific factors in influencing profitability. Identifying these factors can help banks enhance their profitability and assist investors in forecasting future performance. Furthermore, managing key employee retention is a significant contemporary challenge. Effective HR practices and retention strategies are crucial to keeping turnover rates below industry norms. Key strategies include rewarding performance, maintaining harmonious relations, ensuring a

safe work environment, and promoting fair treatment, open communication, conflict resolution, teamwork, and merit-based pay increases (Philips & Connel, 2003; Cascio, 2006).

Employee retention involves not only recruiting the best talent but also implementing strategies to retain these employees, particularly those with scarce skills critical to the organization (Samuel & Chipunja, 2009). This requires an integrated approach to human resources practices, including effective recruitment strategies and retention efforts. Human Resource Management (HRM) is crucial in this regard, encompassing programs and activities designed to enhance both employee and organizational performance (Aswathappa, 2005).

It involves acquiring, developing, motivating, and maintaining human resources while fostering employee commitment (DeCenzo & Robbins, 2005; Jyoth & Venkatesh, 2006). Effective HRM creates a positive work environment that contributes to long-term employee retention (Griffeth et al., 1995). The HR department is responsible for recruiting and selecting the right individuals, as well as providing training and development to ensure efficient performance (Khadka, 2009).

Retention of key employees is a critical element of HRM, with recruiting and selecting being just the initial steps in the talent management process. The ultimate goal is to retain qualified, motivated, and experienced employees longer than competitors, as this is vital for the organization's success (Schuler & Jackson, 2006; Johnson, 2000). With the high rate of employee turnover, retaining skilled employees remains a significant concern for managers (Samuel & Chipunja, 2009).

High employee turnover rates in financial institutions are a global issue, not confined to any specific country. Employees are vital resources for both private and public institutions, as they perform essential functions whether for profit generation or service delivery. The challenge of retaining employees extends across sectors, with many organizations struggling to keep staff despite offering salary increases and bonuses (Gumbus & Johnson, 2003).

Effectively managing core employees requires understanding their needs and aspirations. High turnover is particularly problematic in Nepal, where finding and retaining talent is challenging. Nepali culture tends to favor job security in larger corporations, making it harder for startups to retain employees who might otherwise leave for better-paying non-profits or opportunities abroad. The loss of employees disrupts organizational balance and incurs significant costs, highlighting the need to understand factors influencing employee retention in Nepal's banking sector.

Performance appraisal is a formal process assessing employee job performance against established standards, providing critical feedback for promotions, pay increases, and career planning (Cascio, 1998; French, 2006). This process often involves immediate supervisors but can also include peer reviews, self-ratings, and 360-degree feedback (Dessler, 2009). In Nepali organizations, performance appraisal tends to be less formal and more subjective, impacting employee satisfaction and career development (Agrawal, 2009; Adhikari & Gautam, 2009).

In contrast, Japanese companies use line managers for appraisals, considering skills, enthusiasm, and achievements, although this system may also be used discriminatorily (Endo, 1998; JILPT, 2004). U.S. companies commonly use immediate supervisors for appraisals, often supplemented by additional review methods; with performance outcomes linked to promotions and salary increases (Dessler, 2009; Smith et al., 1996).

Compensation encompasses all forms of pay and rewards, including direct payments like wages and bonuses, and indirect benefits such as insurance and vacations (Dessler, 2009).

Compensation needs to be both attractive and cost-effective, balancing employee motivation with the organization's financial constraints. The structure of compensation is influenced by legal requirements, market rates, equity considerations, cost of living, and union pressures (Agrawal, 2009). In Nepal, the low salary levels are a major source of dissatisfaction and demotivation, with wages being the lowest in South Asia (Adhikari, 2008; Adhikari & Gautam, 2010). Currently, Nepali organizations lack a comprehensive pay determination system beyond the legally mandated minimum wages and benefits.

In Japan, traditional compensation systems have been based on seniority, with pay reflecting length of service. However, a survey by JILPT (2004) found that 60% of Japanese firms now use performance-based wage systems. Salary increases are influenced by collective bargaining, which considers company performance and inflation rates. Japanese wages typically include age-based and skill-based components, with bonuses awarded biannually, varying from 20% of annual wages to several months' salary, based on collective agreements (Chen, 2004).

In contrast, the U.S. predominantly utilizes a job-based wage system, where salaries are determined within predefined ranges based on individual performance and skills. Compensation is largely market-driven, with higher performers receiving higher pay (Chen, 2004). U.S. companies emphasize performance and competencies over seniority, offering

individual incentives and variable pay linked to productivity and company profitability (Dessler, 2009).

Effective labor relations are crucial for achieving organizational goals by balancing the diverse and often conflicting interests of workers, employers, and society, including government and pressure groups (Agrawal, 2009). Workers typically organize into trade unions, which are collective entities aiming to advocate for and safeguard their mutual interests through collective bargaining (Decenzo & Robbins, 2009). Collective bargaining involves negotiating employment terms and conditions between management and unions (Agrawal, 2009).

In Nepal, employees can form enterprise-based trade unions if 25% of the workforce agrees. Additionally, unions can be organized into Trade Union Associations, which group enterprise-based unions by function or industry, and Trade Union Federations, which group these associations. The number of unions in Nepal has increased significantly, with unionized organizations representing 57% of the total and the number of trade unions growing from 200 in 2005/06 to 286 by April 2012 (Poudel, 2012).

In Nepal, trade unions are primarily motivated by demands for higher wages, job security, better working conditions, and political influence (Agrawal, 2009). However, many Nepali unions are politically driven rather than focused on institutional goals. The presence of multiple unions within organizations can lead to competition and rivalries, negatively impacting both employee welfare and organizational performance. Nepali unions often prioritize salary increases and benefits over improving work quality. Barriers to effective labor relations include hierarchical management structures, lack of trust between management levels, and communication breakdowns, compounded by insufficient education among union and management members (Adhikari, 2008; Gautam, 2011).

In Japan, enterprise-based labor unions play a significant role in collective bargaining, negotiating wages and working conditions while also understanding the financial constraints of companies. These unions not only address labor issues but also provide input on broader management practices.

1. Benefits of Appraisal

Perhaps the most significant benefit of appraisal is that, in the rush and bustle of daily working life, it offers a rare chance for a supervisor and subordinate to have "time out" for a one-on-one discussion of important work issues that might not otherwise be addressed.

Almost universally, where performance appraisal is conducted properly, both supervisors and subordinates have reported the experiences beneficial and positive. Appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Thus the performance of the whole organization is enhanced.

2. Motivation and Job Satisfaction

Performance appraisals significantly impact employee motivation and satisfaction, either positively or negatively. These appraisals offer employees recognition for their work, which is a powerful motivator. Research shows that even negative recognition is preferable to no acknowledgment at all. The mere existence of an appraisal system signals to employees that the organization values their individual contributions and development, which can enhance their sense of worth and commitment. This recognition can help reduce absenteeism and turnover rates. Many organizations are investing in reward and recognition programs, hoping to foster loyalty, teamwork, and a culture that supports knowledge sharing (Denning, 2001).

However, to be effective, performance appraisals should focus on performance variables rather than personal traits (Smither, 1998). There is debate among experts about whether performance should be assessed based on results (Kane, 1995) or work-related behaviors (Murphy & Cleveland, 1991). Nonetheless, assessing personal traits can be problematic due to the influence of the rater's biases and perceptions (Jankowicz, 2004). Trait-based appraisals are less useful for providing constructive feedback or designing training programs (Squires & Adler, 1998). Legal considerations also favor appraisals that are job-related and behavior-based rather than trait-based (Malos, 1998). For appraisals to be effective, employees should feel they have meaningful input into the process (Weick, 2001).

Human Resources Management (HRM) encompasses a range of policies and practices aimed at managing various aspects of employment, including planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training, development, and labor relations (Dessler, 2007). HRM involves the systems and strategies that shape employee behavior, attitudes, and performance (Noe, Hollenbeck, Gerhart, & Wright, 2007).

Research on HRM has yielded mixed perspectives. For instance, Applebaum et al. (2000) found a positive correlation between comprehensive HR practices and improved employee outcomes, such as trust, intrinsic satisfaction, commitment, job satisfaction, and reduced stress. Ramsey et al. (2000) examined various theories about the connection between HR

practices, employee attitudes, and organizational performance. Guest (1997) explored how HRM practices such as selection, training, appraisal, rewards, job design, and job security affect outcomes like commitment, quality, and flexibility. Hendry and Pettigrew (1990) focused on identifying key environmental factors influencing HRM, while Guest (1987) sought to create a framework to test and potentially disprove the assumption that integrated HRM practices lead to high employee performance and positive organizational results.

In the realm of recruitment and selection, Ongori (2010) emphasized these processes as central to HRM, crucial for bringing talent into the organization. Bratton and Gold (2007) described recruitment and selection as interrelated processes that must be consistent and well-coordinated to be effective.

Ofori and Aryeetey (2011) define recruitment as the process of creating a pool of candidates for job openings, while selection involves using specific tools to identify the most suitable candidate from this pool. Huselid (1995) found that effective recruitment and selection practices enhance employee productivity and reduce turnover. Cho et al. (2006) highlighted the role of pre-employment tests in selective hiring, noting that these tests can lead to longer employee retention and increased commitment by fostering a sense of belonging.

Training and development are crucial for enhancing employee skills, job satisfaction, and organizational commitment (McEvoy, 1997). Training improves job-specific skills, which boosts productivity and reduces turnover by decreasing job dissatisfaction (Huselid, 1995). Paul and Anantharaman (2003) argued that career development programs reflect an organization's genuine interest in employee growth, thereby increasing commitment and productivity. Benson, Finegold, and Mohrman (2004) found that tuition reimbursement programs, which help employees gain additional qualifications, positively impact turnover rates.

