

IMPACT OF PERFORMANCE APPRAISAL ON EMPLOYEE PERFORMANCE OF NEPALESE COMMERCIAL BANKS

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Performance Appraisal on Employee Performance of Nepalese Commercial Banks**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

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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ABBREVIATIONS

ANOVA	:	Analysis of Variance
DT	:	Development and Training
EP	:	Employee Performance
FC	:	Feedback and Coaching
F-value	:	Fishers' Value
GS	:	Goal Setting
PIP	:	Performance improvement plans
PM	:	Performance Monitoring
P-value	:	Probability Value
RW	:	Recognition and Rewards
SD	:	Standard Deviation
Sig.	:	Significance
SPSS	:	Statistical Packages for the Social Science

ABSTRACT

This study explores the impact of performance appraisal practices on employee performance in Nepalese commercial banks. Performance appraisals are crucial for enhancing employee productivity, motivation, and alignment with organizational goals. The study investigates the relationship between six key performance appraisal components—goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement plans—and employee performance. The research was conducted in four commercial banks: Laxmi Sunrise Bank, Sanima Bank, Everest Bank, and Nepal SBI Bank, utilizing a sample of 384 employees. A structured questionnaire was used to gather primary data, and a combination of descriptive and causal-comparative research designs was applied. The study found significant positive correlations between all the performance appraisal components and employee performance. Notably, performance improvement plans (PIP) had the strongest positive relationship with employee performance, followed by recognition and rewards, development and training, feedback and coaching, performance monitoring, and goal setting. Regression analysis revealed that these components collectively contribute to enhancing employee performance. The results emphasize the importance of tailored performance appraisal systems that provide constructive feedback, development opportunities, and effective recognition to motivate employees.

The findings have important implications for the banking sector, suggesting that improved performance appraisal systems can lead to better employee performance and organizational effectiveness. Recommendations include investing in structured performance improvement plans, continuous development programs, and aligning performance appraisals with organizational goals to ensure high employee engagement and performance. This study contributes to the understanding of performance appraisals in the context of the Nepalese banking industry, offering insights for organizations aiming to enhance employee performance and productivity through effective appraisal systems.

Keywords: Performance Appraisal, Employee Performance, Nepalese Banks, Goal Setting, Recognition and Rewards

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Performance appraisal has emerged as one of the most critical human resource management tools for evaluating and enhancing employee performance in today's competitive organizational environment. It is a structured and systematic process through which an organization evaluates the work performance of its employees, provides feedback, and identifies areas for improvement and development. Effective performance appraisal systems are known to include various components such as goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement plans (Bhatti et al., 2021).

Employee performance, which reflects the outcomes and efficiency with which employees fulfill their responsibilities, is significantly influenced by the implementation of robust appraisal systems. Performance appraisal serves as a foundation for setting clear expectations, monitoring progress, delivering constructive feedback, identifying training needs, and motivating employees through recognition and rewards. These components, when executed effectively, are directly linked to improvements in employee productivity, engagement, and job satisfaction (Hassan et al., 2022).

In the context of Nepalese commercial banks, where competitiveness, service quality, and efficiency are key performance indicators, the implementation of comprehensive performance appraisal systems becomes particularly vital. The banking sector is characterized by rapid technological advancement, increasing customer expectations, and evolving regulatory frameworks. In such an environment, banks rely heavily on the performance and motivation of their employees to sustain growth and achieve strategic goals (Shrestha & Regmi, 2021). Therefore, appraisals that encompass continuous feedback, targeted goal setting, and personalized development initiatives can contribute significantly to employee outcomes and overall organizational performance.

The historical relevance of performance appraisal in Nepal can be traced back to the formal adoption of appraisal systems by Nepal Rastra Bank in 1956, indicating early recognition of performance management practices in the banking sector. However, in recent years, the

focus has shifted towards modern, multi-dimensional appraisal systems that not only evaluate performance but also facilitate employee development and align individual goals with organizational objectives (Nepal & Baral, 2023).

Moreover, the perceptions of fairness, transparency, and relevance in appraisal practices have been found to influence employee attitudes and motivation. Employees who perceive appraisal systems as fair and developmental are more likely to show higher levels of engagement, commitment, and performance (Yousaf et al., 2020). The effectiveness of these systems, therefore, lies not just in their design but in their implementation and perceived utility among employees.

Several recent studies have shown a strong positive relationship between performance appraisal components and employee performance. Specifically, goal clarity, timely feedback, relevant training, recognition practices, and targeted improvement plans have been identified as crucial factors that shape employee behavior and outcomes (Malik et al., 2022; Uddin et al., 2023). These findings emphasize the need for organizations to focus on comprehensive appraisal systems that do not merely assess past performance but also foster continuous improvement.

In view of the above, this study aims to investigate the impact of performance appraisal on employee performance in Nepalese commercial banks by focusing on key components such as goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement. Understanding the influence of these appraisal dimensions will provide valuable insights into how banks can strengthen employee performance through effective performance management strategies.

1.2 Problem Statement

Performance appraisal has become a vital element in modern human resource management, especially in service-driven sectors like banking. It serves as a structured process that helps organizations evaluate employee performance, set individual goals, and determine appropriate feedback, rewards, and developmental support. Through elements such as goal setting, performance monitoring, coaching and feedback, training opportunities, recognition systems, and structured performance improvement plans, performance appraisal contributes directly to enhancing employee productivity and organizational efficiency (Rani et al., 2021; Zahid & Ayub, 2022).

Despite the recognized benefits of performance appraisal systems, various gaps in their effective implementation continue to exist, especially in the context of Nepalese commercial banks. Many organizations face inconsistencies in how often and how fairly appraisals are conducted. Some employees are evaluated annually, while others go through semiannual processes, leading to perceptions of unfairness and reduced trust in the system (Shrestha & Pandey, 2021). Moreover, in several cases, the alignment between individual employee objectives and the strategic goals of the organization remains unclear, reducing the motivational impact of performance reviews (Koirala & Dahal, 2023).

In banking institutions, where employee engagement and service quality directly impact customer satisfaction and competitiveness, poor execution of performance appraisal systems can lead to lowered morale, limited skill development, and reduced performance outcomes. While several banks may have adopted formal appraisal mechanisms, there remains a lack of empirical understanding regarding how specific components of these systems—such as goal setting or recognition—actually influence employee performance.

This research attempts to fill these gaps by evaluating the current practices, relationships, and impacts of performance appraisal components on employee performance in selected commercial banks in Nepal. By examining six major components—goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement—this study seeks to provide a comprehensive assessment of how well these elements function and how they influence the overall performance of employees.

The specific research questions are as follows:

- i) What is the situation of performance appraisal and employee performance in Sample banks?
- ii) Is there relationship between performance appraisal (goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, performance improvement plans) and employee performance of commercial banks in Nepal?
- iii) Does the performance appraisal (goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, performance improvement plans) have impact on employees' performance of commercial banks in Nepal?

1.3 Objective of the Study

The main objective of the study is to investigate the performance appraisals practices and employees performance in banking sector organizations. The following are the specific objectives of this research work.

- i) To examine the situation of performance appraisal and employee performance of sample banks.
- ii) To analyze the relationship between performance appraisal and employee performance of commercial banks in Nepal.
- iii) To assess the impact of performance appraisal on employees performance of commercial banks in Nepal.

1.4 Rational of the study

Performance appraisal is a core component of strategic human resource management, serving as a mechanism to evaluate, guide, and improve employee performance in alignment with organizational objectives. In commercial banks, where service quality and employee efficiency are critical to success, the role of a well-structured performance appraisal system becomes particularly significant. The appraisal process not only sets performance expectations but also fosters professional growth through feedback, training, and reward mechanisms. As such, understanding how performance appraisal components influence employee outcomes is vital for enhancing organizational effectiveness and maintaining competitiveness within the banking sector.

Despite the importance of performance appraisals, several Nepalese commercial banks face challenges in ensuring their appraisals are consistent, transparent, and strategically aligned. Many employees report inconsistencies in appraisal cycles, lack of developmental feedback, or limited recognition, which could diminish trust in the appraisal process and negatively affect motivation and performance. Additionally, there exists a gap in empirical studies that explore how specific elements of performance appraisal—such as goal setting, feedback and coaching, development opportunities, or recognition—impact employee performance in Nepal's banking context. Addressing these gaps is necessary to inform policy and improve human resource practices.

This study is significant because it investigates performance appraisal from a component-wise perspective, offering a holistic understanding of its influence on employee

performance. By focusing on six specific factors—goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement—the research provides insights into how each element contributes to employee productivity and engagement. The findings are expected to guide commercial banks in designing more effective appraisal systems that support both employee development and organizational goals. Furthermore, the study contributes to the growing body of literature on performance management in developing economies like Nepal, where contextual challenges and practices differ from global norms.

1.5 Limitations of the Study

The study has the following limitations as follow;

- i) Only primary data is taken in the study.
- ii) Out of 20 commercial banks 4 commercial banks' employees are taken for the study. The sample banks are Laxmi Sunrise Bank, Sanima Bank, Everest Bank, and Nepal SBI Bank.
- iii) Only 384 employees are taken as sample for the study.
- iv) The use of non-probability convenience sampling may limit the representativeness and introduce bias.
- v) Only six performance appraisal components are examined, excluding other potential influencing factors.
- vi) The study only includes employees from selected commercial banks, excluding other financial institutions, which may limit generalizability.

CHAPTER II

LITERATURE REVIEW

A history section outlining earlier studies on the subject opens the literature review. This provides background on the areas of concentration for earlier studies, allowing for the identification of similarities with current research. The idea that components of a performance management system result in better employee performance in the workplace, and how, if not managed properly, a performance management system can negatively impact performance, is also explored.

2.1 Theoretical Review

Performance management systems, particularly performance appraisals, are fundamental in modern organizations, serving as essential tools for evaluating and managing employee performance. These systems aim to align individual efforts with organizational objectives, ensuring that employees' contributions are effectively measured and developed. Performance appraisal refers to the systematic process of assessing employees' work behaviors, achievements, and developmental needs (Terra, 2023). It is an integral part of an organization's human resource strategy, as it informs decisions about compensation, promotions, training needs, and development opportunities. These appraisals are also rooted in various theoretical frameworks designed to optimize employee evaluations, ensuring both fairness and efficiency.

The importance of performance appraisal systems cannot be overstated, as they influence employee motivation, job satisfaction, and overall organizational effectiveness (Sainju, 2018). The underlying theories that guide performance appraisals are essential in understanding how these systems work. Goal Setting Theory (Locke & Latham, 2002), for example, highlights the significance of clear and challenging goals in enhancing employee performance. This theory suggests that specific, measurable goals lead to greater focus and motivation, which in turn improves performance outcomes. Moreover, the Equity Theory (Adams, 1963) posits that employees' motivation is influenced by their perception of fairness in the workplace. When employees feel that performance evaluations are fair and equitable, their job satisfaction and commitment to the organization are likely to increase.

Performance monitoring, a key component of performance appraisals, plays a crucial role in tracking employees' progress toward their goals. Control Theory (Carver & Scheier, 1982) provides a theoretical foundation for performance monitoring, proposing that individuals adjust their behavior in response to feedback in order to align their actions with goals. Similarly, the Feedback Intervention Theory (Kluger & DeNisi, 1996) emphasizes the importance of feedback in improving performance. According to this theory, feedback helps employees identify discrepancies between their current performance and the desired outcomes, fostering motivation to close these gaps.

In addition to feedback, coaching is another critical element of performance management. Social Learning Theory (Bandura, 1977) suggests that individuals learn and improve their performance by observing others. Coaching provides a means for employees to acquire new skills and refine existing ones, contributing to their professional development. Vygotsky's (1978) Social Development Theory further emphasizes the importance of social interaction in learning, highlighting the role of coaching in fostering collaborative learning environments that enhance employee performance.

Training and development are fundamental aspects of performance management, aimed at improving employees' skills and competencies. Human Capital Theory (Becker, 1964) asserts that investing in employee training increases their knowledge and skills, thereby enhancing their productivity and performance. The Theory of Planned Behavior (Ajzen, 1991) also supports the idea that employees' attitudes and behaviors are influenced by their beliefs about their ability to perform tasks, which can be shaped through effective training programs.

Recognition and rewards are powerful motivators within performance appraisal systems. Herzberg's (1959) Motivation-Hygiene Theory suggests that recognition, along with achievement, is a key motivator, influencing employees' job satisfaction and performance. Vroom's (1964) Expectancy Theory further highlights that employees' efforts are motivated by the expected outcomes, such as rewards and recognition, which reinforces their performance and commitment to the organization.

Finally, performance improvement plans (PIPs) are designed to help underperforming employees meet the organization's expectations. The Expectancy Theory (Vroom, 1964) and Goal Setting Theory (Locke & Latham, 2002) provide a basis for the effectiveness of

PIPs, as they clarify the relationship between effort, performance, and outcomes, while also setting clear goals for improvement.

In conclusion, performance appraisal systems are underpinned by a variety of theoretical frameworks that guide their design and implementation. By understanding these theories, organizations can enhance their performance management systems, ensuring they are fair, efficient, and effective in improving employee performance and aligning it with organizational goals.

2.1.1 Concept of Performance Appraisal

Performance appraisal is a systematic process by which an organization assesses employees' job performance in relation to their job duties and organizational goals. This process is integral to managing human resources, aligning individual employee efforts with the organization's objectives, and providing constructive feedback for employee development. The concept of performance appraisal is grounded in several theoretical frameworks, each contributing to the understanding of how these systems can be designed to enhance fairness, motivation, and overall effectiveness in the workplace. Among these, Goal Setting Theory (Locke & Latham, 2002), Equity Theory (Adams, 1963), and Social Exchange Theory (Blau, 1964) provide essential insights into the functioning of performance appraisals and their impact on employee behavior and performance.

