International Journal of Management, Social Sciences, Peace and Conflict Studies (IJMSSPCS), Vol.5 No.1 March, 2022; p.g. 425- 443; ISSN: 2682-6135

THE IMPACT OF PERFORMANCE APPRAISAL ON THE PRODUCTIVITY OF EMPLOYEES

REKIYA ALIYU
Distancing Learning Centre
Ahmadu Bello University Zaria
anasi2013@gmail.com; **07039256052**

ABDULMALIK ABUBAKAR YUSUF
Department of Actuarial Science and Insurance,
ABU Business School
Ahmadu Bello University Zaria
abubakarabdulmalik1985@gmail.com; **08065346078**

&
HALIMA SHUAIBU
Distancing Learning Centre
Ahmadu Bello University Zaria
saasalimsuleiman@gmail.com; **08069807220**

Abstract

Organizations spend millions annually recruiting and training employees that will help meet their set goals and objectives. The major problem has been finding a way to effectively evaluate the employees' performance, provide feedback to the employee concerning their performance, and provide the necessary training and motivation. Performance appraisal is a tool that helps organizations to realize their employees' full potential. This study sought to determine the overall effect of performance appraisal methods and performance-based rewards on employee productivity. The dependent variable for the study is employee productivity, while the independent variables are performance appraisal methods, performance-based rewards, and employee perception. The study focused on the employees of Micro Finance Banks based in Lagos, Nigeria. The employees were selected using simple random sampling and the respondents included the supervisors, unit heads, and bank managers. The information was collected using questionnaires, and a descriptive research design was used to report and interpret the data in graphs, tables, and charts. To establish the relationship between the independent and dependent variables, a multivariate regression analysis model was used to review the data. The study suggests that performance appraisal leads to improved employee productivity and that the design and choice of appraisal techniques are very important. It also determined that recognition and feedback are vital to improving an employee's productivity, while incentives like training and promotion have no significant impact. Financial rewards like bonuses, salary increments, and higher commissions were the preferred motivators. It recommends that organizations put effective reward systems in place to match employees' contributions and work effort.

Keywords: Performance appraisal methods, employee productivity, performance management.

1.0 Introduction

Performance management is a concept that has been resonating in the Human Resource community for the decade. While organizations are doing their best to ensure that they recruit the best talent, there is also a lot of focus on the performance of their employees. Organizations try to maximize their limited resources to achieve the highest possible outcomes, and this principle also applies to its human resources. Performance appraisal helps an organization achieve this, by examining and evaluating an employee's effort, comparing it against a set benchmark, documenting the results, and providing feedback to the employees to indicate where there are deficiencies that need to be improved upon (Malik 2014). The results from these performance appraisals also provide a backdrop against which employees are rewarded for their contributions to the organization. These rewards can be in the form of salary increments, recognitions, performance awards, or promotions.

Besides looking for ways to maximize employee productivity, organizations also face the problem of low employee retention. The global figures for employee turnover show that employee turnover rates have been on the increase since 2010 and is currently at 57.3%. There are several costs associated with recruiting, hiring, and training new employees plus any overtime paid to workers covering their workload. Through the performance appraisal process, which involves constantly evaluating employee performance and providing the needed motivation or training, organizations can easily identify employees with such needs and increase their employee retention numbers.

In theory, increasing the factors of production should lead to more productivity, but increasing the human workforce of an organization does not automatically lead to increased productivity. It is therefore essential for managers to identify the employees that have a substantial impact on the company's productivity level, encourage them to do more, and provide support for others that need such support. Effective performance appraisal methods that offer training and development, with good communication between employees, clear job descriptions, and a good reward system can go a long way to increase employee retention and reduce the high turnover costs associated with replacing employees.

Performance Appraisal – A Developmental Tool

Performance appraisal has become globally accepted because it creates an avenue for an organization to affect its employees' behaviour and attitudes to work. The setting of goals at the start of the evaluation period provides the employee with clear performance targets and ensures employee engagement, as each employee contributes to the goal-setting process. The rewards for good performance, usually in the form of pay increase or promotion, also help to steer the employee towards achieving the set goals and targets. It is also one of the most significant Human Resource activities in any organization or company. It is recognized as a tool for motivation and development in various countries and across several sectors of the economy. Many refer to it as a management tool (Mullins 2010), a control process, a core element in human resource allocation, and a measurement tool. Irrespective of its name, its importance in the Human Resource industry cannot be overemphasized. It helps organizations maximize the returns on the investments made to the employees and provides a feedback system for the organization to the employees.