Compensation policies, particularly performance-based pay, are widely used to evaluate and reward employee performance (Collins & Clark, 2003). Performance-based compensation generally improves employee and organizational performance (Brown, Sturman, & Simmering, 2003; Cardon & Stevens, 2004). However, if employees perceive these schemes as managerial control mechanisms, they might become less loyal and committed (Lawler & Rhode, 1976; Ahmad & Schroeder, 2003). Incentive pay linked to firm performance can

enhance commitment to organizational goals and improve employee cohesion (Collins & Clark, 2003). Cho et al. (2006) found that incentive plans effectively reduce staff turnover.

Job security is important for fostering employee confidence and reliability. However, modern business environments often struggle to provide job security. For example, Givord and Maurin (2004) noted that technological advancements have increased job insecurity by reducing the incentive for long-term employment. Nonetheless, job security requires a reciprocal relationship between employers and employees (Pfeffer, 1998).

According to Pfeffer, a company must first communicate that jobs are secure to foster employee confidence. When employees believe in job security, they are more likely to commit extra effort to benefit the company. Performance appraisal plays a critical role by increasing employees' sense of value and their integration into the organizational team, which is essential for fostering commitment (Levy & Williams, 2004).

Turnover is defined as the ratio of the number of employees who leave an organization during a specific period to the average number of employees in that period (Price, 1977). This process involves replacing vacated positions, whether due to voluntary or involuntary departures. Turnover intention refers to an individual's subjective likelihood of leaving the organization soon (Vandenberg & Nelson, 1999). Perceptions of fairness in performance appraisal systems are crucial as they can mitigate negative outcomes like turnover and enhance positive outcomes such as employee commitment and job satisfaction (Selvarajan & Cloninger, 2009).

Getahun Mulualem (2015) analyzed the financial performance of Ethiopian commercial banks using the CAMEL model to evaluate the relationship between CAMEL factors and profitability. Mustafa Hassan Mohammad Adam (2014) examined Erbil Bank for Investment and Finance's financial performance from 2009 to 2013, utilizing financial ratio analysis to assess the bank's financial position and correlations with performance.

Tesfatsion Sahlu Desta (2016) assessed the financial performance of seven out of the top 30 African banks as identified by Global Finance Magazine, focusing on capital adequacy, earnings, asset quality, management quality, and liquidity. The study found that while the banks were strong in capital adequacy and earnings, they were less satisfactory in asset quality, management quality, and liquidity.

Yesim Helhel (2015) compared the financial performance of foreign and domestic banks in Georgia from 2009 to 2013, including data before and after January 1, 2012. The study, using

profitability ratios such as ROA, ROE, NIM, and PEM, found no significant differences between foreign and domestic banks in ROA, ROE, and PEM, though differences were noted in ROA and NIM before and after January 1, 2012.

Ntow-Gyamfi and Laryea (2012) analyzed the performance of foreign versus local banks in Ghana from 2005 to 2010 using metrics such as Return on Assets (ROA), Return on Equity (ROE), Asset Quality, Capital Adequacy, Management Efficiency, Earnings Performance, Liquidity, and Bank Size. Their study revealed that local banks performed better in terms of ROA and ROE, while foreign banks had superior capital adequacy, higher-quality assets, and greater earnings power. Foreign banks were also found to be more liquid and larger compared to local banks. In contrast, local banks showed greater management efficiency.

Suvita Jha and Xiaofeng Hui (2012) investigated the financial performance of Nepalese commercial banks with different ownership structures using the CAMEL model from 2005 to 2010. Their study employed multivariate regression analysis to explore the effects of capital adequacy ratio, non-performing loan ratio, interest expenses to total loans, net interest margin, and credit to deposit ratio on profitability measures like Return on Assets (ROA) and Return on Equity (ROE). They found that public sector banks were less efficient compared to private and foreign-owned banks, with domestic private banks showing similar efficiency to foreign joint-venture banks. Key influences on ROA included the capital adequacy ratio, interest expenses, and net interest margin, while the capital adequacy ratio significantly affected ROE.

Employee engagement, as defined by International Survey Research (2003), is a process designed to boost employees' commitment and contributions to achieve superior business results. Kahn (1990) described engagement as the integration of employees' physical, cognitive, and emotional selves into their roles at work. Engaged employees fully invest in their work, whereas disengaged employees exhibit minimal effort and perform tasks in a routine, automatic manner (Hochschild, 1983).

2.2 Empirical Review

Adil, Sapar, Marhani, and Rosa (2024) investigated how individual characteristics and work discipline affect the performance of employees at PT Bank Syariah Indonesia, Palopo Branch. This quantitative research employed a descriptive approach and included a sample of 35 employees from the branch. The analysis utilized descriptive statistics, classical assumption tests, and multiple regression analysis. The findings indicated that both individual

characteristics and work discipline had a positive and significant impact on employee performance at the bank. Furthermore, the F-test results showed that these factors, when considered together, also positively and significantly influenced employee performance. Specifically, individual characteristics and work discipline accounted for 43.20% of the variation in employee performance, with the remaining 56.80% attributed to other unexamined variables. This study offers valuable insights into the determinants of employee performance within the Indonesian Islamic banking sector.

Joshi, Sekar, and Das (2024) explored employee experiences during the pandemic through online employee reviews to provide insights for organizations. The study aimed to uncover various dimensions of employee experience (EX) and understand how the pandemic influenced these factors. Using Latent Dirichlet Allocation on online reviews, the researchers identified 20 key EX factors and assessed their associated sentiments and significance through sentiment analysis, importance analysis, regression analysis, and dominance analysis. The findings revealed that skill development was crucial in shaping overall EX, but employees viewed salary and growth as the most significant factors, with negative sentiments expressed during the pandemic. The study highlights the impact of employee sentiments on overall EX and suggests that managers should address multiple aspects of EX to effectively manage change and improve employee experiences. It also recommends that online review platforms incorporate these identified EX factors to provide a comprehensive view of employee experiences. This research enhances the understanding of EX by expanding existing scales and identifying a current set of EX factors.

Anakpo, Nqwayibana, and Mishi (2023) investigated the effects of working from home (WFH) on employee performance and productivity through a systematic review. During the COVID-19 pandemic, WFH emerged as a widely adopted strategy to reduce unemployment, maintain societal functions, and protect public health. However, the effects of WFH on productivity and performance remain unclear due to fragmented and context-specific studies. This review analyzed 26 out of 112 potential studies (from sources such as Scopus, Google Scholar, and Web of Science between 2020 and 2022) following PRISMA-P guidelines. The findings indicate that WFH's impact on productivity and performance varies depending on factors like the nature of the work, industry characteristics, and home environments. Most studies reported a positive impact, though some noted no change or negative effects. The study suggests that enhancing technology and IT training could lead to better outcomes for those continuing with WFH post-pandemic.

Jaffu (2023) explored the relationship between performance appraisal, career development, and employee performance, focusing specifically on procurement professionals. The study involved 204 procurement professionals from Dodoma City and utilized a cross-sectional survey design, with data analyzed through Structural Equation Modelling (SEM). Results showed that performance appraisal positively affects both career development and procurement professionals' performance. Additionally, career development was found to have a beneficial impact on performance. Notably, career development was identified as a mediator in the relationship between performance appraisal and performance outcomes. This study highlights that enhancing procurement professionals' performance can be achieved by integrating effective performance appraisal practices with career development initiatives, thereby contributing valuable insights to the field of human resource development.

Soleimani, Dana, Salamzadeh, Bouzari, and Ebrahimi (2023) investigated how internal branding influences organizational financial performance and brand loyalty, with psychological empowerment serving as a mediator. The study analyzed data from 200 employees of Pasargad Insurance in Iran, using structural equation modeling and R software for evaluation. Financial performance was assessed through four metrics: ROI, ROE, sales growth, and ROA, based on data from March 2010 to March 2020. The findings indicated that while internal branding and psychological empowerment did not significantly impact financial performance, they positively affected brand loyalty. Additionally, psychological empowerment was confirmed to mediate the relationship between internal branding and brand loyalty, but not between internal branding and financial performance. These results suggest that managers in the insurance industry should focus on enhancing internal branding and psychological empowerment to boost employee brand loyalty. The study's innovative aspect includes exploring psychological empowerment as a mediator and employing R software for VB-SEM analysis, adding to the research's significance.

Endeshaw (2023) explored how job satisfaction mediates the relationship between employee motivation and job performance. The study aimed to assess this mediating effect at Tikur Anbessa Hospital in Addis Ababa, Ethiopia, using a combination of stratified and simple random sampling techniques to select participants. Data were analyzed through descriptive statistics, correlation, and multiple regression using SPSS and Amos 23 software. The findings revealed that both employee motivation and job satisfaction had a positive and significant impact on job performance, accounting for 53.4% of the variance. Job satisfaction partially mediated the relationship between employee motivation and job performance. The

study suggests that both motivation and job satisfaction are crucial for improving employee performance and should be prioritized in organizational strategies.

Sahand Pokharel (2022) investigated the effect of job satisfaction on the performance of employees in Nepalese life insurance companies. Job satisfaction, a critical factor for organizational success, reflects employees' contentment with their roles and work environment. This study aimed to analyze how various dimensions of job satisfaction impact employee performance within the life insurance sector. Using descriptive and causal-comparative research designs, data were collected from 240 participants through stratified sampling and analyzed with SPSS version 20. The results indicated a positive and significant correlation between job satisfaction factors and employee performance. Specifically, payroll emerged as the most influential factor, significantly enhancing job performance. Additionally, positive interpersonal relationships were linked to improved performance. However, the study found no significant relationship between the working environment and employee performance.

Alsuwaidi, Alshurideh, Al Kurdi, and Salloum (2021) conducted a comprehensive analysis of the relationship between performance appraisal and employee motivation. This study reviews and synthesizes findings from 27 articles published between 2015 and 2020 to assess how the fairness of performance appraisals influences employee motivation. The research utilizes a descriptive approach, incorporating surveys and sample selection to gather primary data. Data collection involves interviews and questionnaires to minimize bias and ensure a broad understanding of employee perspectives. The analysis covers studies primarily from Malaysia, China, Pakistan, and India, focusing on job satisfaction, performance, and organizational effectiveness. The review provides valuable insights into current trends in how performance appraisals impact employee motivation.