2.1.1.1 Goal Setting Theory

Goal Setting Theory emphasizes the importance of setting clear, challenging goals to enhance employee motivation and performance. According to Locke and Latham (2002), specific and difficult goals lead to higher performance as they provide employees with a clear sense of direction, focus, and purpose. In the context of performance appraisals, goal setting is a critical component. Performance appraisals often involve the establishment of individual performance goals that are aligned with broader organizational objectives. These goals help guide employees' efforts, providing measurable benchmarks that assess progress and achievement. The theory suggests that the clarity of goals and the challenge they present can significantly affect an employee's motivation to achieve organizational goals. Moreover, when employees understand how their individual goals contribute to the larger organizational objectives, they are more likely to engage in goal-oriented behavior, resulting in enhanced productivity and job satisfaction.

2.1.1.2 Equity Theory

Equity Theory, introduced by Adams (1963), focuses on the perceived fairness of the workplace and its impact on employee motivation. The theory posits that employees compare their input (efforts, skills, time) and output (rewards, recognition) with those of others in similar positions. When employees perceive an imbalance in this ratio—whether they feel they are putting in more effort than they are rewarded for, or vice versa—they experience feelings of inequity, which can negatively affect their motivation and job satisfaction. In terms of performance appraisals, the application of Equity Theory emphasizes the need for a fair and transparent evaluation system. If employees feel that their performance is evaluated fairly and that the rewards or recognition they receive are proportional to their contributions, they are more likely to remain motivated and committed to their work. Conversely, if employees perceive favoritism or biased appraisals, this can lead to dissatisfaction, reduced motivation, and increased turnover rates.

2.1.1.3 Social Exchange Theory

Social Exchange Theory, developed by Blau (1964), is based on the idea that interpersonal relationships are driven by an exchange of resources. In the workplace, these resources may include tangible rewards (e.g., salary, promotions) as well as intangible factors (e.g., recognition, job satisfaction). According to Social Exchange Theory, employees engage in relationships with their employers based on the principle of reciprocity, which is the expectation that favorable treatment will be reciprocated with increased effort, loyalty, and performance. In the context of performance appraisals, this theory suggests that if employees perceive their organization's appraisal system as fair and rewarding, they are likely to increase their commitment and effort. For instance, positive feedback and recognition for a job well done create a sense of reciprocity that encourages employees to reciprocate through improved performance and increased engagement. On the other hand, if employees feel that the appraisal process is unfair or does not provide adequate rewards for their contributions, this may lead to disengagement and a decline in performance.

2.1.1.4 Integration of Theories in Performance Appraisal

The integration of Goal Setting Theory, Equity Theory, and Social Exchange Theory offers a comprehensive framework for understanding how performance appraisals impact

employee behavior. Goal Setting Theory highlights the importance of clear, challenging objectives, ensuring employees are aligned with organizational goals. Equity Theory ensures that the process is fair and transparent, fostering trust and motivation. Social Exchange Theory emphasizes the reciprocal nature of the employer-employee relationship, indicating that fair and rewarding appraisals can motivate employees to enhance their performance in return. Together, these theories provide valuable insights for designing effective performance appraisal systems that not only assess but also motivate and engage employees in ways that align with organizational goals.

2.1.2 Concept of Goal Setting

Goal setting is a crucial aspect of performance management systems, influencing both individual and organizational outcomes. It involves the process of defining objectives that guide and motivate individuals toward achieving specific results. Two prominent theories—Goal Setting Theory (Locke & Latham, 2002) and Control Theory (Carver & Scheier, 1982)—provide foundational insights into how goal setting can impact motivation, performance, and overall success.

2.1.2.1 Goal Setting Theory (Locke & Latham, 2002)

Locke and Latham's Goal Setting Theory posits that specific, challenging goals lead to higher levels of performance compared to vague or easy goals. According to the theory, goals that are clear, specific, and difficult prompt individuals to focus their efforts, persist through obstacles, and engage in problem-solving behaviors. Additionally, feedback plays a critical role in goal achievement, as it helps individuals assess their progress and make necessary adjustments. This theory emphasizes the importance of setting goals that are both motivating and achievable, as these goals create a sense of purpose and direction, enhancing individual and organizational outcomes (Locke & Latham, 2002).

2.1.2.2 Control Theory (Carver & Scheier, 1982)

Control Theory builds upon the principles of feedback loops and self-regulation. Carver and Scheier (1982) suggest that individuals engage in goal-directed behaviors by comparing their current performance to their desired outcomes, adjusting their actions accordingly. This continuous feedback process helps individuals monitor their progress and make necessary adjustments to reach their goals. The theory implies that setting clear goals enhances self-regulation by providing benchmarks against which individuals can measure

their performance, ensuring continuous improvement. Control Theory, thus, highlights the dynamic nature of goal pursuit and the critical role of self-monitoring and adaptation in goal achievement.

2.1.3 Concept of Performance Monitoring

Performance monitoring is a critical element in performance management, as it allows organizations to track and assess the progress of individuals towards achieving their goals. This process ensures that employees stay aligned with organizational objectives, facilitates early identification of performance gaps, and enables timely interventions. Two key theories—Control Theory (Carver & Scheier, 1982) and Feedback Intervention Theory (Kluger & DeNisi, 1996)—offer valuable insights into how performance monitoring influences employee behavior and performance outcomes.

2.1.3.1 Control Theory

Control Theory, as proposed by Carver and Scheier (1982), suggests that individuals continuously compare their current performance with their desired goals, making adjustments based on feedback to reach their targets. This theory emphasizes the importance of self-regulation, where individuals monitor their progress and modify their behaviors when discrepancies between actual performance and goals arise. Control Theory underscores the role of feedback in performance monitoring, enabling individuals to make necessary adjustments and improve performance over time.

2.1.3.2 Feedback Intervention Theory

Feedback Intervention Theory (Kluger & DeNisi, 1996) builds on the importance of feedback in performance monitoring. According to this theory, feedback interventions can significantly influence an individual's performance. Feedback, particularly when it is specific and constructive, helps employees identify performance gaps, which they can address to enhance their skills and effectiveness. The theory argues that feedback interventions improve performance by directing attention to the task at hand, enabling individuals to focus on the most relevant aspects of their performance and make necessary changes. However, Kluger and DeNisi also highlight that poorly designed or overly critical feedback can hinder performance, reinforcing the need for a balanced and supportive feedback approach.

2.1.4 Concept of Feedback and Coaching

Feedback and coaching are integral components of performance management that help employees improve their skills, enhance job performance, and align their efforts with organizational goals. These processes provide employees with the necessary guidance and support to continuously develop. Two theories that provide a solid foundation for understanding feedback and coaching are Social Learning Theory (Bandura, 1977) and Vygotsky's Social Development Theory (Vygotsky, 1978).

2.1.4.1 Social Learning Theory

Albert Bandura's Social Learning Theory (1977) emphasizes the role of observational learning, imitation, and modeling in the development of behavior. According to Bandura, people learn by observing others, particularly role models or mentors, and then replicating the behaviors they observe. In the context of feedback and coaching, this theory suggests that individuals can improve their performance by receiving feedback and observing the actions of experienced colleagues or mentors. The modeling of desired behaviors and the provision of constructive feedback help employees understand how to perform tasks more effectively, making Social Learning Theory essential in a coaching context. Feedback, when combined with role modeling, becomes a powerful tool for behavior modification and skill acquisition.

2.1.4.2 Vygotsky's Social Development Theory

Vygotsky's Social Development Theory (1978) emphasizes the role of social interactions and culture in cognitive development. Central to this theory is the idea of the Zone of Proximal Development (ZPD), which is the gap between what an individual can do independently and what they can achieve with guidance. In coaching, Vygotsky's theory underlines the importance of providing feedback within the ZPD, offering support that enables employees to perform tasks they cannot yet do on their own. Coaching, when aligned with Vygotsky's principles, focuses on providing timely, scaffolded feedback that helps employees progress to higher levels of performance. By offering support within the ZPD, coaches and mentors guide employees through their development process, helping them achieve their full potential.

2.1.5 Concept of Development and Training

Development and training are key components of performance management that aim to enhance employees' skills, knowledge, and abilities, ultimately contributing to organizational success. Two important theories that inform the concept of development and training are Human Capital Theory (Becker, 1964) and the Theory of Planned Behavior (Ajzen, 1991).

2.1.5.1 Human Capital Theory

Human Capital Theory, proposed by Gary Becker (1964), posits that investments in education, training, and development enhance an individual's skills and knowledge, which are valuable assets for both the individual and the organization. According to this theory, employees' competencies and skills are considered a form of capital that can improve productivity and performance. In the context of development and training, the theory emphasizes the importance of investing in employees to increase their value to the organization. This investment in human capital is believed to lead to improved job performance, innovation, and overall organizational effectiveness. Becker's framework suggests that training and development programs are critical in maintaining a competitive advantage by continuously enhancing the capabilities of employees.

2.1.5.2 Theory of Planned Behavior

The Theory of Planned Behavior (Ajzen, 1991) is another useful framework for understanding development and training. This theory suggests that individual behavior is influenced by three factors: attitudes, subjective norms, and perceived behavioral control. When applied to training and development, the theory argues that an employee's intention to engage in training is influenced by their attitude toward training, the social pressures they perceive (e.g., peer expectations), and their confidence in their ability to complete the training successfully. If employees perceive that training will enhance their performance and they feel capable of completing it, they are more likely to participate and benefit from such programs. Thus, the theory underscores the importance of fostering positive attitudes and providing supportive environments to encourage active engagement in development and training initiatives.

2.1.6 Concept of Recognition and Rewards

Recognition and rewards play a critical role in motivating employees, enhancing job satisfaction, and improving overall performance. Two prominent theories that help explain the influence of recognition and rewards on employee behavior are Motivation-Hygiene Theory (Herzberg, 1959) and Expectancy Theory (Vroom, 1964).

2.1.6.1 Motivation-Hygiene Theory

Herzberg's Motivation-Hygiene Theory, also known as the Two-Factor Theory, identifies two distinct factors that influence employee motivation: motivators and hygiene factors. Motivators, such as recognition, achievement, and responsibility, directly contribute to job satisfaction and motivate employees to perform at higher levels. On the other hand, hygiene factors, such as salary, working conditions, and job security, are necessary to prevent dissatisfaction but do not directly enhance motivation. Herzberg's theory suggests that providing employees with recognition and rewards acts as a motivator, leading to higher levels of job satisfaction, increased motivation, and improved performance. Recognition and rewards, therefore, play a key role in enhancing intrinsic motivation by fulfilling employees' need for achievement and appreciation.

2.1.6.2 Expectancy Theory

Vroom's Expectancy Theory provides another valuable perspective on recognition and rewards. This theory posits that employees are motivated by the expectation that their efforts will lead to desirable outcomes. Specifically, it argues that individuals will be motivated to exert effort if they believe that their effort will lead to a high level of performance (expectancy), that this performance will result in rewards (instrumentality), and that the rewards are valuable to them (valence). In the context of recognition and rewards, this theory suggests that employees are more likely to perform well if they perceive a clear link between their efforts, the recognition they will receive, and the rewards that follow. Effective recognition and rewarding systems can enhance employees' motivation by reinforcing this belief in the cause-and-effect relationship between their performance and the outcomes they desire.

2.1.7 Concept of Performance Improvement Plans

Performance Improvement Plans (PIPs) are structured strategies implemented by organizations to address employees' underperformance and support them in improving their

work-related behaviors and outcomes. The purpose of PIPs is to create a clear, actionable path for employees to meet or exceed performance expectations. To understand the effectiveness of PIPs, two key theories that inform their design and implementation are Expectancy Theory (Vroom, 1964) and Goal Setting Theory (Locke & Latham, 2002).

2.1.7.1 Expectancy Theory

Vroom's Expectancy Theory plays a crucial role in shaping Performance Improvement Plans by focusing on the relationship between effort, performance, and rewards. According to this theory, employees are motivated when they believe that their efforts will lead to improved performance, which will, in turn, result in desirable outcomes or rewards (Vroom, 1964). In the context of PIPs, this theory suggests that for employees to be motivated, they must perceive a clear connection between their improved performance and the rewards or recognition they will receive. If employees believe that their efforts will lead to success and that success will be appropriately rewarded, they are more likely to engage fully in the improvement process (Vroom, 1964).

The theory's three components—expectancy, instrumentality, and valence—are particularly relevant for PIPs. Expectancy refers to the belief that effort will lead to performance, instrumentality is the belief that performance will lead to rewards, and valence reflects the value an employee places on those rewards (Vroom, 1964). For PIPs to be effective, these components must be addressed clearly. Employees need to understand that the expectations for improvement are realistic, and the rewards for meeting these goals are meaningful (Vroom, 1964).

2.1.7.2 Goal Setting Theory

Goal Setting Theory is integral to designing effective Performance Improvement Plans because it emphasizes the importance of setting specific, challenging, and attainable goals to enhance performance. According to Locke and Latham (2002), setting clear goals motivates individuals to strive for higher levels of performance, especially when the goals are challenging yet achievable. In the context of PIPs, goal setting helps define what successful performance looks like and creates a framework within which employees can focus their efforts (Locke & Latham, 2002).

For a PIP to be effective, it must involve the setting of specific, measurable, and time-bound goals that are aligned with the organization's expectations (Locke & Latham, 2002).

Moreover, these goals should be challenging yet realistic, as research suggests that employees are more motivated when goals are perceived as achievable but still require effort (Locke & Latham, 2002). The inclusion of feedback and monitoring mechanisms is essential in this framework, as regular feedback ensures that employees remain on track and can adjust their strategies as necessary to meet their performance goals (Locke & Latham, 2002).