Appraising job performance is important since it helps to ensure that the organization gets the best out of its employees and ensures that its objectives are easily understood by employees and effectively put into action by managers. Appraisal systems also need to be simple, user-friendly, and easily adaptable, as complex, or impractical systems tend to result in confusion, frustration, and nonuse. Good appraisal systems help identify the critical employee behaviors that contribute to the organization's success and look for ways to motivate and encourage such employee behaviour. However, not everyone agrees with the effectiveness of performance appraisals. Some studies have called for the abolishment of the practice (Coens and Jenkins 2000), that rather than add value to the organization, it is more of a nuisance to the employees, and that it is not objective enough to give an effective insight into employee productivity (Martey 2002).

To properly understand the impact of the performance appraisal process on employee productivity, it is important to define the concept of performance appraisal and grasp it6s meaning. The performance appraisal is the periodic evaluation of an employee's performance measured against the job's stated or presumed requirements (Terry and Franklin, 2003). It can be defined as an act of formally evaluating the performance of non-managerial staff at least once a year (John T. Addison, Clive R. Belfield, 2007). Another scholar defined performance appraisal as an act of testing, evaluating, measuring, and justifying the performance displayed by the employees during a specific period (Meysam Fakharyan, Mohammad Reza Jalilvand, BehroozDini, Ebrahim Dehafarin, 2012). Decades ago, the performance appraisal models focused on only the deficiencies, traits, and abilities of an employee, and how best to determine if their salaries were fair or not. Over time, the process has evolved to include ways of improving employee/organization relations and adopting an employee's present performance to the organization's future goals. The modern application of this process also encourages employee participation during the goal-setting stage with their supervisors. The rationale behind mutual participation is that employees will work harder for goals or objectives that they have participated in the setting.

1.2 Objectives of the Study

The main objective of the study was to determine the impact of performance appraisal systems on the productivity of employees working in Nigerian Micro Finance banks, with a focus on those based in Lagos. It further seeks to:

1. Assess the relationship between employee productivity and performance appraisal
2. Evaluate how employee productivity has been impacted by performance appraisal
3. Establish if performance appraisal enhances employee productivity

2.0 Literature Review

2.1 Conceptual Review

The importance of performance appraisal in the workplace cannot be overemphasized. The entire process is designed to maintain records to determine compensation packages, wage structure, and salary raises, and to help the organization identify the strengths and weaknesses of employees. The process first begins with the management or the line managers setting the benchmark performance, which is used for evaluating the performance of the employees. The benchmark performance may be preset standards, or recommended performance from previous employment history. The actual or given performance of the employees is then compared against the benchmark performance. If the actual performance is equal to or greater than the benchmark performance, then the employee is rewarded to amplify their motivation to keep their performance consistent. The idea is to motivate consistent good performance so that these employees can meet or surpass the next benchmark. On the other hand, those whose actual performance falls below the benchmark performance will have their job role and functions reviewed. The gap between actual and benchmark performance could be because of a deficiency in the employee's knowledge, skills, or attitude toward the assigned job at the workplace.

2.1.1 Performance Appraisal Methods

Performance appraisal can be described as one of the significant human resource tools used for the evaluation of an employee's job performance. Its main objective is to maintain employee performance at desired levels, through motivation and creating rules, regulations, and a workplace environment that fosters performance growth (Tassew Shiferaw Gizaw, 2010). Wilson, (2001) indicated that to be productive, the performance appraisal process must contain general three steps: evaluation and job analysis, appraisal interview, and post-appraisal interview.

Performance appraisal methods are broadly divided into measuring and behavior methods. The measuring methods include the essay method, mixed-standard scale, forced-choice method, and graphic rating scale. While the behavioural appraisal methods include the Behaviourally Anchored Rating Scale (BARS), critical incident method, and behavioural checklist (Bohlander and Snell, 2004). Another scholar (De Cenzo and Robbins, 1996) grouped the appraisal methods into three distinct categories: absolute standards, relative standards, and objectives. Some of these appraisal methods are further explained below:

Behaviourally Anchored Rating Scale (BARS) – The BARS method uses scales to rate an employee's performance in specific job roles. It is an appraisal method that combines the benefits of narratives, critical incidents, and quantified ratings by anchoring a quantified scale with specific narrative examples of good, moderate, and poor performance. This is a type of appraisal method that is developed by subordinates and supervisors. This group is responsible for identifying the important characteristics of the job and recommending the best ways to rate an employee's performance based on these characteristics.