Iqbal and Mir (2021) explored the measurement of employee motivation within India's insurance sector by developing and validating a new scale. In response to post-economic reform changes, the study aimed to create a comprehensive measure of employee motivation. The initial scale included six dimensions with thirty items, which were refined through confirmatory factor analysis (CFA) to a final version of 19 items across four factors: Intrinsic Motivators, Working Environment Motivators, Social Environment Motivators, and Job Security Motivators. This study provides valuable insights for organizations and researchers seeking a deeper understanding of employee motivation and its impact on performance within the Indian insurance industry.

Oladunni, Agbaji, and Agbo (2021) investigated how employee motivation impacts the financial performance of insurance companies in Nigeria's emerging economy. The study addressed concerns about the declining financial performance of these companies, which was linked to poor personnel management. It specifically aimed to assess how intrinsic and extrinsic motivation strategies influence financial outcomes. Utilizing a mixed research design, including surveys and ex-post facto methods, the study analyzed data from 175 out of 313 employees in Kaduna state. Data were collected via structured questionnaires, annual publications from the Nigerian Insurance Digest, and financial reports from 2008 to 2019. The results showed that intrinsic motivation strategies significantly impact financial performance, while extrinsic strategies did not have a statistically significant effect. These findings align with Herzberg's two-factor theory and self-determination theory. The study recommends that insurance companies adopt effective motivational strategies to enhance financial performance and leverage opportunities in emerging markets.

Olusola and Addeh (2021) explored the relationship between employee motivation and productivity. They emphasized that management's crucial role is to align employee satisfaction with organizational objectives, a task complicated by the diverse nature of modern jobs and cultural influences. The study reviewed various motivation theories and their practical applications within organizations. It investigated key questions: What defines motivation? Which motivational strategies are most effective for enhancing performance? Findings indicate that motivation can either boost or hinder employee performance, depending on whether the motivational approach addresses the employees' needs. The study highlights the importance of tailoring motivational strategies to individual needs to optimize performance.

Olanrewaju and Bolaji (2021) investigated how motivation and job satisfaction affect employees' productivity in insurance firms. They highlight that motivation serves as a crucial driver for achieving goals, while job satisfaction encompasses multiple variables, meaning employees might be content with certain aspects of their job while dissatisfied with others. The study utilized a descriptive survey design, collecting data through self-structured closed-ended questionnaires. A total of 160 completed surveys were analyzed. Results indicated a significant correlation between motivation and job satisfaction, as well as between motivation and employee productivity. The study found that both motivation and job satisfaction significantly influence productivity. It emphasizes the need for diverse motivational strategies and increased incentives for insurance employees to enhance their sense of belonging and

maintain competitive market positions. The research also suggests additional measures for boosting productivity in insurance firms.

Ullah, Ahmad, Scholz, Ahmed, Ahmad, and Usman (2021) investigated how employees perceive the accuracy of electronic performance appraisal systems in a non-profit organization from an emerging economy. As organizations shift from traditional to web-based performance management systems to improve accuracy and objectivity, understanding employee perceptions becomes crucial. The study distributed 500 closed-ended questionnaires to employees using e-performance appraisal systems, with 352 responses analyzed using structural equation modeling. Findings revealed that factors such as rater competence and the ability to contest perceived unfair or inaccurate appraisals significantly impact perceptions of e-performance appraisal accuracy. Additionally, clear communications of appraisal standards and reactions to previous ratings have a moderate effect on these perceptions.

Al-Jedaiaa and Mehreza (2020) explored the impact of performance appraisal on job performance in the governmental sector of Qatar, with a focus on the mediating role of motivation. Performance appraisals (PA) are widely regarded as crucial for assessing and enhancing employee performance. This study aimed to evaluate how performance appraisals influence job performance and how motivation mediates this relationship. The research identified key factors affecting performance appraisals such as purpose (PAP), criteria (PAC), leadership (PAL), and evaluation methods (PAE) and examined their effects on employee motivation and job performance. Using a descriptive research design, the study collected data through a survey, receiving 294 responses. The results indicated that the purpose of the appraisal (PAP) and evaluation methods (PAE) significantly impact employee motivation and job performance, whereas the criteria (PAC) and leadership aspects (PAL) did not show a significant effect. The study also found a positive correlation between employee motivation and job performance. These findings suggest that human resource managers should focus on enhancing the purpose and methods of performance appraisals to better support employee motivation and improve overall performance.

Na-Nan, Kanthong, Jountrakul, and Smith (2020) investigated the mediating effects of job satisfaction (JS) and organizational commitment (OC) on the relationship between issues with performance appraisal and organizational citizenship behavior (OCB). The study aimed to test models that incorporate JS and OC as mediators between performance appraisal problems and OCB. The research involved 450 employees from automobile parts

manufacturing companies in the Navanakorn Industrial Estate, Thailand. The study utilized previously validated instruments for data collection, ensuring content validity and reliability. Structural equation modeling with 5,000 bootstrapping iterations was employed to analyze the data and assess the developed model. The results confirmed that both JS and OC serve as mediators between performance appraisal problems and OCB. Specifically, issues with performance appraisal influenced OCB indirectly through JS and OC. The findings enhance understanding of how performance appraisal problems impact organizational behavior and offer valuable insights for improving human resource management practices. The study underscores the role of JS and OC in mediating the relationship between appraisal issues and OCB, contributing to a more comprehensive understanding of performance appraisal dynamics.

Rahman, Islam, Islam, and Sarker (2020) investigated the impact of Management by Objectives (MBO) on performance appraisal and employee satisfaction within commercial banks. MBO is a widely recognized performance appraisal method utilized in various organizations. This study assessed how MBO influences performance appraisal and employee satisfaction using a self-administered questionnaire. The research involved 60 employees from 33 commercial banks in the Rajshahi Division of Bangladesh. The questionnaire aimed to gather insights on employees' perceptions of MBO and its effects on their performance appraisal and satisfaction levels. Demographic data, including age, education, salary, and banking experience, were also collected. Data analysis was conducted using IBM SPSS v23.0. Descriptive statistics, Pearson correlation, and regression analysis were employed to test the hypotheses. The findings indicated that MBO is an effective performance appraisal method and is widely adopted by commercial banks. The correlation analysis revealed a significant positive relationship between performance appraisal and employee satisfaction ($r = 0.715$). This suggests that effective performance appraisal through MBO enhances employee satisfaction, which in turn boosts productivity and organizational effectiveness. The study also highlighted that a proper reward mechanism further increases employee satisfaction.

Setiawati and Ariani (2020) investigated how performance appraisal fairness and job satisfaction impact job performance through employee commitment at Condong Catur Hospital (RSCC) in Yogyakarta, Indonesia. This quantitative study aimed to examine these relationships using a survey approach. Data were collected from 187 RSCC employees, with 155 questionnaires completed and returned. The analysis employed t-tests, F-tests, multiple linear regression, and path analysis to assess the effects. The findings revealed that both

performance appraisal fairness and job satisfaction positively and significantly affect job performance, both directly and through employee commitment. However, the direct effects of performance appraisal fairness and job satisfaction on job performance were found to be stronger than their indirect effects through commitment.

Ali, Mahmood, and Mehreen (2019) investigated the relationship between succession planning and employee performance, focusing on the mediating roles of career development and performance appraisal. The study, grounded in social exchange theory, aimed to explore how succession planning impacts employee performance and to assess the mediating effects of career development and performance appraisal. Data were gathered through surveys from permanent employees at various commercial banks, and structural equation modeling was employed to test the proposed relationships. The finding indicated that succession planning significantly and positively influences employee performance. Furthermore, career development and performance appraisal were found to mediate this relationship. This research extends social exchange theory by highlighting how effective succession planning and performance management can improve employee performance, particularly in the banking sector. It suggests that by developing a skilled employee pool and implementing robust performance management practices, banks can better handle vacancies and retirements.

Upadhyay, Ansari, and Bijalwan (2019) explored the impact of performance appraisal on team effectiveness within the service sector, focusing on how employee satisfaction and employee retention moderate and mediate this relationship. As service organizations face a rapidly changing business environment, effective teamwork has become crucial for maintaining high service quality and adaptability. This study investigates the connections between performance appraisal (PA), employee satisfaction (ES), and employee retention (ER) in relation to team effectiveness (TE). The research utilized confirmatory factor analysis and structural equation modeling to validate the proposed model. The findings revealed a significant relationship between PA and TE. Employee retention was found to partially mediate the relationship between PA and TE, while employee satisfaction moderated the relationship between PA and ER. These insights highlight the importance of integrating performance appraisal systems with strategies to enhance employee satisfaction and retention, ultimately leading to improved team effectiveness. The study offers practical recommendations for enhancing team performance and service quality in the service sector, particularly in the region of Uttarakhand.

Ekundayo (2018) investigated how motivation impacts employee performance within selected insurance companies in Lagos, Nigeria. Motivation is defined as a complex set of factors that drive individuals to harness their potential to achieve organizational objectives. This study aimed to examine the effects of motivation on employee performance, identify key motivational factors, and recommend strategies for enhancing employee performance and profitability. Using a structured questionnaire tested for reliability and validity, the study collected data from 100 respondents, including management and staff members, through stratified and simple random sampling techniques. The analysis employed descriptive statistics and Chi-Square tests to assess the relationship between motivation and employee performance. The results indicated a strong positive correlation between employee motivation and performance, highlighting motivation as a crucial factor influencing employee effectiveness. The study recommends that organizations implement motivational strategies such as involving employees in decision-making, job rotation, offering fringe benefits, providing bonuses, and promoting deserving staff to enhance performance and increase organizational profitability.