Locke and Latham (2002) also highlight the importance of commitment to goals. Employees are more likely to perform well when they are committed to achieving their goals, and commitment can be fostered through involvement in goal-setting processes and providing support to overcome obstacles. Therefore, PIPs that incorporate these principles of Goal Setting Theory are more likely to enhance employees' motivation to improve their performance (Locke & Latham, 2002).

2.1.7.3 Integration of Expectancy and Goal Setting Theories in PIPs

The integration of Expectancy Theory and Goal Setting Theory in Performance Improvement Plans creates a comprehensive framework for improving employee performance. Expectancy Theory ensures that employees understand the rewards for achieving their goals, while Goal Setting Theory provides a structured approach for setting and achieving those goals (Vroom, 1964; Locke & Latham, 2002). When both theories are applied together, they enhance the clarity of the performance expectations and the motivation to meet them, leading to improved outcomes for both employees and organizations (Vroom, 1964; Locke & Latham, 2002).

2.1.8 Concept of Employees Performance

Employee performance is a fundamental concept that influences organizational success and productivity. It refers to the ability of employees to perform tasks effectively, meeting or exceeding expectations set by the organization. Understanding the factors influencing employee performance is essential for enhancing motivation, engagement, and overall productivity. Two significant theories that explain the concept of employee performance are Job Characteristics Theory (Hackman & Oldham, 1976) and Self-Determination Theory (Deci & Ryan, 1985). These theories offer valuable insights into the psychological factors that drive employee behavior and performance.

2.1.8.1 Job Characteristics Theory (Hackman & Oldham, 1976)

Employee performance is significantly influenced by job design, as emphasized in Job Characteristics Theory (Hackman & Oldham, 1976). According to this theory, the core job characteristics—skill variety, task identity, task significance, autonomy, and feedback—are fundamental in shaping employees' motivation and performance. These characteristics affect critical psychological states such as experienced meaningfulness, experienced responsibility for outcomes, and knowledge of results, which, in turn, lead to better performance. For example, when employees have greater autonomy, they feel a stronger sense of control over their tasks, which has been shown to enhance job satisfaction and overall performance (Hackman & Oldham, 1976). Additionally, the provision of feedback is crucial as it helps employees assess their performance and adjust accordingly, resulting in improved outcomes. In essence, job characteristics that promote autonomy and provide regular feedback motivate employees to perform better, highlighting the importance of job design in influencing employee behavior.

2.1.8.2 Self-Determination Theory (Deci & Ryan, 1985)

Self-Determination Theory (Deci & Ryan, 1985) posits that employee performance is driven by intrinsic motivation, which arises from the satisfaction of three fundamental psychological needs: autonomy, competence, and relatedness. The theory suggests that when employees feel autonomous in their work, competent in their roles, and connected to their colleagues, they are more likely to be intrinsically motivated, which enhances their performance. Autonomy in the workplace allows employees to make choices and have control over how they perform their tasks, leading to greater engagement and productivity (Deci & Ryan, 1985). Competence involves feeling capable of mastering work challenges, which is directly related to enhanced performance. The need for relatedness emphasizes the importance of positive interactions with others at work, which fosters a supportive environment, further contributing to motivation and performance. By fulfilling these basic needs, organizations can cultivate a work environment that maximizes employee potential and boosts performance.

2.1.8.3 Integration of Both Theories

The integration of Job Characteristics Theory and Self-Determination Theory offers a comprehensive approach to understanding employee performance. While Job Characteristics Theory emphasizes the importance of job design and its impact on

motivation, Self-Determination Theory highlights the psychological needs that must be satisfied to foster intrinsic motivation. Both theories underscore the significance of autonomy and feedback in enhancing employee performance. Hackman and Oldham (1976) argue that job autonomy increases motivation, while Deci and Ryan (1985) contend that autonomy is a core psychological need for intrinsic motivation. By considering both job design and the satisfaction of intrinsic needs, organizations can create environments that foster high employee performance and engagement.

2.2 Empirical Review

The empirical review provides a critical examination of previous studies that have investigated the relationship between performance appraisal systems and employee performance, serving as a basis for validating the theoretical framework of the current research. This section explores both international and Nepalese empirical literature to understand how various components of performance appraisal—such as goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement plans—impact employee performance. International studies offer diverse insights into the effectiveness of performance management systems across different organizational settings, while Nepalese studies provide localized evidence reflecting cultural, structural, and operational realities of the banking sector in Nepal. By reviewing empirical findings from both contexts, this section aims to highlight research gaps, support the relevance of selected variables, and strengthen the foundation for analyzing the impact of performance appraisal on employee performance in Nepalese commercial banks.

2.2.1 Review of International Articles

Wang et al. (2024) emphasized the critical role of the Performance Management System (PMS) in enhancing employee productivity and aligning individual efforts with organizational goals. Despite its initial conceptualization in the 1970s, the effectiveness of PMS, particularly in developing countries and the public sector, remains a topic of ongoing discussion. Empirical evidence consistently highlights the positive impact of PMS on employee performance, with key components such as goal setting, benchmarking, coaching, communication, and rewards identified as vital contributors to its success. Research further suggests that while private sector organizations often outperform public ones, PMS can still play a significant role in improving productivity in the public sector.

For instance, Wang et al. (2024) demonstrated that a one-unit change in PMS resulted in a 24.2% increase in employee productivity, underscoring the positive effect of PMS on public sector performance. These findings, along with those of Rehman and Iftikhar (2024), highlight the need for comprehensive PMS reforms to improve employee engagement and productivity within public sector organizations, particularly in developing economies like Pakistan.

Suprayitno (2024) conducted research to examine how leadership, work environment, and motivation influence employee performance at PT. Depok City Food Prime Partner. The objectives are to identify which organizational factors significantly impact staff performance. All methods followed are primary data collection using structured questionnaires, purposive sampling technique with a total sample size of 97 employees, and statistical techniques including multiple linear regression to test hypotheses. Reliability of the instrument was verified using Cronbach's Alpha, and validity was tested through factor analysis. The findings reveal that both the work environment and motivation have a positive and significant influence on employee performance, whereas leadership shows no significant impact. The conclusion states that enhancing employee motivation and creating a conducive work environment are critical factors for improving performance, while leadership alone does not directly affect outcomes.

Sutaguna et al. (2023) conducted research to evaluate the effect of competence, work experience, work environment, and work discipline on employee performance. The objectives are to assess both individual and collective impacts of these variables on performance. All methods followed are census sampling with a total of 46 employees, and data collection through observation, interviews, and structured questionnaires. Data were analyzed using descriptive statistics, multiple linear regression, and tests of data quality including validity and reliability. Classical assumption tests such as normality, heteroscedasticity, autocorrelation, and multicollinearity were also performed. The findings show that only the work environment has a significant effect on employee performance, while competence, experience, and discipline do not. The conclusion highlights the importance of workplace conditions as a dominant driver of performance improvement.

Rivaldo and Nabella (2023) conducted research to determine the extent to which education, training, experience, and job discipline affect employee performance at PT. Infineon

Technologies Batam. The objectives are to analyze the influence of key human resource development factors on staff output. All methods followed are census sampling involving 87 employees, and analysis using multiple regression techniques through SPSS software over a six-month research period. Data were collected via structured questionnaires. The findings indicate that education, training, experience, and work discipline each positively influence employee performance. The conclusion suggests that comprehensive employee development programs focusing on both academic and practical skills significantly enhance workforce efficiency.

Persada and Nabella (2023) conducted research to analyze the influence of compensation, training, competence, and work discipline on employee performance at PT. Luas Retail Indonesia. The objectives are to evaluate how financial and non-financial incentives affect performance levels. All methods followed are census sampling involving 93 employees, data collection through interviews and questionnaires, and statistical analysis using multiple regression, t-tests, and F-tests with SPSS version 25. The findings demonstrate that compensation has a strong positive and significant influence on employee performance, supported by high t-values and significance levels. The conclusion emphasizes that monetary rewards and skill development initiatives are highly effective in improving employee productivity.

Susanto, Syailendra, and Suryawan (2023) conducted a literature-based study to explore the interrelationships among motivation, job satisfaction, employee engagement, leadership, and employee performance. The objectives are to synthesize existing research findings and determine the mutual influence among the variables. All methods followed are systematic literature review techniques by sourcing academic articles and summarizing their empirical results. The findings show that motivation, job satisfaction, employee engagement, and leadership all positively influence employee performance. The conclusion affirms that these variables function as complementary forces that together foster enhanced individual and organizational performance.

Pham et al. (2023) conducted research to investigate the relationship between employee motivation and in-role green performance in the hotel industry, considering the moderating role of culture. The objectives are to determine whether motivational practices such as green rewards and green performance management enhance employees' environmentally responsible behavior and organizational citizenship for the environment. All methods

followed are quantitative in nature, using survey data collected from 301 managerial and non-managerial employees working in three- to five-star hotels. The study employed statistical analysis to evaluate the impact of motivational practices and the cultural moderation effect. The findings indicate that both green rewards and green performance management are significantly linked to employees' in-role green performance and environmental citizenship behavior. However, green rewards have a stronger influence when hotels are managed by Western corporations, while the effect of green performance management is not moderated by cultural context. The conclusion suggests that motivational HRM practices are critical for promoting pro-environmental employee behavior and that cultural considerations should be integrated into the design of green HRM systems.

Bani-Melhem et al. (2022) conducted research to examine the influence of leader-member exchange (LMX) on the innovative behavior of frontline employees, with a focus on the mediating role of employee happiness and the moderating role of service climate. The objectives are to assess how supervisory relationships and emotional states influence innovation among employees in service organizations. All methods followed include a structured survey administered to 303 frontline employees in the UAE, with data analyzed using structural equation modeling (SEM) to test the mediation and moderation effects. The findings reveal that LMX positively affects innovative behavior through the mediating influence of happiness, and the indirect effect is stronger in less supportive service climates. The conclusion emphasizes the significance of positive leader-employee relations and the emotional well-being of employees as catalysts for fostering innovative behaviors, particularly in environments lacking strong service support structures.

Meijerink et al. (2022) conducted a meta-analysis to explore the mediating mechanisms linking employee-reported HRM practices and employee performance, distinguishing between descriptive and evaluative types of HRM reporting. The objectives are to clarify how different perceptions of HRM practices influence employee outcomes through psychological pathways. All methods followed are meta-analytic in nature, drawing from a wide range of prior studies to analyze patterns and relationships between HRM perceptions and employee performance. The findings show that descriptive reports of HRM practices are more closely associated with personal and job resources, while evaluative reports are more aligned with job attitudes such as satisfaction and commitment. Both resources and attitudes partially mediate the relationship between employee-perceived

HRM practices and performance. The conclusion advocates for future research to distinctly conceptualize and measure descriptive and evaluative HRM reports, as these forms yield different pathways to performance improvement.

Iis et al. (2022) conducted research to examine the effect of career development and work environment on employee performance, with work motivation as an intervening variable, at the Agriculture and Livestock Service Office in Aceh. The objectives are to determine whether improvements in career development and work environment directly and indirectly impact employee performance through motivational mechanisms. All methods followed include the distribution of questionnaires to 100 employees, with data analyzed using Structural Equation Modeling (SEM). The findings indicate that both career development and work environment have significant positive effects on work motivation and employee performance. Moreover, work motivation partially mediates the relationship between the independent variables and performance. The conclusion underlines the importance of strategic HRM interventions in enhancing motivation and creating a supportive work environment to drive performance outcomes in public sector organizations.

Tong et al. (2021) conducted research to investigate the dual effects of artificial intelligence (AI) in delivering performance feedback to employees. The objective of the study was to explore both the “deployment effect,” which enhances employee performance through AI-enabled high-quality feedback, and the “disclosure effect,” where awareness of AI surveillance negatively influences employee productivity. A field experiment was conducted using behavioral data from workplace settings to analyze employee responses to AI-driven feedback mechanisms. The findings revealed that both positive deployment and negative disclosure effects coexist; however, the disclosure effect was significantly moderated by employees' tenure, indicating that longer-serving employees showed reduced sensitivity to negative perceptions. The study concluded that while AI can significantly enhance feedback quality and performance, transparency and employee familiarity with AI systems are crucial to mitigating adverse reactions.

Amjad et al. (2021) conducted research to assess the impact of green human resource management (GHRM) practices on organizational sustainability, with a focus on environmental and employee performance as mediating variables. The objective was to empirically test the relationship between GHRM components—such as training, performance appraisal, and rewards—and sustainability outcomes in Pakistan’s textile

sector. A survey methodology was adopted, and data were collected from 165 managerial staff through structured questionnaires. The study employed structural equation modeling to evaluate mediation effects. The findings demonstrated that GHRM practices significantly influenced organizational sustainability both directly and indirectly via environmental and employee performance. The study concluded that effective GHRM practices not only support environmental goals but also enhance employee outcomes, leading to improved sustainability in developing economies.

Riyanto et al. (2021) conducted research to analyze the influence of motivation and job satisfaction on employee performance, with employee engagement serving as a mediating factor. The objective was to explore whether engagement could bridge the effect of intrinsic motivation and job satisfaction on performance outcomes in IT companies in Jakarta and Bandung, Indonesia. Using a quantitative method, data were collected from 103 IT developers through convenience sampling and analyzed via Partial Least Squares (PLS) using SMART PLS software. The findings indicated that motivation significantly affected employee performance, whereas job satisfaction did not show a direct impact. Additionally, employee engagement mediated the relationship between job satisfaction and performance. The study concluded that while motivation is a strong predictor of performance, engagement plays a critical mediating role in transforming satisfaction into improved employee outcomes.