Graphic rating scale – In this method of appraisal, the characteristics of the job to be assessed are presented on a scale on which the supervisor indicates the degree to which an employee possesses that characteristic. With this method, to reduce subjectivity bias on the part of the supervisor, the dimensions on the scale and scale points are defined as precisely as possible (Sibongile, 2020).

Critical Incident Method – This is an appraisal method that involves the observation and documentation of instances when employees displayed particularly effective or ineffective behavior on the job (De Cenzo and Robbins, 1996). These instances are referred to as critical incidents and are the major basis on which an employee's performance is evaluated. A major advantage of this method is the fact that it covers an entire appraisal period and guards against recency error (Bohlander and Snell, 2004). The process of recording incidents on a daily or monthly basis for subordinates can be time-consuming for the managers. Critical incidents are also difficult to quantify and as such are open to the subjective interpretation of the managers during the appraisal process.

Behavioural Checklist Method – This method of performance appraisal requires the supervisor or appraiser to check statements on a list that correlate to the characteristics of the employee's performance or behavior. These statements describe the necessary job-related behavior required for the employee to effectively carry out the job function. The ratings with this appraisal method are generally more descriptive than evaluative, and as such may be difficult to quantify.

Management by Objectives (MBO) – This is a performance appraisal tool developed to overcome certain lapses discovered in previous performance appraisal methods. MBO requires managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period. After establishing precise goals, managers, and subordinates periodically discuss the progress made to control and debate the feasibility of achieving those set objectives. This appraisal approach strives to effectively align an employee's objectives with the organization's overall goals. The employee's objectives are validated using the SMART method, ensuring that the objectives are specific, measurable, achievable, realistic, and time sensitive. The performance of the employees is reviewed periodically, either quarterly, bi-annually, or annually. The reward for a high-performing employee is either promotion or a salary increment, while employees found wanting are either given more training, put on probation, or terminated. The MBO technique ensures that there is continuous feedback between the supervisors and employees on the outcomes and objectives.

360-Degree Feedback - This is a multi-dimensional performance appraisal approach that evaluates an employee based on the feedback obtained from the employee's circle of influence, which includes managers, direct reports, peers, and customers. This approach is very useful in eliminating performance review bias and providing a clear picture of an employee's competence. The five components of this approach are self-appraisal, peer review, managerial review, subordinate appraisal, customer, or client review. This type of appraisal method helps increase an employee's awareness of how their performance impacts other stakeholders. The approach is designed in such a way that a range of people can provide their opinions about an employee's performance and provide a well-rounded view of the individual. If it's appropriate, feedback can also be gathered from external sources, such as clients or customers.

Human-Resource (Cost) Accounting Method – The Human-Resource (Cost) Accounting method evaluates an employee's performance based on the monetary benefits the employee brings to the organization. This method usually compares the cost of retaining an employee against the monetary benefits that the specific employee brings to the organization. When using the method, factors like overhead cost per employee, unit-wise average service value, employee expenses, and interpersonal relationships are considered. Here, the organization is only focused on getting maximum returns from its investments in the employee. It is essentially a cost and benefits approach to determining the value of an employee.

2.1.2 Employee Productivity

It has become globally accepted that performance appraisal is one of the ways by which an employee's productivity can be measured. This is because employee performance appraisal drives employees in an organization to produce excellent standards of performance and even beyond expectations (Mollel, 2017).

Sinclair (2008) postulates that an employee's productivity can be measured in terms of employee commitment, employee and customer satisfaction, quality and quantity service, and low labor turnover. The Global Workforce Report released in 2012, provided an insight into the attitudes and concerns of employees around the world and what motivates them to increase their productivity. The report aimed to shed light on how employees' views affect their satisfaction in their work and commitment to their employers, and ultimately, their behavior and performance on the job. It also speaks to elements of the work environment that help shape employee behavior concerning their productivity.

Gundecha (2012) study of the factors affecting labour productivity revealed that the effectiveness and efficiency of an organization are largely dependent on factors ranging from employee motivation, commitment, job satisfaction, and individual employee skills, as well as having the required resources to enable one to accomplish the required tasks.