Siddiqi and Tangem (2018) explored how work environment, compensation, and motivation affect employee performance in the insurance industry of Bangladesh. The study aimed to understand the impact of these factors on employee performance within Bangladeshi insurance companies. Initially, a structured questionnaire using a 5-point Likert scale was distributed to 150 employees across various positions in these companies. The collected data were then analyzed using structural equation modeling. The findings indicated that each factor work environment, compensation, and motivation significantly influences employee performance. The study offers valuable insights for human resource managers in the insurance sector, demonstrating how strategic enhancements in work environment, compensation, and motivational practices can positively impact employee performance. This research provides a practical framework for improving employee productivity and satisfaction within the industry.

Tetteh (2017) investigated the impact of employee motivation on organizational performance and productivity at the Electricity Company of Ghana (ECG). Recognizing the pivotal role of employees in achieving organizational success, this study utilized a mixed-method approach, including a case study, to explore how motivation influences performance at ECG's Legon District. Employing stratified sampling, data were gathered from 80 employees through structured questionnaires and interviews. The analysis, conducted using SPSS, revealed a

positive relationship between motivation and performance. The study concluded that effective motivational strategies are crucial for enhancing employee performance and maintaining ECG's position as Ghana's sole electricity producer.

Ackah (2014) examined how motivation affects employee performance in Ghana's manufacturing sector amidst rapid technological advancements and innovation. This research evaluated the influence of motivation on job performance and identified factors causing dissatisfaction, such as workplace hazards and inadequate compensation. Results indicated that higher motivation leads to better job performance and reduced turnover, while low motivation negatively impacts performance. The study recommends improvements in motivational strategies, such as better recognition and fair compensation, to enhance employee performance in manufacturing firms.

Shahzadi et al. (2014) explored the relationship between employee motivation and performance, focusing on the factors influencing motivation in Pakistan. Data were collected from 160 teachers using self-administered questionnaires, and regression analysis was employed to assess the impact of motivation, intrinsic rewards, and training effectiveness on performance. Findings showed a significant positive relationship between motivation and performance, with intrinsic rewards positively influencing both motivation and performance. However, perceived training effectiveness had a negative impact on motivation, indicating dissatisfaction with the training provided.

Asim (2013) investigated how motivation and training affect employee performance in Pakistani universities. The study used a model where motivation was the independent variable; training served as the mediating variable, and employee performance was the dependent variable. Data from 118 respondents revealed that training mediates the relationship between motivation and performance. The study found that improved salary and benefits could enhance employee performance. The results underscore the need for better alignment of training with employee needs and expectations.

Balachandar et al. (2010) analyzed how job situations impact the motivation of insurance company officers from a developmental perspective. The study focused on private and government-owned insurance companies. Using Z-tests and regression analysis, the research found that job situations significantly affect motivation. The results indicated that most respondents felt moderately influenced by motivational factors, emphasizing the need for

tailored motivational strategies to boost efficiency and commitment among insurance officers.

Summary of Empirical Studies

S.N.	Authors and Date	Study Topic	Major Findings
1	Adil, Sapar, Marhani and Rosa (2024)	The influence of individual characteristics and work discipline on the performance of PT employees Bank Syariah Indonesia Palopo Branch.	Individual characteristics had a positive and significant effect on the performance. Bank Syariah Indonesia work discipline has a positive and significant effect on the performance of PT employees. Bank Syariah Indonesia (BSI) TbkPalopo Branch. The results of the F test show that the characteristics and work discipline simultaneously (together) have a positive and significant effect on the performance of PT employees.
2	Joshi, Sekarand Das(2024)	Decoding employee experiences during pandemic through online employee reviews: insights to organizations.	The topic modeling analysis identified 20 factors influencing overall employee experience (EX). Among these, skill development emerged as a major contributor to EX. However, employees ranked salary and growth opportunities as the most critical factors, expressing negative sentiments regarding these aspects during the pandemic. These sentiments have a significant impact on the overall EX.
3	Anakpo, Nqwayibana and Mishi (2023)	Impact of work from home on employee performance and productivity: A systematic review.	The study found that the effect of the work-family conflict (WFC) model on employee productivity and performance varies based on several factors, including the type of work, employer and industry

			characteristics, and home environment. Most respondents reported a positive impact, while a few noted either no change or a negative effect.
4	Jaffu (2023)	The relationship between performance appraisal, career development, and employee performance: Insights from procurement professionals.	It was found that procurement professionals' performance and career development are positively influenced by performance appraisal practices. The study also found out that career development has positive influence on procurement professionals' performance. Finally, the study revealed that career development mediates the influence of performance appraisal on procurement professionals' performance.
5	Soleimani, Dana, Salamzadesh, Bouzari and Ebrahimi (2023)	The effect of internal branding on organizational financial performance and brand loyalty: mediating role of psychological empowerment.	The study revealed that while internal branding and psychological empowerment do not significantly affect financial performance, they both have a substantial positive impact on brand loyalty. Additionally, psychological empowerment was confirmed to mediate the relationship between internal branding and brand loyalty.
6	Endeshaw (2023)	The mediating effect of job satisfaction on the link between employees' motivation and job performance.	The study found that all independent variables and the mediator had a positive relationship and a significant impact on job performance.
7	Sah and Pokharel (2022)	Impact of job satisfaction on performance of employees working Nepalese life insurance	This study found that there were a positive and significant relationship between job satisfaction constructs and employee

		companies.	performance. As per regression there were higher influence on job performance that other factors and there was positive significant. Except the working environment and job performance there were significant relationships.
8	Alsuwaidi, Alshurideh, Al Kurdiand Salloum (2021)	Performance appraisal on employees' motivation: a comprehensive analysis.	This study revealed that research has often focused on the contexts of job satisfaction and performance, with employee motivation being a prominent theme, followed by organizational effectiveness. The findings offer valuable insights into current trends, particularly how performance appraisal influences employee motivation.
9	Oladunni, Agbaji and Agbo (2021)	The impact of employee motivation on the financial performance of insurance companies in emerging economies, specifically in Nigeria.	The study found that intrinsic motivational strategies had a significant positive impact on the financial performance of insurance companies in emerging economies, such as Nigeria, while extrinsic motivational strategies did not have a significant effect.
10	Iqbal and Mir (2021)	Measure of employee motivation in insurance sector in India: scale development and validation.	The Confirmatory Factor Analysis (CFA) refined the scale to 19 items and identified four factors: intrinsic motivators, working environment motivators, social environment motivators, and job security motivators. This study provides valuable insights for organizations and researchers seeking to understand the nuances of employee motivation and

			its impact on performance.
11	Olusola and Addeh (2021)	Employee motivation and its effects on employee productivity act.	The study found that motivation can either enhance or diminish employee performance. If the type of motivation aligns with an employee's needs, performance improves. Conversely, if it does not meet those needs, performance declines. This underscores the importance for organizations to tailor motivational strategies to individual employee needs to boost overall performance.
12	Olanewwaju and Bolaji (2021)	Employee's productivity in insurance firms: motivation and job satisfaction.	The study revealed a significant relationship between employee motivation and job satisfaction within the insurance firm. Additionally, a strong link was found between motivation and employee productivity.
13	Ullah, Ahmad, Scholz, Ahmed, Ahmad and Usman (2021)	The perceived accuracy of electronic performance appraisal system: the case of a non-for profit organization from an emerging economy.	The results indicate that rater competence and the possibility to challenge performance appraisals judged as unfair or inaccurate highly influence the employees' perception of accuracy of e-performance appraisals. Furthermore, a clear communication of standards and the reaction to the last rating moderately affect the employees' perception of the accuracy of e-PA.
14	Al-Jedaiaa and Mehreza (2020)	The study examines how performance appraisal impacts job performance within the governmental sector, focusing on the	The study found that Purpose of Appraisal (PAP) and Appraisal Evaluation Methods (PAE) significantly impact employee motivation and

		<p>mediating role of motivation. It explores how performance appraisals influence employee performance and the extent to which motivation mediates this relationship.</p>	<p>job performance, whereas Appraisal Criteria (PAC) and Appraisal Leadership (PAL) do not. Additionally, there is a positive correlation between employee motivation and performance. These insights can help HR managers enhance employee motivation and performance strategies.</p>
15	Na-Nan, Kanthong, Joungrakuland Smith(2020)	<p>Mediating effects of job satisfaction and organizational commitment between problems with performance appraisal and organizational citizenship behavior.</p>	<p>This study contributes valuable insights for effective human resource management and performance appraisal. The developed model clarifies how issues with performance appraisal relate to fairness, job satisfaction (JS), organizational commitment (OC), and organizational citizenship behavior (OCB). JS and OC serve as key mediators in understanding these dynamics and enhancing HR practices.</p>
16	Rahman, Islam, Islam andSarker(2020)	<p>This study examines how Management by Objectives (MBO) influences performance appraisals and employee satisfaction in commercial banks, finding a positive impact.</p>	<p>The study found a significant positive relationship between performance appraisal and employee satisfaction, with performance appraisal enhancing satisfaction, which in turn boosts productivity and effectiveness. Implementing effective reward mechanisms further increases employee satisfaction.</p>
17	Setiawatiand Ariani(2020)	<p>The study explored how performance appraisal fairness and job satisfaction impact job performance through</p>	<p>The results show that both performance appraisal fairness and job satisfaction positively and significantly influence job</p>