Rivaldo (2021) conducted research to evaluate the relationship between leadership, motivation, job satisfaction, and employee performance among hotel employees. The objective was to provide empirical evidence on how leadership and motivation affect job satisfaction and performance in the hospitality sector. A causal survey method was employed using path analysis with a sample of 45 hotel employees, selected through a census approach. The findings revealed that leadership significantly influenced employee performance but did not affect job satisfaction. Motivation was found to significantly influence both job satisfaction and performance. Moreover, job satisfaction also had a significant impact on employee performance. The study concluded that while leadership plays a direct role in enhancing performance, motivation is essential for both satisfaction and performance in service-oriented industries.

Ribeiro et al. (2021) conducted research aimed at exploring how managerial coaching skills impact individual performance through affective commitment. The objective was to

develop a comprehensive model linking coaching practices to employee outcomes. A cross-sectional design was applied using data collected from 198 employees across different organizations via online surveys. The data were analyzed using mediation analysis. The findings indicated that coaching skills had a direct positive effect on individual performance and an indirect effect through affective commitment. The study concluded that managerial coaching enhances employee performance by fostering emotional attachment to the organization, suggesting coaching as a key leadership competency.

Aliyyah et al. (2021) conducted research to estimate the effects of competence and workload on employee performance, mediated by work motivation, within state-owned public organizations. The objective was to determine both direct and indirect effects of these variables on employee outcomes. An explanatory quantitative research design was employed using path analysis. The sample consisted of 55 employees from state-owned institutions. The findings showed that competence positively influenced both work motivation and performance, whereas workload had a negative impact. Moreover, motivation mediated the effects of both competence and workload on performance. The study concluded that enhancing competence and managing workload through motivational strategies is critical for boosting employee performance in public sector institutions.

Table 1

Summary of Empirical Review of International Articles

Author(s)	Objectives	Research Methods	Findings
Wang et al. (2024)	To assess the impact of the Performance Management System (PMS) on employee productivity in the public sector, specifically in the Federal Universities and Public Sector of Pakistan.	Quantitative study, primary data collection through comprehensive questionnaire. Data analysis using SPSS for descriptive statistics, factor analysis, reliability assessments, t-tests, ANOVA, and linear regression.	A one-unit change in PMS resulted in a 24.2% increase in employee productivity, highlighting the positive effect of PMS on public sector performance. The study also indicates dissatisfaction with the current PMS and recommends comprehensive reforms.

Suprayitno (2024)	To examine how leadership, work environment, and motivation influence employee performance.	Structured questionnaires, and purposive sampling (97 employees), multiple linear regression, validity & reliability tests.	Work environment and motivation positively affect performance; leadership does not significantly impact performance.
Sutaguna et al. (2023)	To assess the effects of competence, experience, environment, and discipline on employee performance.	Census sampling (46 employees), observation, and interviews, questionnaires, multiple regression, classical assumption tests.	Only work environment significantly impacts employee performance; other factors show no significant effect.
Rivaldo & Nabella (2023)	To analyze how education, training, experience, and discipline affect employee performance.	Census sampling (87 employees), structured questionnaires, multiple regression using SPSS.	All factors positively influence employee performance.
Persada & Nabella (2023)	To examine the influence of compensation, training, competence, and discipline on performance.	Census sampling (93 employees), interviews, questionnaires, and regression, t-test, F-test using SPSS v25.	Compensation has strong significant effect on performance; training and discipline also contribute positively.
Susanto et al. (2023)	To explore relationships among motivation, satisfaction, engagement,	Systematic literature review using secondary sources.	All variables positively influence performance; they function as complementary forces

	leadership, and performance.		for organizational improvement.
Pham et al. (2023)	To study employee motivation's role in green performance with cultural moderation in hotels.	Survey (301 hotel employees), statistical analysis of motivational practices and cultural moderation.	Green rewards and performance management significantly influence green performance; cultural context moderates reward effects.
Bani-Melhem et al. (2022)	To assess LMX effect on innovation with happiness as mediator and service climate as moderator.	Structured survey (303 employees), SEM analysis for mediation and moderation.	LMX improves innovative behavior through happiness; effect stronger in weaker service climates.
Meijerink et al. (2022)	To explore mediation between HRM practices and performance via employee perceptions.	Meta-analysis using prior empirical studies on HRM perceptions.	Descriptive HRM affects resources; evaluative HRM affects attitudes; both mediate performance outcomes.
Iis et al. (2022)	To examine impact of career development and environment on performance via motivation.	Survey (100 employees), SEM analysis.	Career development and environment positively affect motivation and performance; motivation partially mediates these relationships.
Tong et al. (2021)	To explore AI's role in feedback—deployment vs. disclosure effect on performance.	Field experiment using behavioral data from workplace.	AI improves performance via feedback, but disclosure of AI monitoring can reduce performance,

				moderated by employee tenure.
Amjad et al. (2021)	To examine GHRM effects on sustainability via environmental and employee performance.	Survey (165 managerial staff), SEM analysis.		GHRM significantly influences sustainability through both environmental and employee performance.
Riyanto et al. (2021)	To analyze impact of motivation and satisfaction on performance with engagement as mediator.	Survey (103 IT employees), PLS using SMART PLS.		Motivation impacts performance; job satisfaction only affects performance through engagement.
Rivaldo (2021)	To evaluate how leadership and motivation affect job satisfaction and performance.	Causal survey with path analysis (45 hotel employees).		Leadership impacts performance but not satisfaction; motivation affects both; satisfaction also impacts performance.
Ribeiro et al. (2021)	To study managerial coaching's impact on performance via affective commitment.	Cross-sectional survey (198 employees), mediation analysis.		Coaching enhances performance directly and indirectly via affective commitment.
Aliyyah et al. (2021)	To estimate impact of competence and workload on performance mediated by motivation.	Explanatory quantitative method with path analysis (55 public sector employees).		Competence positively affects motivation and performance; workload has negative effects; motivation mediates these effects.

2.2.1 Review of Nepalese Articles

Paudel (2024) investigated the performance appraisal system in the Armed Police Force (APF), Nepal, focusing on its alignment with Human Resource Development (HRD) principles. The objective of the study was to examine the performance appraisal system in the APF, focusing on its alignment with HRD principles. The study employed a descriptive design with a sequential explanatory method, utilizing both quantitative data from 74 officers and qualitative data from 25 respondents. The research revealed that the APF has an HRD-oriented climate, but significant improvements are needed to enhance the system's effectiveness and fairness. The study suggested implementing training for appraisers, improving performance review frequency, and incorporating potential appraisal to foster a fair and growth-oriented appraisal environment.

Maharjan (2023) examined the impact of performance appraisal systems on employee motivation in life insurance companies in Nepal. The objective of the study was to assess the impact of performance appraisal systems on employee motivation in life insurance companies. The study used a structured questionnaire to collect primary data from 24 insurance companies with 219 observations. The regression analysis showed that training and development, reward and recognition, communication, commitment, and feedback system positively correlate with employee motivation. The study concluded that an effective and updated performance appraisal system helps to motivate employees in the insurance sector.

Biswakarma and Kadayat (2023) studied the performance appraisal system and employee motivation in International Non-Governmental Organizations (INGOs) in Nepal. The research revealed that the purpose of appraisals, the reliability of ratings, and rater assurance significantly affected employee motivation, while feedback on performance appraisal and appraisal standards had no significant impact. The study concluded that fair and accurate performance appraisal systems help employees feel motivated, and it recommended that organizations focus on fairness in appraisals.

Aryal et al. (2022) investigated the impact of performance appraisal and job satisfaction on employee organizational commitment in Nepalese commercial banks. The objective of the study was to examine the relationship between performance appraisal, job satisfaction, and employee organizational commitment in the banking sector. The study employed descriptive and causal research designs, surveying 172 employees from 16 commercial

banks. The results showed that performance appraisal and job satisfaction positively influence employee organizational commitment. The research highlighted the importance of these factors in enhancing organizational commitment in the banking sector.

Shrestha (2022) aimed to understand the impact of performance appraisal on employee motivation in IT sector companies, focusing on Accessible ICT Company. The objective of the study was to know the impact of performance appraisal on employee motivation in the IT sector. The study used descriptive and analytical research designs, collecting data from 200 employees of IT sectors. The results indicated that performance monitoring and rewarding performance had a positive relationship with employee motivation, while other variables showed a negative relationship. The study suggested that the company should give orientation to employees about the purpose of the performance appraisal process and provide effective feedback and communication during the appraisal process.

Kandel (2021) explored the effects of performance appraisal systems on employees' performance in joint venture banks in Nepal. The objective of the study was to examine the effects of performance appraisal systems on employees' performance in joint venture banks. The study used a descriptive research design, surveying 100 respondents from Everest Bank, Himalayan Bank, and NABIL Bank. The findings revealed that the performance appraisal at these banks was not effective and underutilized, with most employees unaware of the appraisal system. The study recommended proper implementation of performance appraisal, training for employees, and using the appraisal system for making important decisions.

Dangol (2021) analyzed the role of performance appraisal systems and their impact on employee motivation in the service industry of Nepal. The study found that regular performance appraisals positively impacted employee motivation, especially when based on accurate job descriptions. Challenges included managers being too lenient or strict in their ratings, which affected motivation. The study recommended fair assessment practices and addressing employee skill gaps through targeted appraisals.

Pandey (2020) explored employee perceptions towards performance appraisal in the Nepalese service sector. The objective of the study was to determine the link between goal alignment, proper appraisal methods, effective performance, and fostering communication with employee satisfaction towards performance appraisal. The study used a quantitative approach, surveying 220 employees from various service sectors in Kathmandu Valley.

The analysis highlighted a positive relationship between these factors and employee satisfaction. The research recommended redesigning appraisal systems in certain sectors and emphasized the importance of setting specific goals, providing concrete feedback, and ensuring fair ratings for better performance appraisal outcomes.

Pradhan (2020) investigated the impact of performance appraisal on organizational performance in service sector institutions, including hospitals in Nepal. The study found that performance appraisal systems have a positive correlation with organizational performance, especially in terms of employee commitment, quality of work life, and work flexibility. It concluded that if the Nepalese service sector invests in developing proper performance appraisal systems, organizational performance can improve. Recommendations included increasing investment in appraisal systems to enhance employee outcomes.

2.3 Research Gap

The research gap on the impact of performance appraisal systems on employee performance in Nepalese banks, such as Laxmi Sunrise Bank, SBI Bank, Everest Bank, and Sanima Bank, also warrants attention. Existing studies do not specifically focus on Laxmi Bank and SBI Bank, which highlights the need for research to uncover factors unique to these organizations. Additionally, the role of contextual factors like organizational culture and leadership style has not been extensively studied in relation to performance management systems. Employee perceptions, attitudes towards the appraisal system, and the interaction of moderating variables remain underexplored. This research aims to address these gaps by offering a more comprehensive understanding of the performance management system's influence on employee performance, providing valuable insights for banks in Nepal and contributing to the development of effective, contextually relevant performance appraisal strategies.

Gratton and Bailey (2007) emphasize the need for further research on the impact of performance management systems across various sectors, including healthcare, education, and non-profit organizations. Similarly, Samwel (2018) calls for investigations into the integration of digital technologies with performance appraisal systems and their effects on employee performance outcomes. Locke and Latham (2002) suggest that more research is needed to identify the mechanisms through which performance appraisal practices affect employee performance. Despite significant research on the "Effect of Performance

Appraisal System on Employees' Performance," there remains a notable gap, both in Nepal and globally. While existing studies often explore individual components of performance appraisal systems, such as goal setting, feedback, and rewards, they rarely examine how these elements interact and collectively influence employee performance. Furthermore, much of the existing literature stems from developed economies, leaving a gap in understanding the impact of performance management systems in developing countries like Nepal (Panthi & Belbase, 2017). As a result, there is a clear need for more empirical studies in the Nepalese context to better understand the unique cultural, organizational, and socio-economic factors that may shape the effectiveness of performance appraisal systems in such settings.

CHAPTER III

RESEARCH METHODOLOGY

This section presents the methodology employed to address the research questions and achieve the study objectives. It includes an overview of the research design, sampling strategy, data collection techniques, instruments used for data gathering, methods for analyzing the data, and the theoretical framework, along with definitions of key variables.

3.1 Research Design

This study employs both descriptive and causal-comparative research designs to effectively address the research objectives. The descriptive research design facilitates the systematic documentation of the current status of performance appraisal practices and employee performance levels within selected commercial banks. This approach enables the identification and summarization of patterns, characteristics, and frequencies related to the variables under investigation without altering any conditions in the natural setting.

The causal-comparative research design is used to examine the effect of independent variables—such as goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement—on the dependent variable, which is employee performance. As the variables are not manipulated directly, this design enables the study to explore existing differences and relationships between groups based on naturally occurring factors, thereby drawing inferences about potential causal linkages. This combined methodological approach supports a robust evaluation of how performance appraisal systems influence employee performance within the Nepalese banking sector.

3.2 Population, Sample and Sampling Design

The population for this study comprises employees from four commercial banks in Nepal: Laxmi Sunrise Bank, Sanima Bank, Everest Bank, and Nepal SBI Bank. These banks were selected from a total of 20 commercial banks operating in Nepal. According to data from the fiscal year 2023/24, the total number of employees in these four banks is 6,197, with Laxmi Sunrise Bank employing 2,776 staff, Sanima Bank employing 1,329, Everest Bank employing 1,149, and Nepal SBI Bank employing 943. The convenience sampling technique, a non-probability method, was employed for selecting respondents. This

approach was adopted due to its practical advantages, especially when complete access to the population was limited, allowing for efficient data collection within the allocated timeframe.