2.2 Empirical Review

Performance Appraisal Design and Employee Productivity

Many studies have been done on performance appraisal and its effect on employee performance. Nyamboga (2016) evaluated the use of performance appraisals at the National Bank of Kenya. The study found that the 360-degree appraisal method and management by objectives were the most effective methods in influencing employee performance at the bank. Cole (2002) did a study on how training needs affect the performance of employees and how working conditions influenced employee performance. He argued that it was difficult for any appraisal to produce an accurate, unbiased, and reliable assessment of employee performances. The study covered the basic characteristics of the appraisal process and made recommendations on how the process could be improved.

Mwangi (2013) reviewed the general use of appraisal systems in Kenyan commercial banks and the quarterly evaluation of staff performance. The study however failed to show how employee productivity could be linked to performance appraisal.

Nyaoga (2010) focused his study on the effectiveness of performance appraisal systems in a private university in Kenya. His study showed that performance appraisals were the only way organizations could quantify an employee's input and that appraisal systems were only successful if they were not treated as mere formalities. The study showed that the appraisal system was ineffective in the Kenyan university, as it did not cover all the employees and was limited to a selected part of the employee job function.

Performance-Based Rewards and Employee Productivity

Many organizations employ reward strategies as a means of reinforcing good employee behavior or performance. Performance appraisal systems provide an avenue for supervisors and employees to work together to develop goals and objectives. The entire process is a joint venture with the general understanding that the high-performing employees will be rewarded at the end of the appraisal period (Mollel, 2017). According to the study carried out by DeNisi and Pritchard (2006), organizations need to have components in the performance development reviews that can motivate employees to double their efforts and enhance their contribution to the organizational goals. These motivating components can be in the form of promotion, salary increments, recognition, or even bonuses given to the employees.

McClelland (1961) identified three motivators that he believed are common to all employees: a need for achievement, a need for affiliation, and a need for power. He believed that these the dominant motivators in employees could be studied and used to design the job function and the appropriate performance appraisal systems. Armstrong and Tina (2005) praised the reward strategy, as it can be used to enhance employee commitment and engagement, to provide more engagement and opportunities for people to be valued and recognized by the organization.

The study conducted by Mani (2015) explored employees' and managers' perceptions of the appraisal system designed to appraise the performance of North Carolina employees at East Carolina University. One of the conclusions from this study was that pay is a very important motivating factor for employees and supervisors.

Employee Productivity and Employee Perception

For employees to put in their best at the workplace, they need to believe that their contributions are fairly assessed, and that they would be rewarded accordingly for their effort. The study conducted by Mullins (2006) in the public sector revealed that a successful performance appraisal system is dependent on the attitudes of the employees to the appraisal tool. The study by Kim (2015) also supports this notion and postulates that the success of the performance appraisal system is large dependent on how fair the appraisal system is perceived to be. If the employees perceive that the appraisal system is objective and fair, it tends to have a positive impact on the employees' motivation. And highly motivated employees are generally more productivity than those not equally motivated. This is also something that the Management by Objectives theory tries to support, that evaluation by one's colleagues should not be punitive or biased, but rather should encourage fairness and objectivity. For most appraisal systems that reward high performance and demote, dismiss, or transfer those who do not meet the set expectations, there is a general feeling of fear towards the appraisal process. And many employees tend to view the entire process as punitive, rather than motivational. But a supervisor or manager's ability to make an accurate evaluation of a subordinate's performance, goes a long way to promote the fairness perception of the performance appraisal process. This were the findings from the study conducted by Greenburg (2006).

2.3 Theoretical Framework

For this study and looking at the theories which resonated most with the objectives of this study, the Goal theory was adopted. The Goal theory states that "human beings are more motivated to act when there is a reward at the end of the performance of a task or behaviour". The rationale here is for organizations to reward good performance to encourage more good performance and productivity. The Goal theory proposes that the reward at the end of a task acts as a motivator for the performance of the task itself. An efficient goal must have four components: Proximity, difficulty, specificity, and feedback. It should be close enough to be achievable, with moderate difficulty but not too easy. The goal should also be very clear, with the employee knowing exactly what is expected of him or her. There is also regular feedback that is required between both parties, so that progress can be properly monitored. The relevance of this theory to the study can be gotten from the works of Locke and Lathan (2002) that highlight four mechanisms that connect goals to performance outcomes. First, goals direct attention to priorities, they stimulate effort, they challenge people to bring their knowledge and skills to bear to increase their chances of success, and lastly, the more challenging the goal, the more people will draw on their full repertoire of skills.