		employee commitment.	performance, both directly and indirectly through employee commitment.
18	Ali, Mahmood and Mehreen (2019)	This study explores how succession planning impacts employee performance, with career development and performance appraisal serving as mediators in this relationship.	The result showed that succession planning significantly and positively influences employee performance, with career development and performance appraisal serving as mediators. This study enhances social exchange theory by clarifying how succession planning impacts employee performance within the banking sector.
19	Upadhyay, Ansari and Bijalwan (2019)	Performance appraisal and team effectiveness: a moderated mediation model of employee retention and employee satisfaction.	The study found that performance appraisal (PA) and team effectiveness (TE) are significantly related. Employee retention (ER) partially mediates the relationship between PA and TE, while employee satisfaction (ES) moderates the relationship between PA and ER.
20	Ekundayo (2018)	Impact of motivation on employee performance in selected insurance companies in Nigeria.	The finding shows that the motivation was the major factor that affected employee performance. The study showed a direct strong and positive relationship between motivation of employees and their performance.
21	Siddiqi and Tangem (2018)	Impact of work environment, compensation and motivation on the performance of employees in the insurance companies of Bangladesh.	The study found that all factors significantly impact employee performance, providing valuable insights for HR recruiters in financial and insurance sectors on leveraging strategies to enhance employee contributions.
22	Tetteh (2017)	This study assesses how employee motivation	The study found a link between motivation and

		affects organizational performance and productivity and its crucial role in enhancing business outcomes.	performance, concluding that management should actively work to motivate staff to improve their performance.
23	Ackah (2014)	Impact of motivation on employee performance in the manufacturing industry in Ghana	This study found that the employees who are more motivated in their jobs are more satisfied with their performance if the employees are de-motivated.
24	Shahzadi, Javed, Pirzada, Nasreen and Khanam (2014)	Impact of employee motivation on employee performance.	The result of the study was significant and positive relationship exists between employee motivation and employee performance. There was significant positive relationship with employee performance and employee motivation. Employee perceived training effectiveness has a negative relationship with motivation.
25	Asim (2013)	Impact of motivation on employee performance with effect of training: specific to education sector of Pakistan.	The findings of the study were there was significant and positive relationship between the study variables.
26	Balachandar, Panchanatham and Subramanian (2010)	Impact of job situation on the motivation of insurance company's officers: a developmental perspective.	The Z-tests revealed that officers in both private and government insurance sectors share similar views on organizational motivational efforts. Over half of the respondents felt they were moderately influenced by these motivational factors.

2.3 Research Gap

Employee perception on the existing performance appraisal can be measured in many ways however net income/profit for financial parameters and net profit analysis have been taken as measure of financial performance/profitability of commercial banks in Nepal. Also, the employee perception on the existing performance appraisal of banks has been found to be

influenced by various internal and external factors. The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge. Conducted study about the employee perception on the existing performance appraisal. However this research will move ahead from analyzing the performance of banking in Nepal and would undergo empirical review of the factors affecting the performance of banking sector in Nepal. This study will provide new insights to the future researchers, players involved in the banking sector, government, regulatory authority and many others for academic as well as policy perspectives. The financial and statistical tools used by most of the researchers are ratio analysis; this study focuses on descriptive analysis and comparison of various financial parameters and different portfolios that are the determinants of profitability of banking sector. This study is more focused in identifying various aspects of banking sectors and their impacts in employee perception on the existing performance appraisal.

Performance appraisal practices are crucial for assessing firm goals, compensating managers, and crafting strategies. Studies in various economies, particularly within the banking sector, show that competition drives a need for improved performance measurement methods. Often, a focus on quantitative metrics overshadows qualitative aspects. For the long-term success of Nepalese commercial banks, it's essential to integrate both quantitative and qualitative measures. This research aims to address the gap in performance appraisal studies in Nepal, a developing country, and provide insights into the application of performance measures in Nepalese banks.

2.4 Conceptual Framework

Vignaswaran (2008) found that satisfaction with the performance appraisal process positively affects employee work performance, with intrinsic motivation fully mediating this relationship. Klein and Snell (1994) observed that goal setting within performance appraisals significantly impacts poor performers, as it helps clarify performance expectations. Femi (2013) concluded that using appropriate performance appraisal techniques improves worker performance and commitment.

Vignaswaran (2008) also found that satisfaction with performance appraisals negatively impacts turnover intention, with intrinsic motivation partially mediating this effect. Arshad, Masood, and Amin (2013) noted that perceived performance appraisal politics can lead to dissatisfaction and higher turnover intentions.

Rewards programs are part of compensation strategies designed to align individual efforts with organizational goals and enhance effectiveness through various incentives (Gomez-Mejia and Balkin, 1992; Lawler and Cohen, 1992). Recognition, on the other hand, involves non-financial acknowledgment of achievements and effort, such as positive feedback and informal praise (Lachance, 2000). Recognition helps maintain employee motivation by celebrating milestones and showing managerial attention.

Promotion decisions in many companies are based on performance rather than solely on seniority. Survey results indicate that 45% of respondents view team development as crucial, while only 2.5% disagree. Additionally, 72.5% of employees reported not receiving pension benefits, with only 25% of permanent staff receiving such benefits. Few respondents, particularly temporary and contract staff, receive benefits like tuition assistance or child care support, highlighting a gap in employee benefit provision.

Independent variable

Dependent variable

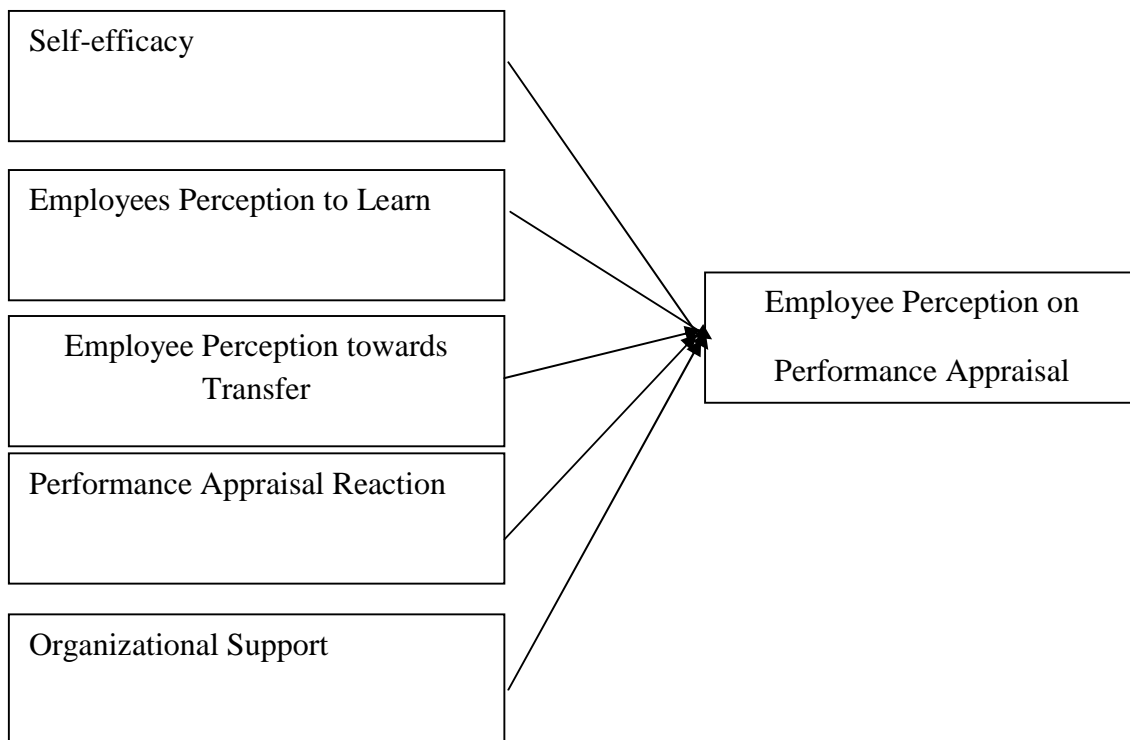


Figure 1: Research Framework

CHAPTER III

RESEARCH METHODOLOGY

This chapter outlines the steps and procedures for analyzing factors influencing profitability in Nepal's banking sector. It details the approach used to assess the impact of key determinants on employee perceptions of current performance appraisal practices. The type of data used and the techniques employed to collect the data and the methods utilized to manage and analyze the data. Research methodology is the description, explanation and justification of various methods of conducting research. The advanced learner's dictionary of current English lays down the meaning of research as a careful investigation or inquiry especially through search for new facts in any branch of knowledge.

3.1 Research Design

The research design outlines the methodology for testing hypotheses and includes all procedural steps. It serves as a plan and strategy for analysis to answer research questions and manage various factors. This study employed a descriptive research design to allow the target group to explain or describe key variables. This approach was chosen to explore and describe the relationships and factors relevant to the investigation.

3.2 Sampling Design

For the current study the employees of commercial banks such as NMB Bank Limited, Siddhartha Bank Limited and Nabil Bank Limited has been considered 202 respondents. For this study altogether 202 respondents assumed by administrating the schedule questionnaire. Hence, for the research 202 employees of three banks i.e. NMB Bank Limited, Siddhartha Bank Limited and Nabil Bank Limited of Kathmandu were selected as the sample size-respondents and convenience sampling method was used for the distribution of questionnaires.

3.3 Data collection

The research was based on both primary and secondary data. The present study is basically based on data collected from distribution of questionnaires. Similarly other relevant secondary data and information used in this study have been collected from different annual reports, websites, journals and articles. According to the nature of the problem, required data's information is collected.

3.4 Data Collection Tools

The information related to outside region (other part of Nepal and Globe) was studied from internet. Topic related journal articles, periodicals records and reports was carried out through electronics/internet search. Various policies from National organization were dealt in details by referring various government publications and reference book, journals, published data from time to time.

3.5 Data analysis and presentation

This involved analyzing data to highlight key features and relationships, allowing for generalizations and the identification of behavior patterns and outcomes. Various statistical tools were employed for data analysis to address the research questions effectively. Percentage was used to find out the frequency of respondents, mean value was calculated to find out the perception of respondents. The output obtained was then analyzed and presented in a manner so as to come up with the best possible outcome. Population and sample study is also mentioned before discussing the research methodology used to conduct this research. The data that were collected are then analyzed and discussed and the results are shown.