The Cochran formula is a widely utilized statistical method to determine an ideal sample size based on a desired level of precision, confidence level, and the estimated proportion of the population. According to Cochran (1977), the formula is: $n_0 = Z^2 \cdot p \cdot (1-p) / e^2$

For a 95% confidence level ($Z = 1.96$), maximum variability ($p = 0.5$), and a 5% margin of error ($e = 0.05$):

$$n_0 = (1.96)^2 \cdot 0.5 \cdot (1-0.5) / (0.05)^2$$

Thus, the sample size is approximately 384.16.

3.3 Nature and Sources of Data

The present study is based on primary data, which was collected directly from employees of selected commercial banks using a structured questionnaire. The use of primary data enables a focused investigation into the key variables that influence performance appraisal systems and their impact on employee performance. Primary data collection ensures relevance and accuracy by allowing direct interaction with the respondents, capturing their perceptions, experiences, and insights related to the performance appraisal process within their respective banks. This method provides researchers with greater control over the data collection process, ensuring consistency in the responses and enhancing the validity of the study. The questionnaire was designed to gather specific information aligned with the research objectives and to reflect the actual experiences of employees working in Nepalese commercial banks. Relying on firsthand data not only strengthens the credibility of the research findings but also contributes to generating practical insights applicable to the local banking sector context.

3.4 Data Collection Procedures

The data collection for this study was conducted through a structured and systematic process using primary sources. A well-constructed questionnaire was developed after a thorough review of relevant literature and was refined through multiple stages, including preliminary drafting, expert validation, and finalization. The questionnaire was designed to gather insights from employees regarding performance appraisal systems and their influence on employee performance in selected commercial banks. To ensure broad

coverage and accessibility, Google Forms was employed to create an online version of the questionnaire, allowing efficient, low-cost, and convenient data collection from employees, especially those located outside the head offices of the sample banks. In addition, printed copies of the questionnaire were distributed directly to staff working at the head offices of Laxmi Sunrise Bank, SBI Bank, Everest Bank, and Sanima Bank. This dual approach enabled comprehensive data collection across different departments and branches, supporting the reliability and completeness of the primary data.

3.5 Instrumentation of Data

This research employed a structured, self-administered questionnaire to collect primary data from employees of Nepal SBI Bank Ltd., Laxmi Sunrise Bank Ltd., Everest Bank Ltd., and Sanima Bank Ltd. The questionnaire was developed in alignment with the study's objectives and structured into two major sections. The first section focused on demographic information, including variables such as gender, age, education level, income, and job position. The second section comprised constructs based on established literature, with a minimum of three statements developed for each construct to ensure content validity. A five-point Likert scale was used to measure responses, where "1" denoted "strongly disagree" and "5" denoted "strongly agree." The questionnaire included an introductory note outlining the purpose, time requirements, and confidentiality of the data. Data collection was conducted using Google Forms for accessibility and efficiency, while SPSS Version 25 was used for coding, cleaning, and statistical analysis of the collected responses.

3.6 Methods of Analysis

In alignment with the objectives of this study—examining the effect of performance appraisal systems on employee performance across selected Nepalese commercial banks—the collected data was subjected to a structured analytical process. Data were initially cleaned, coded, and transformed to ensure suitability for statistical analysis. SPSS Version 25 and Microsoft Excel were employed to perform both descriptive and inferential analyses. Descriptive statistics, including frequency distributions and percentages, were used to summarize demographic characteristics and responses to key variables. Inferential statistics were applied to test hypotheses and examine relationships among variables.

The analytical approach involved several statistical tests. Correlation analysis was conducted to determine the strength and direction of associations between independent variables—such as goal setting, performance monitoring, feedback and coaching,

development and training, recognition and rewards, and performance improvement—and the dependent variable, employee performance. The t-test and ANOVA were used to compare means across demographic groups and organizational categories. Regression analysis was employed to assess the predictive power of independent variables on employee performance. Additionally, reliability analysis (using Cronbach’s alpha) was performed to ensure internal consistency and measurement reliability of the questionnaire constructs. These methods collectively ensured a rigorous and comprehensive examination of the research objectives.

Descriptive statistical tools such as mean and standard deviation has been used to summarize the data. Inferential statistical tools like correlation and regression analysis has been employed to test the research hypotheses. A multiple regression model has been developed to understand the combined effect of independent variables on sales performance.

Descriptive Statistical Tools

Descriptive statistical tools were used to summarize the characteristics of the data and to examine trends and relationships between the variables. This analysis helps in understanding the overall situation and provides insights into the current practices of performance appraisal and employee performance. The following descriptive tools were used:

A) Average/ Mean

The arithmetic mean was used to calculate the central tendency of the variables related to performance appraisal components (goal setting, feedback and coaching, etc.) and employee performance. The formula for the mean is: In general, if X_1, X_2, \dots, X_n are the given N observations, then their arithmetic mean, denoted by \bar{X} is given by,

$$\bar{X} = \frac{x_1 + x_2 + \dots + x_n}{N} = \frac{\sum X}{N}$$

Where,

$\sum X$ = Sum of the observations, and

N = Number of Years

B) Standard Deviation

The standard deviation was used to measure the spread or variability of the responses regarding performance appraisal components and employee performance. A higher standard deviation indicates greater variability in how employees perceive the performance appraisal practices. The Greek letter sigma conventionally represents the standard deviation. If $X_1, X_2 \dots X_n$ is a set of N observations then, standard deviation is given by,

$$\sigma = \sqrt{\frac{\sum (X - \bar{X})^2}{N}}$$

$\sum (X - \bar{X})^2$ = Sum of the squares of the deviations measured from mean N = Number of Observations.

Inferential Statistical Tools

Inferential statistics are used to test hypotheses and make inferences about the population from the sample data. In this research, parametric tests such as correlation analysis and regression analysis were used to examine the relationships between the independent variables (performance appraisal components) and the dependent variable (employee performance).

A) Coefficient of Correlation (r)

Correlation analysis was conducted to examine the strength and direction of the relationship between performance appraisal components (goal setting, performance monitoring, feedback and coaching, etc.) and employee performance. The coefficient of correlation helps identify whether and to what extent these components are related to employee performance. The formula for Pearson's correlation coefficient is:

$$r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

B) Regression Analysis

Regression analysis was used to quantify the impact of each performance appraisal component (goal setting, performance monitoring, feedback and coaching, etc.) on employee performance. The regression model allows for examining how each independent variable influences the dependent variable. The multiple regression model developed for this research is:

The Multiple Linear Regression Model,

$$EP = \beta_0 + \beta_1 GS + \beta_2 PM + \beta_3 FC + \beta_4 DT + \beta_5 RW + \beta_6 PIP + \epsilon$$

EP	= Employee Performance
β_0	= Intercept term
β_1 - β_6	= Regression Coefficients.
GS	= Goal setting
PM	= Performance monitoring
FC	= Feedback and coaching
DT	= Development and training
RW	= Recognition and rewards
PIP	= Performance improvement plans
ϵ	= Error terms

This model helps determine which performance appraisal components have the most significant impact on employee performance and to what extent. By using these descriptive and inferential statistical methods, the research aims to provide a clear understanding of the relationships between performance appraisal components and employee performance in Nepalese commercial banks. These tools allow for a robust analysis of how performance management practices contribute to employee performance, providing insights that can guide future organizational decisions.

3.7 Research Framework and Definition of Variables

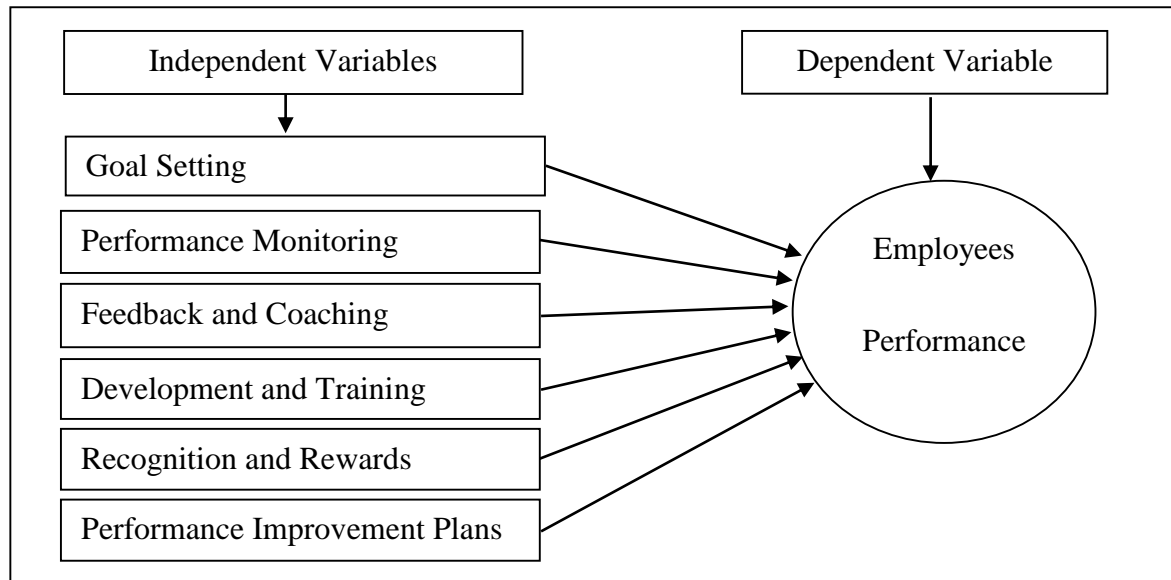
The research framework, grounded in goal-setting theory, performance improvement plans, organizational behavior theories, and gender theory insights, forms the foundation for this study. It presents a conceptual framework aimed at understanding how a performance management system can effectively oversee employee performance in a systematic and measurable manner.

Figure 1 illustrates the relationship between the performance management system and employee performance, incorporating six key variables. The independent variables include goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement plans. Employee performance is identified as the dependent variable. The moderating variables—designations, education,

gender, and department—offer a more nuanced understanding of the system's impact across different organizational contexts.

Figure 1

Research Framework



Source: Wang et al. (2024)

Definitions of Variables

Defining variables involves clarifying key concepts and their measurement in research. Variables such as goal setting, performance monitoring, feedback, training, rewards, and performance improvement plans are examined for their impact on employee performance. Clear definitions ensure consistency and reliability in assessing how these factors influence organizational outcomes.

Goal Setting

Goal setting is the process of creating SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) objectives to guide individuals or teams toward achieving desired outcomes. It serves as a fundamental framework for both individual and organizational performance. SMART goals offer clarity and direction, enabling employees to understand the expectations placed upon them and how they can achieve those expectations effectively. Setting clear and attainable goals encourages motivation, focus, and alignment within an organization. Goal setting plays a significant role in fostering employee engagement and improving productivity. By defining clear objectives, organizations provide employees with benchmarks for success, which can help in

measuring progress and determining success. As stated by Asmus et al. (2015), goal setting is integral to performance management and enhances the achievement of both personal and organizational objectives. In the context of performance appraisals, clear goal setting can be a vital mechanism for ensuring effective monitoring and assessment of employee performance.

Performance Monitoring

Performance monitoring is an ongoing process of tracking employee performance through the collection and analysis of data. It provides critical insights into the progress of tasks and goals, helping organizations identify areas for improvement and make necessary adjustments. By continuously evaluating employees' work output, supervisors and managers can ensure alignment with organizational objectives. Monitoring performance also helps identify high performers and areas where additional support or training is needed. As Said et al. (2021) emphasize, performance monitoring is not a one-time event but rather an iterative process that enhances decision-making, improves operational effectiveness, and boosts overall productivity. Through regular monitoring, organizations can facilitate constructive feedback and identify training needs, making it a crucial element in improving individual and organizational performance. Effective performance monitoring ensures that employees are consistently performing at expected levels, contributing to overall business success.

Feedback and Coaching

Feedback and coaching are essential tools for improving employee performance by providing insights and guidance on strengths and areas for improvement. Feedback refers to the information shared about an individual's performance, helping them recognize what they are doing well and where they need to improve. It can be given formally or informally and is often used as a basis for setting goals and enhancing performance. Coaching, on the other hand, is a more structured process focused on the development of an employee's skills and competencies. Gregory & Levey (2012) explain that coaching involves a collaborative effort between the manager and employee, aiming to foster growth and improve job performance. Both feedback and coaching are crucial in performance management, as they enable employees to gain clarity about their work and develop the necessary skills to perform at higher levels. These processes support employees in overcoming challenges and achieving career goals.

Development and Training

Development and training involve creating opportunities for employees to enhance their skills and knowledge, helping them bridge gaps in their performance and supporting their long-term career growth. Training programs equip employees with the necessary tools to perform their tasks more effectively, while development initiatives focus on broader personal growth and leadership capabilities. Bahal et al. (1992) highlight that regular development and training are critical for improving employee productivity and satisfaction. These initiatives ensure that employees are well-equipped to meet the challenges of their roles and the organization's evolving needs. A well-structured training program can also serve as an effective retention tool, as employees value opportunities for growth and advancement.

Recognition and Rewards

Recognition and rewards refer to acknowledging and compensating employees for their accomplishments, whether through monetary incentives, non-monetary rewards, promotions, or public acknowledgment. These practices are fundamental for boosting morale, increasing motivation, and reinforcing desirable behaviors in the workplace. Fay & Thompson (2001) argue that both intrinsic and extrinsic rewards play a vital role in employee engagement and satisfaction. Recognition can range from informal praise to formal awards, while rewards may include bonuses, salary increases, or career advancement. The effectiveness of these practices lies in their ability to align employee efforts with organizational goals. By recognizing and rewarding employees for their contributions, organizations foster a culture of high performance and commitment, ultimately improving overall employee productivity and satisfaction.

Performance Improvement Plans

Performance Improvement Plans (PIPs) are structured processes designed to help employees who are struggling to meet performance expectations. These plans involve setting specific goals for improvement, providing necessary resources, and offering regular feedback and support. PIPs aim to bring underperforming employees up to the expected standards by addressing skill gaps or behavioral issues. HR (2020) suggests that a well-crafted PIP should be clear, time-bound, and aligned with organizational objectives. It should involve collaboration between the employee and manager to ensure that the employee understands the expectations and is provided with the tools needed for success.

PIPs not only serve as a corrective tool but also demonstrate the organization's commitment to employee development, offering an opportunity for growth and improvement. When implemented correctly, PIPs can result in improved performance and job satisfaction.

Employee Performance

Employee performance refers to the ability and competence of individuals to effectively fulfill their job responsibilities, which directly impacts organizational success. It involves assessing various factors, such as the quality of work, productivity, problem-solving abilities, and the ability to meet deadlines. According to Litmos (2016), employee performance is a critical aspect of organizational effectiveness, as high-performing employees contribute significantly to overall business goals. Employee performance is typically measured through performance appraisals, which help in identifying strengths, areas for improvement, and developmental needs. These assessments guide decisions regarding promotions, compensation, and training opportunities. Effective performance management systems ensure that employees are recognized for their contributions and receive the necessary support to continually enhance their performance.

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Respondent's Profile Analysis

Table 2 presents the demographic and employment profile of respondents participating in the study, illustrating key characteristics such as gender, age, education, job level, salary, employment duration, and departmental affiliation based on a total sample size of 384.

Table 2

Respondent's Profile Analysis

Category	Sub-category	Frequency	Percentage
Gender	Male	193	50.3
	Female	191	49.7
Age	18–25 years	138	35.9
	26–35 years	141	36.7
	36–50 years	82	21.4
	Above 50 years	23	6.0
Education Level	School Level	60	15.6
	Bachelor Level	211	54.9
	Masters and Above	113	29.4
Job Level	Assistant	104	27.1
	Officer	100	26.0
	Bank Teller	79	20.6
	Others	101	26.3
Annual Salaries	Less than Rs. 500,000	104	27.1
	Rs. 500,000 – Less than 700,000	142	37.0
	Rs. 700,000 – Less than 900,000	86	22.4
	Rs. 900,000 and Above	52	13.5
Duration of Employment	Below 1 year	112	29.2
	2 years to 4 years	148	38.5
	5 years to 7 years	89	23.2
	Above 7 years	35	9.1
Department	Loan Department	92	24.0
	HR Department	111	28.9
	Marketing Department	12	3.1
	Operation Department	92	24.0
	IT Department	77	20.1
Total		384	100.0

Source: Survey, 2024/25

The data reveals a nearly balanced gender distribution, with male respondents slightly higher at 50.3% compared to 49.7% female, indicating inclusive participation. Age-wise, the majority falls between 26–35 years (36.7%) and 18–25 years (35.9%), suggesting that younger professionals predominantly responded. Regarding educational qualifications, 54.9% possess a bachelor’s degree, and 29.4% hold a master's or above, implying that most respondents are academically qualified. Job-level data indicate a fairly even spread, with Assistants (27.1%) and Officers (26.0%) forming the core workforce, while 20.6% serve as bank tellers. Salary distribution shows that 37% earn between Rs. 500,000 and 700,000 annually, while only 13.5% earn Rs. 900,000 or more, suggesting mid-range compensation is common. In terms of experience, 38.5% have worked for 2 to 4 years, and 29.2% for less than 1 year, reflecting a relatively fresh workforce. Department-wise, the highest share comes from the HR Department (28.9%), followed by Loan and Operations Departments (each 24.0%). This departmental diversity ensures that insights are representative across major functional areas.

4.2 Descriptive Analysis

The descriptive analysis presented in Tables 3 to 11 provides an overview of employees' perceptions of various performance management practices in Nepalese commercial banks, focusing on goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, performance improvement plans, and overall employee performance.

Table 3

Situation of Goal Setting

Goal Setting	Mean	SD
I have clear and specific goals for my job.	4.26	0.71
I receive regular feedback on my progress.	4.14	0.77
I have input in setting my own goals.	4.17	0.78
My goals are SMART (Specific, Measurable, Achievable, Relevant, and Time-bound).	4.27	0.82
My goals align with the overall objectives of the organization.	4.19	0.90
Weighted average	4.20	0.79

Source: Survey, 2024/25

Table 3 presents the descriptive statistics concerning the situation of goal setting within Nepalese commercial banks. Table outlines the mean and standard deviation (SD) of five statements evaluating how goal setting is perceived and practiced among employees. The highest mean score of 4.27 with a standard deviation of 0.82 corresponds to the statement "My goals are SMART (Specific, Measurable, Achievable, Relevant, and Time-bound)," indicating a strong agreement among respondents that structured and measurable goal-setting frameworks are implemented effectively. Similarly, the statement "I have clear and specific goals for my job" received a high mean of 4.26 and a lower standard deviation of 0.71, signifying that employees widely perceive their job expectations as well-defined and uniformly experienced. Additionally, "My goals align with the overall objectives of the organization" reported a mean of 4.19, reflecting employees' understanding of strategic alignment in goal setting, albeit with a relatively higher variability (SD = 0.90).

The statement "I have input in setting my own goals" attained a mean of 4.17 and SD of 0.78, suggesting that participative goal setting is moderately practiced, allowing employees to contribute to the design of their performance targets. The lowest mean of 4.14 with SD of 0.77 was recorded for the item "I receive regular feedback on my progress," which highlights a potential gap in continuous communication and performance guidance. The overall weighted average mean of 4.20 and SD of 0.79 reflect a positive perception towards goal setting practices in commercial banks, suggesting that employees generally find goal-setting processes supportive and aligned with best practices. However, the slight variation in feedback mechanisms indicates a need for enhanced performance dialogue to sustain motivation and performance alignment across departments.

Table 4

Situation of Performance Monitoring

Performance Monitoring	Mean	SD
My performance is regularly monitored.	4.11	0.83
Monitoring helps identify areas for improvement.	4.25	0.77
Results of performance monitoring are discussed with me.	4.17	0.80
Performance metrics are fair and reasonable.	4.13	0.81
The monitoring process supports my professional growth.	4.28	0.79
Weighted average	4.19	0.80

Source: Survey, 2024/25

Table 4 illustrates the descriptive analysis of the performance monitoring practices perceived by employees in Nepalese commercial banks. Among the five statements assessed, the highest mean score of 4.28 with a standard deviation (SD) of 0.79 is recorded for "The monitoring process supports my professional growth," indicating strong agreement that performance monitoring is seen as a tool for career development. Likewise, the statement "Monitoring helps identify areas for improvement" received a high mean of 4.25 and a relatively low SD of 0.77, suggesting that respondents consistently perceive monitoring as constructive and improvement-oriented. The statement "Results of performance monitoring are discussed with me" attained a mean of 4.17 and SD of 0.80, reflecting a moderately high level of communication between employees and supervisors regarding performance outcomes.

The mean score for "Performance metrics are fair and reasonable" stood at 4.13 with SD of 0.81, indicating general satisfaction with the fairness and clarity of measurement tools, though with slightly higher variability. The lowest score in the set, "My performance is regularly monitored," yielded a mean of 4.11 and SD of 0.83, implying that while monitoring is practiced, its consistency may vary across individuals or departments. The overall weighted average mean of 4.19 and SD of 0.80 demonstrate that performance monitoring is perceived positively, contributing both to organizational effectiveness and individual growth. However, the slightly lower ratings in regularity and fairness suggest opportunities to further standardize and enhance the transparency of monitoring systems to ensure equitable and continuous performance support.

Table 5

Situation of Feedback and Coaching

Feedback and Coaching	Mean	SD
I regularly receive feedback on my job performance.	4.18	0.72
Feedback helps me improve my performance.	4.28	0.70
I receive coaching to help improve my job performance.	4.16	0.77
I feel comfortable approaching my manager for feedback.	4.10	0.87
Feedback and coaching are timely and relevant.	4.18	0.84
Weighted average	4.18	0.78

Source: Survey, 2024/25

Table 5 presents the descriptive statistics regarding the situation of feedback and coaching as perceived by employees in Nepalese commercial banks. The statement "Feedback helps

me improve my performance" holds the highest mean score of 4.28 with a standard deviation (SD) of 0.70, indicating that respondents strongly agree on the developmental impact of feedback on their job performance. Similarly, the statements "I regularly receive feedback on my job performance" and "Feedback and coaching are timely and relevant" both have mean scores of 4.18, reflecting a generally positive experience among employees regarding the regularity and appropriateness of the feedback process. However, "Feedback and coaching are timely and relevant" shows a slightly higher variability with an SD of 0.84, suggesting that timeliness and relevance may not be uniformly experienced by all employees.

The statement "I receive coaching to help improve my job performance" has a mean of 4.16 and SD of 0.77, demonstrating that coaching support is present but may vary in quality or accessibility across departments. The lowest mean score of 4.10 with SD of 0.87 pertains to "I feel comfortable approaching my manager for feedback," indicating a potential area of concern regarding openness and communication dynamics between employees and supervisors. The overall weighted average mean of 4.18 and SD of 0.78 reflect a positive perception of feedback and coaching practices, suggesting they are largely effective in enhancing employee performance. However, the variation in comfort level and the timing of feedback highlights the need for fostering a more approachable and responsive feedback culture within the organizational structure.

Table 6

Situation of Development and Training

Development and Training	Mean	SD
I received job-related training in the past 6 months.	4.05	0.82
The training I received was effective in enhancing my skills.	4.26	0.75
I feel I need additional training in specific areas.	4.13	0.84
I am provided with opportunities to develop my skills.	4.20	0.76
The training aligns with my job responsibilities and goals.	4.17	0.81
Weighted average	4.16	0.80

Source: Survey, 2024/25

Table 6 provides the descriptive statistics relating to the development and training practices experienced by employees in Nepalese commercial banks. The highest mean score of 4.26 with a standard deviation (SD) of 0.75 corresponds to the statement "The training I received

was effective in enhancing my skills," indicating a strong consensus among employees on the effectiveness of training programs in building job-related competencies. The statement "I am provided with opportunities to develop my skills" follows with a mean of 4.20 and SD of 0.76, reflecting a positive perception of access to professional development. Furthermore, the statement "The training aligns with my job responsibilities and goals" received a mean score of 4.17, suggesting that training content is generally well-integrated with actual work responsibilities.

The statement "I feel I need additional training in specific areas" yielded a mean of 4.13 and SD of 0.84, highlighting that despite existing training efforts, employees recognize the need for further skill enhancement in specific domains. The lowest mean score of 4.05 with an SD of 0.82 was recorded for "I received job-related training in the past 6 months," indicating inconsistency or limited frequency of recent training initiatives. The overall weighted average mean of 4.16 and SD of 0.80 suggest that while development and training practices are viewed favorably, there is room for improvement in terms of training frequency and alignment with evolving job requirements. Addressing these gaps may lead to stronger employee performance outcomes and sustained organizational growth.

Table 7

Situation of Recognition and Rewards

Recognition and Rewards	Mean	SD
I have received recognition or rewards in the past 6 months.	4.03	0.81
Recognition and rewards are important to me.	4.31	0.69
Recognition and rewards are fair and appropriate.	4.06	0.83
Employees are regularly recognized with rewards.	4.10	0.82
Recognition and rewards motivate me to perform better.	4.22	0.77
Weighted average	4.14	0.78

Source: Survey, 2024/25

Table 7 illustrates the descriptive statistics concerning the situation of recognition and rewards among employees in Nepalese commercial banks. The highest mean value of 4.31 with a standard deviation (SD) of 0.69 is associated with the statement "Recognition and rewards are important to me," demonstrating that employees highly value acknowledgment and incentives in the workplace. The statement "Recognition and rewards motivate me to perform better" follows with a mean of 4.22 and SD of 0.77, indicating that motivational

aspects of recognition significantly influence employee performance. Furthermore, "Employees are regularly recognized with rewards" recorded a mean of 4.10, reflecting moderate agreement on the consistency of recognition practices across the organization.

The statement "Recognition and rewards are fair and appropriate" yielded a mean of 4.06 with a standard deviation of 0.83, implying general satisfaction with the fairness of reward systems, although the higher variability suggests differing experiences among employees. The lowest score of 4.03 with SD of 0.81 corresponds to "I have received recognition or rewards in the past 6 months," highlighting that actual receipt of recognition may be less frequent despite its perceived importance. The overall weighted average mean of 4.14 and SD of 0.78 suggests a positive but moderately varied perception of recognition and reward practices. These findings indicate that while recognition is valued and motivational, organizations may need to implement more frequent and equitable reward systems to ensure consistent engagement and performance reinforcement.