For the analysis of employee satisfaction of data, the presentation of data has been made by using the statistical program i.e. Statistical Package for Social Sciences (SPSS) data analyzing tools, frequency table and percentage. Also the statistical method such as arithmetic mean, standard deviation etc. has been used.

Hypothesis Tests

H1: There is positive relation in Self-Efficacy with employee perception.

H2: There is positive relationship between employees perception to learn with employee perception.

H3: There is positive relationship between employees perception towards transfer with employee perception.

H4: There is positive relationship between performance appraisals reaction with employee perception.

H5: There is positive relationship between organizational supports with employee perception.

CHAPTER IV

RESULT AND DISSCUSSION

The main objective of the study is Employees' Perception on Performance Appraisal in Commercial Banks of Nepal. The idea behind this research study is expected to be fulfilled with the outcomes derived from the analysis of the data. This chapter is based on the analysis and interpretation of data collected during the study. The data is analyzed with the objective of drawing out valuable conclusion and implication. Several tests have been utilized for this analysis and summary of results are given in below tables. After getting confirmation about the assumption of equal variances ($p > 0.05$), T-Test is used to estimate the difference level of employee's perception between different Performance appraisal factors. The result of T-Test indicates that the responses are significantly different.

4.1 Demographic Characteristics of the respondents

A total of 202 respondents from employee of banking sector were surveyed for this research.

Table 1

Qualification

S.N.	Frequency	Percent
Under graduate	11	5.4
Graduate	99	49
Post Graduate	92	45.5
Total	202	100

Source: Online Survey, 2024

Table 1 show about the educational qualification of respondent where only 11 persons 5.4 percentage are under graduates. Similarly, 99 persons i.e., 49 percentage people are graduates and remaining 92 persons 45.5 percentage people are post graduates.

Table 2:

Age

S.N.	Frequency	Percent
25 below	23	11.4
25-35 Years	172	85.1
35-45 Years	6	3
Above 45	1	0.5
Total	202	100

Source: Online Survey, 2024

Table 2 shows that age group of respondents (25 to 35) is higher respondent age group which consist 85.1 percentage whereas (above 45) is lowest respondent consisting only 0.5 percentage similarly under 25 is 11.4%, (35 to 45) is 3%.

Table 3

Position

S.N.	Frequency	Percent
Managerial Level	8	4.00
Officer Level	59	29.20
Assistant Level	120	59.40
Others	15	7.40
Total	202	100

Source: Online Survey, 2024

Table 3 contain position of respondent where only 4 percent people are managers and 59.40 percentage people are assistant similarly 29.20 percentage respondent are officers and 7.40 percentage people are others.

Table 4

Earning per month

S.N.	Frequency	Percent
Below Rs 30,000	4	2.00
Rs 30,000 - Rs 60,000	172	85.10
Above Rs 60,000	26	12.90
Total	202	100

Source: Online Survey, 2023

Table 4 Consist of earning per month of employee where above below Rs. 30,000 is only 2 percentage and (Rs 30,000 to Rs 60,000) is 85.10 percent similarly above Rs. 60,000 is 12.90 percentages respectively.

4.2 Reliability analysis

Cronbach's alpha () was computed to evaluate the internal consistency and reliability of the variables.

Table 5

Self-Efficacy

Instruments	Cronbach's Alpha	N of Items
Self-Efficacy	0.954	16
Employees perception to Learn	0.951	9
Employees perception towards Transfer	0.900	4
Performance appraisal Reaction	0.885	3
Organizational Support	0.908	5
Employee Perception	0.898	3

Source: Online Survey, 2024

Table 5 the calculation of the quantity of variation of the data is of high indicating data point is spread across wide range of value.

The minimum number of the question item is 1 and maximum is of 5. To test the normality of data Skewness and Kurtosis test were examined. Skewness and Kurtosis are the indicators to see if the variable is normally distributed. Self-efficacy have -0.41 Skewness and 2.68 Kurtosis, Similarly, the value of Skewness and Kurtosis of other variable (Employees perception to Learn, Employees perception towards Transfer, Performance appraisal Reaction and Organizational Support) are mentioned in the table 4.1. Since the standard range of the Skewness is ± 3 which is fully satisfied by the generated value. Again, the standard Kurtosis range is between ± 10 . Since, all the variables of the kurtosis range from 0.57 to 2.98 which shows both Skewness and Kurtosis are acceptable suggesting the normality and uniformity of the data. Table 6 presents the questionnaire instruments for the further data reliability test the different instruments with variation in question numbers. Each of the instruments for the independent variable has a range of from 0.885 to 0.954.

Both dependent and independent variables that suggests the reliability of the data are good at the range of above 8. This shows the increase inter correlation among the test item possessing higher internal consistency and validity of the study.

Table 6

Descriptive Statics (Employees Perception and Performance Appraisal in Banking Sector in Nepal)

Variables	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Self-Efficacy	1	5	3.84	0.79	-1.41	2.68
Employees	1	5	4.01	0.88	-1.51	2.52
Perception toLearn						
Employees Perception	1	5	3.97	0.92	-1.33	1.81
towards Transfer						
Performance appraisal	1	5	3.84	1.01	-1.14	1.15
Reaction						
Organizational	1	5	4.00	0.95	-1.36	1.85
Support						
Employee Perception	1	5	3.71	0.89	-0.71	0.57

Source: Online Survey, 2024

Table 6 presents the mean of the entire variable which range in between 3.71 to 4.01. The calculation of the quantity of variation of the data is of high indicating data point is spread across wide range of value. The minimum number of the question item is 1 and maximum is of 5. To test the normality of data Skewness and Kurtosis test were examined. Skewness and Kurtosis are the indicators to see if the variable is normally distributed. Self-efficacy have -0.41 Skewness and 2.68 Kurtosis, Similarly, the value of Skewness and Kurtosis of other variable (Employees perception to Learn, Employees perception towards Transfer, Performance appraisal Reaction and Organizational Support) are mentioned in the table 6. Since the standard range of the Skewness is ± 3 which is fully satisfied. Again, the standard Kurtosis range is between ± 10 . Since, all the variables of the kurtosis range from 0.57 to 2.98 which shows both Skewness and Kurtosis are acceptable suggesting the normality and uniformity of the data. The test is done to ensure the reliability and availability of the survey questionnaire, the analysis is done to check the Cronbach Alpha effect of the each of the item which is generated from the Statistical Package for Social Science software (SPSS).

Table 7

Descriptive Statistics (Self-Efficacy)

Statement	Mean	Std. Deviation
When I make plans, I am certain I can make them work.	3.83	1.03
I can get down to work when I should.	3.81	1.01
If I can't do a job the first time, I keep trying until I can.	3.93	1.07
When I set important goals for myself, I achieve them.	3.98	1.07
I continue on things before completing them.	3.96	0.99
I face difficulties.	3.75	1.03
If something looks complicated, I will try it.	3.76	1.03
When I have something unpleasant to do, I stick to it until I finish it.	3.47	1.07
When I decide to do something, I go right to work on it.	3.96	1.03
When trying to learn something new, I continue if I am not initially successful.	3.95	1.05
When unexpected problems occur, I can handle them well.	3.76	0.97
I try to learn new things even when they look too difficult for me.	3.85	0.96
Failure just makes me try harder.	3.85	1.04
I feel secure about my ability to do things.	3.81	1.00
I don't give up easily.	3.86	1.09
I am capable of dealing with most problems that come up in life.	3.88	1.03
Valid N (Listwise)	202	

Source: Online Survey, 2024

Table 7 shows the descriptive statistics of one of Performance appraisal Self-Efficacy in banking sector in Nepal. Among the sixteen statements “When I have something unpleasant to do, I stick to it until I finish it.” Has least mean 3.47 and statement “When I set important goals for myself, I achieve them.” has the highest mean 3.98 with the standard deviation of 1.07 followed by statement “When I make plans, I am certain I can make them work.”, “I can get down to work when I should.”, “If I can't do a job the first time, I keep trying until I can.”, “I continue on things before completing them”, “I face difficulties” , “If something looks complicated, I will try it.” , “When I decide to do something, I go right to work on it.”, “When trying to learn something new, I continue if I am not initially successful.” , “When unexpected problems occur, I can handle them well.” , “I try to learn new things even when they look too difficult for me.”, “Failure just makes me try harder.”, “I feel secure about my ability to do things.” , “I don't give up easily.” And “I am capable of dealing with most problems that come up in life.” All these statement are having average mean in between 3.47 to 3.96. The respondent was in between strongly disagree (1) and Strongly Agree (5). The overall mean of Performance appraisal self-efficacy in banking sector in Nepal is 3.84 with

standard deviation 0.79 which shows that the respondent i.e. Performance appraisal Self-Efficacy of banking sector of Nepal is positive.

Table 8

Descriptive Statistics (Employee Perception to learn)

Statements	Mean	Std. Deviation
I think the Performance appraisal program will help me to improve my knowledge.	4.04	1.045
I am motivated to learn the knowledge emphasized in the Performance appraisal program.	4.02	1.019
I will try to learn as much as I can from the Performance appraisal program.	4.05	1.033
I will get to enhance my ideas about performance appraisal program.	3.93	1.063
I will get more from the Performance appraisal program than most people.	4.1	1.048
The knowledge I will gain in the Performance appraisal program may help advance my career.	4.08	1.048
I desire to attend the Performance appraisal program as soon as I can.	3.96	1.055
If I attend the Performance appraisal program, I will learn how I can improve my knowledge.	4.02	1.024
I want to improve my knowledge during the Performance appraisal program.	3.9	1.041
Valid N (listwise)	202	

Source : Online Survey, 2024

Table 8 shows the descriptive statistics one of Performance appraisal Employees perception Learn in banking sector of Nepal. Among the nine statements “I want to improve my knowledge during the Performance appraisal program.” Had least mean 3.90 with standard deviation 1.04 and the statement “I will get more from the Performance appraisal program than most people.” Had highest mean 4.10 with standard deviation of 1.04 followed by statements “I think the Performance appraisal program will help me to improve my knowledge.”, “I am motivated to learn the knowledge emphasized in the Performance appraisal program.”, “I will try to learn as much as I can from the Performance appraisal

program.”, “I will get to enhance my ideas about performance appraisal program.” “I desire to attend the Performance appraisal program as soon as I can.” , “The knowledge I will gain in the Performance appraisal program may help advance my career.”, “If I attend the Performance appraisal program, I will learn how I can improve my knowledge.” Has mean at average in between 3.93 to 4.08. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). The overall mean of the Performance appraisal Employees perception to learn is 4.01 with standard deviation of 0.88 which shows that the respondent i.e. Performance appraisal Employees perception to learn in banking sector of Nepal is positive.