Table 8

Situation of Performance Improvement Plans

Performance Improvement Plans	Mean	SD
I have been placed on a performance improvement plan.	4.21	0.73
The improvement plan effectively addressed my performance issues.	4.25	0.77
I feel supported by my manager during the improvement process.	4.09	0.82
The performance improvement plan is tailored to my role.	4.10	0.87
The performance improvement plan led to measurable improvement in my performance.	4.14	0.84
Weighted average	4.16	0.80

Source: Survey, 2024/25

Table 8 presents the descriptive analysis of the performance improvement plans (PIPs) implemented in Nepalese commercial banks. The highest mean value of 4.25 with a standard deviation (SD) of 0.77 corresponds to the statement "The improvement plan effectively addressed my performance issues," indicating strong agreement among respondents that PIPs contribute positively to resolving performance challenges. The statement "I have been placed on a performance improvement plan" also shows a high mean score of 4.21 with an SD of 0.73, suggesting that a significant portion of respondents have firsthand experience with such programs. Furthermore, the statement "The performance

improvement plan led to measurable improvement in my performance" attained a mean score of 4.14, reinforcing the perceived effectiveness of structured improvement processes. The remaining two statements—"I feel supported by my manager during the improvement process" and "The performance improvement plan is tailored to my role"—scored means of 4.09 and 4.10 respectively, with slightly higher SDs (0.82 and 0.87), indicating more variability in responses related to managerial support and customization of PIPs. The overall weighted average mean of 4.16 with an SD of 0.80 reflects generally favorable perceptions of the PIP mechanism. These results imply that when properly designed and supported, performance improvement plans serve as effective tools for enhancing employee performance. However, the noted variation in perceived managerial support and plan alignment suggests the need for more individualized approaches and consistent supervisory involvement to maximize the impact of these initiatives.

Table 9

Situation of Employee Performance

Employee Performance	Mean	SD
The feedback I receive helps me improve my performance.	4.32	0.64
I am provided with training opportunities to improve my performance.	4.27	0.72
I frequently discuss my performance with my supervisor.	4.11	0.73
My job responsibilities are clearly defined and understood.	4.25	0.79
My performance discussions lead to concrete action plans.	4.22	0.75
Weighted average	4.23	0.73

Source: Survey, 2024/25

Table 9 presents the descriptive statistics related to employee performance within Nepalese commercial banks. The highest mean score of 4.32 with a standard deviation (SD) of 0.64 is attributed to the statement "The feedback I receive helps me improve my performance," reflecting strong agreement on the constructive impact of feedback. This is followed by "I am provided with training opportunities to improve my performance" with a mean of 4.27 and SD of 0.72, suggesting widespread acknowledgment of the role of developmental training in enhancing work efficiency. Additionally, the statement "My job responsibilities are clearly defined and understood" scored a mean of 4.25, indicating clarity in role expectations among employees.

Other key indicators include "My performance discussions lead to concrete action plans" and "I frequently discuss my performance with my supervisor," which obtained mean values of 4.22 and 4.11 respectively. These results suggest that while performance discussions are common, their frequency may vary slightly among employees. The overall weighted average mean of 4.23 with an SD of 0.73 confirms that employee performance is positively perceived, supported by structured feedback, training opportunities, and clear role definitions. These findings emphasize that well-defined performance management systems significantly contribute to individual productivity and organizational efficiency, with concrete discussions and actionable outcomes serving as catalysts for continuous performance enhancement.

Table 10

Overall Descriptive Analysis

Variable	Weighted Average Mean	Standard Deviation (SD)
Goal Setting	4.20	0.79
Performance Monitoring	4.19	0.80
Feedback and Coaching	4.18	0.78
Development and Training	4.16	0.80
Recognition and Rewards	4.14	0.78
Performance Improvement Plans	4.16	0.80
Employee Performance	4.23	0.73

Source: Survey, 2024/25

Table 10 provides an overall descriptive analysis of key performance management variables, with a focus on employees in Nepalese commercial banks. The variable "Employee Performance" recorded the highest weighted average mean of 4.23, with a standard deviation (SD) of 0.73, reflecting a strong and consistent perception of employee performance being positively influenced by various performance management practices. This indicates that employees perceive performance enhancement as a well-supported process, encompassing feedback, training, and clear performance goals. In comparison, "Goal Setting" (mean: 4.20, SD: 0.79) and "Performance Monitoring" (mean: 4.19, SD: 0.80) also show high mean scores, signifying that goal clarity and monitoring processes are integral to shaping employees' effectiveness.

On the other hand, "Recognition and Rewards" (mean: 4.14, SD: 0.78) and "Performance Improvement Plans" (mean: 4.16, SD: 0.80) exhibit slightly lower mean values, suggesting that while these practices are positively viewed, their impact might be somewhat less pronounced or more variable across different employees. The relatively consistent standard deviations across the variables suggest a moderate level of agreement among respondents, although variability is slightly higher in some areas like performance improvement plans. These results highlight that while most performance management practices are perceived as effective, attention to areas like recognition and reward systems could enhance employee engagement and motivation, fostering a more robust overall performance framework.

4.3 Correlation Analysis

Table 11 presents the correlation analysis between various performance management practices and employee performance (EP) in Nepalese commercial banks. The correlation values represent the degree of association between employee performance and the independent variables, including Goal Setting (GS), Performance Monitoring (PM), Feedback and Coaching (FC), Development and Training (DT), Recognition and Rewards (RW), and Performance Improvement Plans (PIP). All correlation values are highly significant at the 0.01 level (2-tailed), indicating a strong and statistically reliable relationship between these variables.

Table 11

Correlation Analysis

Variables	GS	PM	FC	DT	RW	PIP	EP
GS	1						
PM	.716** 0.000	1					
FC	.689** 0.000	.696** 0.000	1				
DT	.591** 0.000	.630** 0.000	.668** 0.000	1			
RW	.579** 0.000	.600** 0.000	.615** 0.000	.726** 0.000	1		
PIP	.526** 0.000	.534** 0.000	.559** 0.000	.660** 0.000	.700** 0.000	1	
EP	.413** 0.000	.531** 0.000	.471** 0.000	.566** 0.000	.608** 0.000	.673** 0.000	1

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey, 2024/25

The strongest correlation is between PIP and EP, with a correlation coefficient of 0.673 and a p-value of 0.000. This indicates a very strong positive relationship, meaning that as PIP effectiveness increases, EP significantly improves. Organizations should prioritize structured and tailored PIP programs, as this relationship demonstrates their pivotal role in enhancing employee performance. The p-value further confirms the statistical significance of this finding.

RW also shows a robust positive correlation with EP, with a correlation coefficient of 0.608 and a p-value of 0.000. This suggests that employees who perceive RW as fair and motivating are more likely to perform better. The significance of this result underscores the importance of having effective recognition systems that drive higher EP. Managers should ensure RW programs are regularly assessed and aligned with performance metrics to maximize their impact.

Similarly, DT shows a significant positive correlation with EP, with a correlation coefficient of 0.566 and a p-value of 0.000. This indicates that employees who have access to relevant DT opportunities are more likely to perform at a higher level. The result underscores the need for continuous skill development initiatives. Banks should focus on offering targeted DT programs to enhance employee skills, which would lead to improved EP, further supported by the low p-value.

The correlation between FC and EP is 0.471, with a p-value of 0.000. This moderate positive relationship suggests that employees who receive regular FC are more likely to improve their performance. The significance of this result highlights the need for constructive and frequent feedback from managers. Organizations should invest in training supervisors to offer effective FC, as it plays an essential role in continuous employee performance improvement, further validated by the p-value.

PM also shows a strong positive correlation with EP, with a correlation coefficient of 0.531 and a p-value of 0.000. This indicates that regular and effective PM contributes significantly to higher EP. This result emphasizes the importance of monitoring employees' progress against performance metrics. Organizations should ensure that performance monitoring systems are in place to identify areas of improvement and guide employees effectively, which is statistically significant as confirmed by the p-value.

Finally, GS demonstrates a positive correlation with EP of 0.413, with a p-value of 0.000. Although the correlation is moderate, it highlights the importance of clear and specific GS in enhancing EP. Well-structured goal setting motivates employees and aligns their performance with organizational objectives. The significance of this relationship, confirmed by the p-value, suggests that organizations should ensure their goal-setting processes are aligned with both organizational goals and employee capabilities to foster improved EP. In conclusion, all performance management practices—GS, PM, FC, DT, RW, and PIP—show significant positive correlations with EP. The strongest relationships were found with PIP, RW, and DT, with highly significant p-values (0.000). These findings emphasize the need for a comprehensive performance management system that includes all these practices to optimize EP and drive organizational success.

4.4 Regression Analysis

Tables 12, 13, and 14 present the regression analysis results for the impact of GS, PM, FC, DT, RW, and PIP on EP. Table 13 shows the model summary, indicating the model's explanatory power. Table 14 presents the ANOVA results, confirming the model's significance. Table 15 provides the coefficient analysis, highlighting the significant effects of GS, PM, RW, and PIP on EP, with all predictors except FC and DT showing substantial influence.

Table 12

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.721a	.519	.512	.35993

a. Predictors: (Constant), PIP, GS, DT, PM, FC, RW

Source: Survey, 2024/25

Table 12 presents the model summary for the regression analysis exploring the impact of PIP, GS, DT, PM, FC, and RW on EP. The R value of 0.721 indicates a strong positive correlation between the independent variables and EP. The R Square value of 0.519 reveals that approximately 52% of the variation in EP is explained by the predictors. The Adjusted R Square of 0.512 adjusts this value for the number of predictors, confirming the model's reliability. The Standard Error of the Estimate of 0.35993 suggests a relatively low error in predicting EP, indicating the model's accuracy in estimating employee performance.

Table 13*ANOVA*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52.758	6	8.793	67.872	.000b
	Residual	48.842	377	.130		
	Total	101.600	383			

a. Dependent Variable: EP

b. Predictors: (Constant), PIP, GS, DT, PM, FC, RW

Source: Survey, 2024/25

Table 13 presents the ANOVA results for the regression model assessing the relationship between PIP, GS, DT, PM, FC, RW, and EP. The F value of 67.872 and the corresponding p-value of 0.000 indicate that the regression model is statistically significant at the 0.01 level. This suggests that the independent variables collectively have a significant impact on EP. The Sum of Squares for regression (52.758) indicates the variation explained by the predictors, while the Residual sum of squares (48.842) represents the unexplained variation. The model's overall significance, with a p-value less than 0.01, supports the hypothesis that the performance management practices predict EP effectively.

Table 14*Coefficient Analysis*

Model		Unstandardized Coefficients			
		B	Std. Error	t	Sig.
1	(Constant)	1.392	.163	8.535	.000
	GS	.123	.052	2.365	.019
	PM	.215	.051	4.219	.000
	FC	.019	.054	.345	.730
	DT	.067	.052	1.307	.192
	RW	.173	.055	3.117	.002
	PIP	.370	.044	8.332	.000

a. Dependent Variable: EP

Source: Survey, 2024/25

Table 14 provides the coefficient analysis for the regression model examining the relationship between GS, PM, FC, DT, RW, PIP, and EP. The unstandardized coefficients (B) represent the amount of change in EP for a one-unit increase in each predictor, while the Standard Error indicates the variability of these coefficients. The t-statistics test the null hypothesis that each coefficient is zero, while the Sig. (p-value) indicates whether the coefficient is statistically significant.

The constant term ($B = 1.392$, $p = 0.000$) signifies the baseline level of EP when all predictors are zero. This value is statistically significant, confirming a meaningful starting point for EP. GS has a positive effect on EP ($B = 0.123$, $p = 0.019$), suggesting that as GS increases, EP also increases. This relationship is statistically significant, with a t-statistic of 2.365, implying that setting clear goals positively influences employee performance.

PM also has a positive and significant impact on EP ($B = 0.215$, $p = 0.000$). A higher level of PM leads to better performance, as indicated by the t-statistic of 4.219 and the very low p-value. This suggests that regular monitoring is crucial for improving EP. In contrast, FC does not show a significant effect on EP ($B = 0.019$, $p = 0.730$), with a very high p-value, indicating that feedback and coaching, in this context, have no substantial effect on performance.

DT similarly shows no significant relationship with EP ($B = 0.067$, $p = 0.192$), as the p-value exceeds the 0.05 threshold. This indicates that despite the availability of training, it does not significantly affect employee performance in this model. On the other hand, RW has a significant positive impact on EP ($B = 0.173$, $p = 0.002$), implying that recognition and rewards play a substantial role in motivating employees to perform better. The t-statistic of 3.117 supports this finding.

Lastly, PIP has the strongest positive effect on EP ($B = 0.370$, $p = 0.000$). This finding suggests that performance improvement plans are highly effective in enhancing EP. The high t-statistic of 8.332 further reinforces the significance of this relationship, indicating that employees undergoing performance improvement plans show marked improvements in their performance.

In summary, the analysis indicates that GS, PM, RW, and PIP all have significant positive effects on EP, while FC and DT do not significantly influence EP. These findings suggest that setting clear goals, monitoring performance, providing rewards, and implementing performance improvement plans are crucial factors for enhancing employee performance.

4.5 Discussion

This study establishes a strong and positive relationship between Performance Improvement Plans (PIP) and Employee Performance (EP), which is consistent with previous studies like Amjad et al. (2021). The high correlation between PIP and EP highlights the effectiveness of structured and well-tailored performance improvement programs in enhancing employee output. Amjad et al. (2021) also emphasized that structured performance management practices significantly impact employee performance, supporting the view that PIP plays a central role in improving overall productivity. This finding underscores the necessity for organizations to prioritize PIP to ensure measurable improvements in EP.

Moreover, Recognition and Rewards (RW) was found to have a strong positive correlation with EP, which is similar to Susanto et al. (2023). Their study identified that recognition programs are critical in motivating employees, a conclusion echoed in the current research. The correlation between RW and EP implies that fair and effective recognition systems contribute significantly to higher performance levels. This aligns with the work of Rivaldo & Nabella (2023), who also highlighted that effective recognition systems help maintain high motivation and performance. Consequently, organizations should invest in developing and maintaining comprehensive RW systems that align with performance outcomes.

This study further corroborates the findings of Iis et al. (2022) and Sutaguna et al. (2023) regarding the positive relationship between Development and Training (DT) and EP. A correlation of 0.566 indicates that when employees have access to relevant DT programs, they are more likely to perform at higher levels. Similar findings were reported by Sutaguna et al. (2023), emphasizing that training is a key factor in improving employee performance. Iis et al. (2022) also confirmed that continuous skill development contributes to both employee motivation and performance. These insights suggest that banks and other organizations should prioritize training programs to equip employees with the necessary skills for improved performance.

In alignment with Ribeiro et al. (2021), this study highlights the importance of Feedback and Coaching (FC) in enhancing EP. A moderate correlation ($r = 0.471$) was found between FC and EP, which suggests that regular and constructive feedback helps employees improve their performance. Ribeiro et al. (2021) also argued that coaching has a direct and indirect impact on performance, strengthening the notion that regular feedback and

coaching sessions are essential for continuous improvement. Training supervisors to offer effective feedback is crucial for the sustained development of employees' performance, a finding that resonates with Rivaldo (2021), who identified feedback as an integral part of performance management.

The study's findings regarding Performance Monitoring (PM) and its positive correlation with EP ($r = 0.531$) are consistent with Meijerink et al. (2022), who found that performance monitoring is an important factor in enhancing employee outcomes. The current research confirms that when organizations regularly monitor employee progress against performance metrics, they can identify areas for improvement and guide employees accordingly. This reflects the significance of performance monitoring in achieving high employee performance, as highlighted by Meijerink et al. (2022) and other scholars. The result emphasizes that organizations should ensure that effective monitoring systems are in place to track employee progress.

The positive correlation between Goal Setting (GS) and EP ($r = 0.413$) in this study is also in line with previous studies such as Pandey (2020) and Rivaldo (2021). Pandey (2020) emphasized that clear goal setting enhances employee satisfaction and performance, a finding echoed in the current study. The moderate correlation suggests that goal setting, while important, should be part of a broader performance management system that includes PIP, RW, DT, and PM. The importance of aligning organizational goals with individual performance targets is crucial for achieving improved employee outcomes, as confirmed by this and previous studies.

While this study found that FC and DT had positive but relatively lower correlations with EP compared to PIP and RW, it is important to note that these factors still play a significant role in enhancing performance. Shrestha (2022) found that performance monitoring and rewards had a positive impact on motivation and performance, with FC and DT contributing to employee development, albeit with less immediate impact. This indicates that while feedback and training programs are crucial, their effects on performance may not be as direct or immediate as the more structured elements of PIP and RW.

Moreover, this study reinforces Riyanto et al. (2021), who found that motivation plays a central role in improving performance. Motivation, in this context, is shaped by factors like GS, PIP, RW, and DT. The study confirms that while GS has a moderate correlation with EP, its impact is significantly enhanced when combined with other performance

management practices. The comprehensive approach outlined in this study, which includes goal setting, performance monitoring, and feedback, supports Riyanto et al. (2021)'s view that multiple factors combine to influence employee motivation and performance.

The findings of this study suggest that organizations need to focus on a holistic approach to performance management, combining PIP, RW, DT, GS, PM, and FC to achieve the best outcomes in terms of employee performance. Paudel (2023) and Biswakarma & Kadayat (2023) highlighted the importance of fairness and accuracy in performance appraisals, which aligns with the findings of this study. It is clear that a well-rounded and effective performance management system, which includes a blend of appraisal methods, recognition systems, training programs, and feedback mechanisms, is essential for fostering high employee performance.

Finally, this study complements the findings of Kandel (2021), who noted that ineffective performance appraisal systems could lead to poor employee motivation. This research found that when organizations implement robust PIP and RW systems, along with consistent FC and DT, employee performance is significantly enhanced. This emphasizes the need for organizations to continually assess and improve their performance management systems to align with employee expectations and organizational goals, ensuring sustained performance improvements over time.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

This study examines the relationship between performance appraisal practices and employee performance in the banking sector of Nepal. With a focus on four commercial banks—Laxmi Sunrise Bank, Sanima Bank, Everest Bank, and Nepal SBI Bank—the research explores how various performance appraisal components, such as goal setting, performance monitoring, feedback and coaching, development and training, recognition and rewards, and performance improvement plans, influence employee performance.

The main objective of the study is to assess the impact of performance appraisal systems on employee performance. The specific objectives include examining the current state of performance appraisal practices, understanding the relationship between performance appraisal and employee performance, and evaluating the direct impact of performance appraisals on performance outcomes.

The research uses both descriptive and causal-comparative research designs. The descriptive design allows for documenting and summarizing the existing status of performance appraisal practices, while the causal-comparative design investigates how specific appraisal components affect employee performance. The study is based on primary data, collected from 384 employees using a structured questionnaire, with a focus on providing direct insights from the employees regarding their experiences with performance appraisals.

The study utilizes a convenience sampling method, and the data collected is analyzed using statistical tools such as descriptive statistics, correlation analysis, regression analysis, and reliability analysis (Cronbach's alpha). Descriptive statistics summarize demographic data and responses, while correlation and regression analyses are employed to assess the relationships between performance appraisal components and employee performance.

The findings reveal significant positive correlations between performance appraisal components and employee performance. Notably, performance improvement plans (PIP) show the strongest positive relationship with employee performance, followed by recognition and rewards (RW), development and training (DT), feedback and coaching

(FC), performance monitoring (PM), and goal setting (GS). The statistical analysis confirms the significance of these relationships, highlighting the importance of tailored performance appraisal systems in enhancing employee performance.

The study concludes that performance appraisals play a critical role in improving employee performance, with specific components such as PIP, RW, and DT emerging as the most influential factors. Organizations, especially within the banking sector, should prioritize these appraisal components to enhance employee motivation, performance, and overall organizational effectiveness. Furthermore, the findings suggest that performance appraisal systems should be regularly evaluated and aligned with employee needs and organizational goals to maximize their impact.

In terms of implications, the study suggests that banks in Nepal should focus on improving performance appraisal practices by incorporating more personalized and constructive feedback, development opportunities, and recognition systems. Managers are encouraged to invest in continuous training and coaching programs, which will directly contribute to higher employee performance. Additionally, the study underscores the significance of clear goal setting and performance monitoring to ensure alignment with organizational objectives and continuous improvement.

By implementing these recommendations, banks can create a more motivated and productive workforce, leading to improved organizational outcomes and competitiveness in the banking sector. The study's findings also offer valuable insights for policymakers and managers looking to optimize performance appraisal systems within the banking industry.

5.2 Conclusion

The descriptive analysis reveals a generally positive situation regarding performance appraisal practices and employee performance (EP) in the banking sector. Employees report high levels of satisfaction with performance management activities, including Goal Setting (GS), Performance Monitoring (PM), Feedback and Coaching (FC), Development and Training (DT), Recognition and Rewards (RW), and Performance Improvement Plans (PIP). These results suggest that most employees perceive their performance is being effectively managed, with strong alignment between their individual goals and organizational objectives. However, areas like FC and DT show room for improvement, as some employees feel that more targeted support in these areas could further boost their

performance. Overall, the positive outcomes in EP suggest that performance appraisals have a favorable impact, though attention to certain areas could enhance effectiveness.

The correlation analysis indicates a strong and consistent positive relationship between performance appraisal practices and employee performance (EP). As aspects such as Goal Setting (GS), Performance Monitoring (PM), Feedback and Coaching (FC), Development and Training (DT), Recognition and Rewards (RW), and Performance Improvement Plans (PIP) improve, EP also tends to improve. Specifically, PIP and RW are the most strongly linked to higher EP, suggesting that employees who receive focused support through improvement plans and rewards are more likely to perform well. This underscores the importance of these two factors in fostering a productive workforce. The significant relationships emphasize the need for organizations to strengthen these practices to drive higher performance outcomes.

The regression analysis shows that performance appraisal practices have a significant impact on employee performance (EP). Performance Improvement Plans (PIP) and Performance Monitoring (PM), along with Recognition and Rewards (RW), emerge as the most influential factors driving EP. This suggests that when employees receive clear feedback, regular monitoring, and appropriate rewards, their performance improves significantly. However, Goal Setting (GS), while important, appears to have a less positive impact compared to the other practices, indicating that its effectiveness could be enhanced by better integration with other performance management elements. On the other hand, areas such as Feedback and Coaching (FC) and Development and Training (DT) show less direct influence on EP, suggesting a potential gap in these areas that, if addressed, could further enhance overall employee performance.

5.3 Implications

Practical Implications

The findings of this study provide valuable insights for banking sector organizations looking to enhance their performance appraisal systems and ultimately improve employee performance (EP). It is evident that practices like Performance Improvement Plans (PIP), Performance Monitoring (PM), and Recognition and Rewards (RW) play a critical role in boosting employee performance. Organizations should focus on strengthening these areas by providing clearer feedback, ensuring regular performance assessments, and offering appropriate rewards. Additionally, enhancing Goal Setting (GS) and Development and

Training (DT) strategies could offer further opportunities for employee growth and better alignment with organizational objectives. These improvements will not only enhance employee satisfaction but also foster a more productive and engaged workforce.

Theoretical Implications

From a theoretical standpoint, this study contributes to the existing literature on performance appraisal by reinforcing the relationship between performance management practices and employee performance (EP). The findings confirm the relevance of various appraisal elements like Goal Setting (GS), Performance Monitoring (PM), and Recognition and Rewards (RW), which are consistent with established theories of motivational and goal-setting frameworks, such as Expectancy Theory and Goal-Setting Theory. The significant role of Performance Improvement Plans (PIP) further supports Agency Theory, which emphasizes the importance of aligning individual and organizational goals. Future research can explore how these appraisal practices can be adapted to different organizational contexts and employee groups to refine performance management theories.

Future Scope

Future research should focus on exploring the impact of performance appraisal practices across various industries beyond the banking sector to establish whether the findings are universally applicable. Additionally, more longitudinal studies can provide deeper insights into how changes in performance appraisal systems influence employee performance (EP) over time. Research could also examine the role of technological advancements, such as performance management software and artificial intelligence, in enhancing the effectiveness of performance appraisals. Furthermore, investigating the psychological and emotional factors that mediate the relationship between performance management practices and employee performance could add another layer of understanding to the current body of knowledge.

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APPENDIX

SURVEY QUESTIONNAIRES

I am Narbada Shah, an MBS student at Shanker Dev Campus, Kathmandu. For my course requirement, I am conducting a survey titled “**Impact of Performance Appraisal on Employee Performance of Nepalese Commercial Banks**” I kindly request 5-10 minutes of your time to respond to the attached questions. Please be assured that your responses will remain confidential and will be used solely for academic purposes.

Section A: Personal Information

Please select the appropriate option for each question below:

Q1. Gender

Please tick one of the following:

- Male
- Female

Q2. Age

Which age group do you belong to?

- 18 – 25 years
- 26 – 35 years
- 36 – 50 years
- 50 years and above

Q3. Educational Level

What is your highest level of education?

- School Level
- Bachelor Level
- Masters and Above

Q4. Job Level

Please select your current job level:

- Assistant
- Officer
- Bank Teller
- Others

Q5. Annual Salary and Benefits (in Rs.)

Which salary range applies to you?

- Less than Rs, 500,000
- Rs. 500,000 – Less than 700,000
- Rs. 700,000 – Less than 900,000
- Rs. 900,000 and Above

Q6. Duration of Employment

How long have you worked?

- Below 1 year
- 2 years to 4 years
- 5 years to 7 years
- Above 7 years

Q7. Belonging Department

Which department do you belong to?

- Loan Department
- HR Department
- Marketing Department
- Operation Department
- IT Department

Section B: Likert Scale Questionnaire

Please consider a rating score of '5' for strongly agree, '4' agree, '3' neutral, '2' disagree and '1' for strongly disagree. Please check out (√) the box next to the number.

Components	Items	1	2	3	4	5
Goal Setting	I have clear and specific goals for my job.					
	I receive regular feedback on my progress.					
	I have input in setting my own goals.					
	My goals are SMART (Specific, Measurable, Achievable, Relevant, and Time-bound).					
	My goals align with the overall objectives of the organization.					
Performance Monitoring	My performance is regularly monitored.					
	Monitoring helps identify areas for improvement.					
	Results of performance monitoring are discussed with me.					
	Performance metrics are fair and reasonable.					
	The monitoring process supports my professional growth.					
Feedback and Coaching	I regularly receive feedback on my job performance.					
	Feedback helps me improve my performance.					
	I receive coaching to help improve my job performance.					
	I feel comfortable approaching my manager for feedback.					
	Feedback and coaching are timely and relevant.					
Development and Training	I received job-related training in the past 6 months.					
	The training I received was effective in enhancing my skills.					
	I feel I need additional training in specific areas.					
	I am provided with opportunities to develop my skills.					
	The training aligns with my job responsibilities and goals.					
Recognition and Rewards	I have received recognition or rewards in the past 6 months.					
	Recognition and rewards are important to me.					
	Recognition and rewards are fair and appropriate.					
	Employees are regularly recognized with rewards.					
	Recognition and rewards motivate me to perform better.					
Performance Improvement	I have been placed on a performance improvement plan.					
	The improvement plan effectively addressed my performance issues.					

	I feel supported by my manager during the improvement process.					
	The performance improvement plan is tailored to my role.					
	The performance improvement plan led to measurable improvement in my performance.					
Employee Performance	The feedback I receive helps me improve my performance.					
	I am provided with training opportunities to improve my performance.					
	I frequently discuss my performance with my supervisor.					
	My job responsibilities are clearly defined and understood.					
	My performance discussions lead to concrete action plans.					

Thank You !

PAPER NAME

**IMPACT OF PERFORMANCE APPRAISAL
ON EMPLOYEE PERFORMANCE OF NEP
ALESE COMMERCIAL BANKS**

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Narbada Shah

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