Table 9

Descriptive Statistics (Employee Perception towards transfer)

Statements	Mean	Std. Deviation
The employees feel empowered to provide input on potential transfer opportunities based on their skills and interests.	4.06	1.03
I believe there are some barriers that employees might encounter when trying to adapt to the new workplace.	3.78	1.09
The employees feel that transfers are conducive to maintaining a healthy work-life balance.	4.05	1.03
I believe that Managers consider employees' concerns and preferences when initiating transfers.	3.99	1.03
Valid N (listwise)	202	

Source : Online Survey, 2024

Table 9 shows the descriptive statistics of the Performance appraisal for Employees perception towards transfer in banking sector in Nepal. Among the four statements “I believe there are some barriers that employees might encounter when trying to adapt to the new workplace.” Has least mean 3.78 with standard deviation 1.09 and the statement “The employees feel empowered to provide input on potential transfer opportunities based on their skills and interests.” Has highest mean 4.06 with standard deviation 1.03 followed by the statement “The employees feel that transfers are conducive to maintaining a healthy work-life balance.” And “I believe that Managers consider employees' concerns and preferences when initiating transfers.” Has mean value 4.05 and 3.99 also standard deviation 1.03 and 1.03 respectively. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). The overall mean of Performance appraisal Employees perception is 3.97 with standard deviation of 0.92 which shows that the respondent i.e. Performance appraisal Employees perception towards transfer of banking sector in Nepal is positive.

Table 10

Descriptive Statistics (Organizational Support)

Statements	Mean	Std. Deviation
There is a performance appraisal system that ties financial rewards to use of newly acquired knowledge and skills.	3.87	0.97
My organization offers excellent Performance appraisal programs.	3.74	1.06
Employees are provided with the resource necessary to acquire reward according to my personal work performance.	3.68	1.06
Organizational support positively influences employees' overall performance appraisal.	3.62	1.04
The bank's policies and procedures regarding organizational support are clearly communicated to employees.	3.62	1.06
Valid N (listwise)	202	

Source : Online Survey, 2024

Table 10 shows the descriptive statistics of the Performance appraisal for organizational support in banking sector in Nepal. Among five statements “There are rewards and incentives for acquiring and using new knowledge and skills in one’s job.” and “This organization rewards employees for using newly acquired knowledge and skills on the job.” Has least mean 3.62 with 1.04 and 1.06 respectively and statement “There is a performance appraisal system that ties financial rewards to use of newly acquired knowledge and skills.” Have highest mean 3.87 with 0.97 standard deviation followed by the statement “My organization offers excellent Performance appraisal programs.” and “Employees are provided with the resources necessary to acquire and use new knowledge and skills.” Has mean 3.74 and 3.68 respectively with 1.06 standard deviation both statements. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). The overall mean of the Organizational Support in banking sector of Nepal is 4.00 with standard deviation 0.89 which shows that the respondent i.e. Performance appraisal Organizational Support of commercial banks in Nepal is positive.

Table 11: *Descriptive Statistics (Performance Appraisal Reaction)*

Statements	Mean	Std. Deviation
I believe that the performance appraisal process fosters a positive work environment in the bank.	3.74	1.04
Employees who receive positive performance appraisals are recognized and rewarded appropriately.	3.83	1.04
Overall, I am satisfied with how the performance appraisal process is conducted in my bank.	3.85	1.11
Valid N (listwise)	202	

Source: Online Survey, 2024

Table 11 shows the descriptive statistics of the Performance appraisal reaction in banking sector in Nepal. Among the three statements “I believe that the performance appraisal process fosters a positive work environment in the bank.” Has least mean 3.74 with 1.04 standard deviation and the statement “Overall, I am satisfied with how the performance appraisal process is conducted in my bank.” Has the highest mean 3.85 with 1.11 standard deviation followed by statement “Employees who receive positive performance appraisals are recognized and rewarded appropriately.” Has mean 3.83 with 1.04 standard deviation. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). The overall mean of the Performance appraisal reaction in banking sector of Nepal is 3.84 with standard deviation 1.01 which shows that the respondent i.e. Performance appraisal Performance appraisal reaction of commercial banks in Nepal is positive.

4.3 Correlation analysis

Table 12

Correlation (Employees Performance appraisal Banking Sector in Nepal)

Variable	1	2	3	4	5	6
Self-efficacy	1					
Employees perception to Learn	.829**	1				
Employees perception towards Transfer	.741**	.846**	1			
Performance appraisal	.761**	.830**	.809**	1		
Organizational Support	.677**	.656**	.636**	.690**	1	
Employee perception	.721**	.725**	.728**	.754**	.749**	1

Note : **Correlation is significant at $p < 0.01$ level (2 tailed and

* Correlation is significant at $p < 0.05$ level (2 tailed)

Source : Online Survey, 2024

Table 12 explains that strong and significant relation between the components of the dependent variable and independent variable. The value shown in the table shows that the strong relation among all components of the independent variable (Self-Efficacy, Employees perception to Learn, Employees perception towards Transfer, Performance appraisal reaction and Organizational support) and with the dependent variable (Employee perception). The relationship between Self-efficacy and employee perception has strong correlation ($r = .721$, $p < 0.01$). Similarly, there is strong relation between Employees perception to learn and employee perception ($r = .725$, $p < 0.01$). Another dimension employees perception towards transfer also have strong relation with employee perception ($r = .728$, $p < 0.01$). Similarly, another dimension Performance appraisal reaction have also strong positive relation with employee perception ($r = .754$, $p < 0.01$). Lastly, organizational support and employee perception have also strong relation ($r = .749$, $p < 0.01$). Since, all the values generated from the Table 4.12 Clarified that there is a significantly strong relation with all the dimension form employee perception in banking sector in Nepal.

Table 13

Regression Analysis

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
.837a	0.7	0.691	0.53964		
Predictors: (Constant), Self-Efficacy, Employee perception to learn, Employees perception towards transfer, Performance appraisal Reaction, Organizational Support					
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	132.646	6	22.108	75.916	<.001b
Residual	56.787	195	0.291		
Total	189.433	201			

a. Dependent Variable: Employees Perception

b. Predictors: (Constant), Self-Efficacy, Employee perception to learn, Employees perception towards transfer, Performance appraisal Reaction, Organizational Support

Source: Online Survey, 2024

Coefficients	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	-0.106	0.198		-0.534	0.594
Self-efficacy	0.173	0.092	0.141	1.884	0.061
Employees perception to Learn	0.049	0.104	0.044	0.469	0.64
Employees perception towards Transfer	0.128	0.091	0.121	1.414	0.159
Performance appraisal Reaction	0.176	0.081	0.184	2.172	0.031
Organizational Support	0.347	0.064	0.317	5.431	<.001

a Dependent Variable: Employees perception

Source: Online Survey, 2024

Testing of Hypothesis

The study found a positive relationship between self-efficacy and employee performance appraisal, but the p-value for self-efficacy was 0.061, which is not significant at the 5% level. Therefore, this hypothesis was not supported. Similarly, the positive relationship between employees' perception of learning and performance appraisal, with a p-value of 0.64, was not significant at the 5% level, leading to the rejection of this hypothesis as well. The relationship between employees' perception of transfer and performance appraisal had a p-value of 0.159, which also did not reach significance at the 5% level, so this hypothesis was not accepted. Conversely, the positive relationship between performance appraisal reactions and performance appraisal, with a p-value of 0.031, was significant and thus this hypothesis was accepted. Additionally, the relationship between organizational support and performance appraisal had a p-value less than 0.01, indicating significance, and thus this hypothesis was accepted.

4.4 Results

The study assessed the impact of employees' perceptions on performance appraisal, focusing on how factors like self-efficacy; learning perception, transfer perception, appraisal reactions, and organizational support affect employees' views on performance appraisal. The research, conducted with a sample of 202 participants, employed both descriptive analysis and hypothesis testing.

Regarding demographic profiles, the study examined age, qualification, job position, and earnings. Of the 202 respondents, 49% were graduates, 5.4% were undergraduates, and 45.5% were postgraduates. In terms of job positions, 59.4% were assistants, 4% were managers, 29.2% were officers, and 7.4% held other positions.

Age in between (25 to 35) is highest respondent holds 85.10% and over 0.50% lower respondent (above 45). Similarly, 11.40% and 3% are under 25 and (35 to 45) age groups. Similarly, another variable earning per month is in between 30000 to 60000 are high in percentage holds 85.10% where only 12.90% above 60000 and 2% are below 30000.

4.5 Discussions

The research data was collected from 202 banking sector employee of Nepal. All of the participants are banking sector worker in different banks of Nepal. They have different kinds of experience and working abilities. According to the responses it is seen that Employees perception and Performance factors such as Self-efficacy, Employees perception to learn, Employees perception towards transfer, Performance appraisal reaction and organizational support have close relationship between each other. Previous research by scholars such as Velada et al. (2007) and Heartel and Walberg (1988) has examined similar topics. Velada et al. (2007) found a positive correlation between performance appraisal and job satisfaction, which aligns with the findings of the current study. The results of this study also indicate a positive relationship between performance appraisal factors and job satisfaction.

The employee can feel more satisfied with their job if their career expectation is worthy and flexible enough (Flessler and Christensen, cited in Lynn, 2002.) in contrast, the worker work in poor conditions, they are more likely to feel depressed and negative, which definitely will impair the Employees' Perception on Performance Appraisal effectiveness and decreases .Therefore, it is necessary that the Performance appraisal programs should be designed properly and to fit the culture of an organization, aiming to meet the employees real need. As mentioned before, the employees can feel more confident about their jobs if they can receive adequate Performance appraisal and developed their self-efficacy.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Performance appraisal is very important aspect of human resources management that increases the employee skills, abilities knowledge and performance. Banking sector in Nepal should focus on conducting the Performance appraisal on a regular basis so that the Employees' Perception on Performance Appraisal can be enhanced. There should be clear dimensions for the banking sector in order to enhance the performance so that their productivity may be increased.

This study explores the effects of performance appraisal on employee performance in Nepal's banking sector. It investigates how employees' views on performance reviews impact their job performance, organizational commitment, and intent to leave the company. The primary aim is to understand the relationship between performance appraisal perceptions and work outcomes.

The research involved a sample of 202 employees from the banking sector, using a questionnaire for data collection. Convenience sampling was employed, and the data were analyzed with the Statistical Package for the Social Sciences (SPSS). The analysis incorporated descriptive statistics, regression tests, correlation analysis, t-tests, and reliability assessments.

The result indicate that banking industry have good policies regarding Performance appraisal program. As most of the respondents indicated that they have participated in Performance appraisal and most of them were provided with the opportunity to train under on joining the company. In examining the question relating to Performance appraisal quality, the results indicated that program undertaken by bank is relevant.

The intent of this study is to investigate the impact of individual, situational, motivational, and trainee reactions on trainee employee's perception transfer performance appraisal. With regards to individual and situational variables, it is important to determine whether these variables explain variance in Performance appraisal outcomes. The individual and situational factors are variables organizations are better able to influence, as compared to the more commonly explored cognitive ability factor that are purported to predict success in performance appraisal. Performance appraisal outcomes are affected by trainee motivation. As for trainee reactions, there have been many studies conducted to ascertain the relationship

between levels of Performance appraisal evaluation. One study addressed transfer of Performance appraisal from the perspective of trainee intention to transfer Performance appraisal after the Performance appraisal intervention concluded, but before trainees returned to the work environment. The study results indicated trainees reported greater intentions to transfer learning to the workplace when positive situational/environmental factors were present. The positive situational/environment factors included condition where trainees received information from coworkers or supervisors about the Performance appraisal prior to attending the Performance appraisal program, became aware that they would be accountable to their superiors for learning the Performance appraisal material, and believed the Performance appraisal program was viewed by the organization as mandatory.

Several studies have examined employees' perceptions, though only a select few are referenced in this research to enhance the theoretical framework. Performance appraisal is a method of evaluating how well individuals perform their roles based on predefined standards and expectations (Dessler, 2000). In the increasingly competitive Nepali banking sector, a robust performance appraisal system is essential. It establishes performance benchmarks, offers feedback, and supports a fair compensation system. This evaluation process assesses employees' contributions to organizational goals through specific performance criteria.

5.2 Conclusion

This paper has discussed how Performance appraisal effect on employee's perception in banking sector of Nepal. It assumes that Performance appraisal and employee's perception have a significant relationship. Based on the responses of the sample population as well as interpretations and findings discussed above, the researcher the following conclusions:

Primary data were collected through survey in the form Questionnaire (distributed among 202 employees from which 202 questionnaires were selected). The literature review was carried out to identify the various factors as Performance appraisal need assessment, mode of Performance appraisal, Performance appraisal duration, and performance appraisal feedback and employee's perception.

From the study that various factors like Performance appraisal need assessment, mode of Performance appraisal, Performance appraisal duration, and Performance appraisals feedback plays as important role to maintain Employees' Perception. It can be observed that these factors play are considered as determining factor that impact on the overall performance of an employee.

The research has been conducted in the particular setting, Hence we are aware of the possibility that the finding could have turned out differently in another context. The same study thus could have been conducted in another context of human resources management. This could therefore be a suggested for the further research. Additionally this research tries to find out the impact of Performance appraisal and its aspects such as need assessment, duration, and feedback on Employees' Perception. Although the data sample captures limited banks only, it is recommended that the future researchers should include more banks including all the levels of employees working in the different banks in order to give concrete generalization and policy that measure on how far the Performance appraisal impact on the Employees' Perception.

Performance appraisal significantly impacts employees' job outcomes, including their performance, organizational commitment, and intentions to leave, which can affect overall organizational effectiveness. This study aims to explore how employees' perceptions of performance reviews influence their work outcomes. Organizations should implement a fair and effective appraisal system to systematically improve individual performance and achieve organizational goals. The findings indicate that most employees view a well-executed performance appraisal system as beneficial. However, improvements are needed to enhance the effectiveness of performance management systems. To minimize employee frustration, it is crucial to communicate developmental plans clearly and maintain effective performance management system communication; ensuring employees understand the significance of their evaluations.

Managers in Nepalese Banks are facing various hazards due to negative Employees' Perception which is the result of inadequate Performance appraisal, need assessment untimely provision of Performance appraisal, duration of Performance appraisal. Therefore, the further research can be conducted in the large samples which can bring more accuracy in data analysis.

5.3 Implications

The findings of this study hold broad implications for various stakeholders, including management, human resources departments, general service departments, as well as government and policymakers. The insights gained can inform and enhance practices across these areas. Additionally, the study provides a valuable foundation for researchers seeking to conduct further investigations on this topic.

Practical Implications

Management, human resources, and general service departments often handle the selection of resources and topics related to employees' perceptions of performance appraisal. However, they may overlook employees' development needs. Employees typically provide feedback on areas they wish to improve and how such improvements could benefit them when completing appraisal forms. Despite this, supervisors usually make the final decisions on performance appraisals. It is also crucial to have qualified and experienced professionals leading human resources departments across industries.

Research Implication

This study focuses on specific performance appraisal factors, and future research could explore additional factors.

This research serves as an initial examination of how employees' perceptions affect performance appraisal in commercial banks in Nepal.

The future studies can be carried out by selection other organizations like development organization and finance companies as well as other public organization to grab wider view of impact of online Employees' Perception on Performance Appraisal in these organizations.

This study is based on the survey of banking sector of Nepal and took only 202. Therefore, to incorporate wide geographical character of the respondents, further studies can be carried out by extending the number of respondent while doing survey.

Future studies also can carry this type of study in financial organization such as insurance companies, mutual fund or also other non-financial institutions like manufacturing companies and other industries to find out the effect of Employees' Perception on Performance Appraisal.

Further, this research is quantitative study that was based of hypothesis that Employees' Perception on Performance Appraisal in Commercial Banks of Nepal.

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Appendix I

Dear respondent,

I am conducting this questionnaire survey for an academic research as required by the MBS program. The title of my research is **“Employees Perception on Performance appraisal in Commercial banks of Nepal”**. I would like to state that this research is purely for an academic purpose and I am simply interested in your candid and honest opinion. I assure you that strict confidentiality will be maintained and the information you provide will be used only for the academic purpose.

Thanking you for your cooperation.

1. Name:.....
2. E-mail:.....
3. Age: Below 25 25-35 years 35-45 years Above 45
4. Qualification: Under graduate Graduate Post-graduate & above
5. Position: Managerial Level Officer level Assistant level Others
6. Gender: Male Female
7. Income: Less than 30000 30000-60000 Above 60000

S.N	Statement	Strongly satisfied	Satisfied	Neutral	Not Satisfied	Strongly not satisfied
1	Self-Efficacy					
	When I make plans, I am certain I can make them work.					
	I can get down to work when I should.					
	If I can't do a job the first time, I keep trying until I can.					
	When I set important goals for myself, I achieve them.					
	I continue on things before completing them.					
	I face difficulties.					
	If something looks complicated, I will try it.					
	When I have something unpleasant to do, I stick to it until I finish it.					
	When I decide to do something, I go right to work on it.					
	When trying to learn something new, I continue if I am not initially successful.					

	When unexpected problems occur, I can handle them well.					
	I try to learn new things even when they look too difficult for me.					
	Failure just makes me try harder.					
	I feel secure about my ability to do things.					
	I am capable of dealing with most problems that come up in life.					
2	Employee Perception to learn					
	I think the Performance appraisal program will help me to improve my knowledge.					
	I am motivated to learn the knowledge emphasized in the Performance appraisal program.					
	I will try to learn as much as I can from the Performance appraisal program.					
	I will get to enhance my ideas about performance appraisal program.					
	I will get more from the Performance appraisal program than most people.					
	The knowledge I will gain in the Performance appraisal program may help advance my career.					
	I desire to attend the Performance appraisal program as soon as I can.					
	If I attend the Performance appraisal program, I will learn how I can improve my knowledge.					
	I want to improve my knowledge during the Performance appraisal program.					
3	Employee Perception towards transfer					
	The employees feel empowered to provide input on potential transfer opportunities based on their skills and interests.					

	I believe there are some barriers that employees might encounter when trying to adapt to the new workplace.					
	The employees feel that transfers are conducive to maintaining a healthy work-life balance.					
	I believe thatManagers consider employees' concerns and preferences when initiating transfers.					
4	Organizational Support					
	There is a performance appraisal system that ties financial rewards to use of newly acquired knowledge and skills.					
	My organization offers excellent Performance appraisal programs.					
	Employees are provided with the resource necessary to acquire reward according to my personal work performance.					
	Organizational support positively influences employees' overall performance appraisal.					
	The bank's policies and procedures regarding organizational support are clearly communicated to employees.					
5	Performance Appraisal Reaction					
	I believe that the performance appraisal process fosters a positive work environment in the bank.					
	Employees who receive positive performance appraisals are recognized and rewarded appropriately.					
	Overall, I am satisfied with how the performance appraisal process is conducted in my bank.					

Thank You!!!