By creating clear goals for employees, managers can employ the goal theory to provide appropriate rewards for the employees when those goals and targets are met. The reward system serves as a form of motivation for the employees, allowing them to strive to achieve the organization's goals and objectives. The overall effect is that there is an increase in employee productivity.

3.0 Research Methodology

The study adopted a descriptive research design to investigate the effectiveness of performance appraisal on employee productivity in Nigerian Micro Finance banks, focusing on those located in Lagos. The research methodology for this study was quantitative. The research tool used for the study was an online questionnaire that was sent to the respondents via email. The study obtained primary data through the administration of structured questionnaires via an online form, which was sent to the email addresses of the employees of different Micro Finance banks located in Lagos. The questionnaire was prepared in advance and comprised of both closed and open-ended questions. The questionnaires required the respondents to choose from predefined options, and there was also room for general comments to be obtained on issues under investigation. Part of the online questionnaire required the respondents to acknowledge that they were consenting for their data to be used in the study. The reasons for the study were fully disclosed to each respondent, and they were assured that no harm would befall the respondents because of their participation in the study. The respondents were also at liberty to pull out of the study at any time, even after their responses had been submitted. Finally, the participants were assured of utmost confidentiality of their identity. The link to the online form was sent to the employees via email. The secondary data were obtained from books, journals, publications, and websites through literature review. The target population for this study comprised 150 employees selected from a pool of over 500 employees, all working at various Micro Finance banks located in Lagos. The employees were from the sales and marketing departments of these Micro Finance banks. The sampling technique adopted in this study was probability sampling. From the pool of sales and marketing employees in the various Micro Finance banks, 150 employees were randomly selected, and responses were received from 120 employees, which is 80% of the target population. A quantitative method of analyzing the data was used in this study. The data obtained from the questionnaires were coded and analyzed to arrive after each point that was being investigated. Descriptive and inferential statistics were used to analyze the quantitative data with the help of the Statistical Package for Social Sciences (SPSS). The data was sorted and coded into the SPSS and analyzed using descriptive statistics, a multivariate regression analysis model, including percentages, frequency distribution, and measures of central tendencies (mean). After the analysis and computation of data, the results were summarized and presented in tables and charts.

4.0 Results/Findings

4.1 Demographic Details of the Respondents

The online questionnaires were sent to a total of 150 employees from over 15 Micro Finance banks based in Lagos state. This analysis is based on the 120 completed questionnaires received after the survey exercise. The socio-demographic characteristics reviewed for the study included those of the employees' gender, age, level of education, and duration of employment with the bank.

4.1.1 Gender Distribution of Respondents

The gender distribution of respondents in this study revealed that there were more females than males, with the percentage of female respondents at 80%. The findings show that female respondents were largely sampled and that there were more females in the pool of employees selected for the study. The need to capture this gender information is due to the important role gender stratification plays in the workplace interactions between men and women.

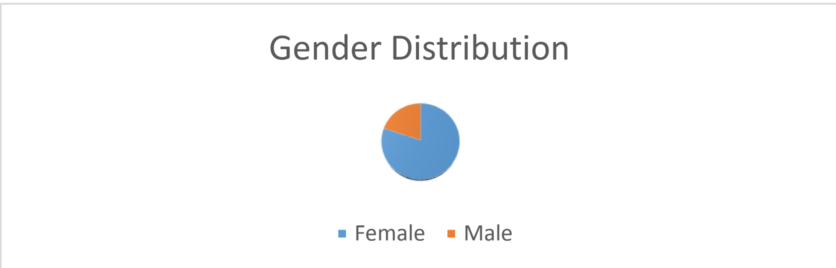

Figure 4.1 Gender Distribution of Respondents

4.1.2 Age Distribution of Respondents

The age of respondents analyzed were those with age groups between 20 and 60 years of age. The findings of the study revealed that there were more employees within the 20 – 30 years age bracket, than any other category. The results from Figure 4.2 below also show that about 10% of the respondents fall within the 51 and above age group, while 25% of the respondents were within the 31 - 40 age group.

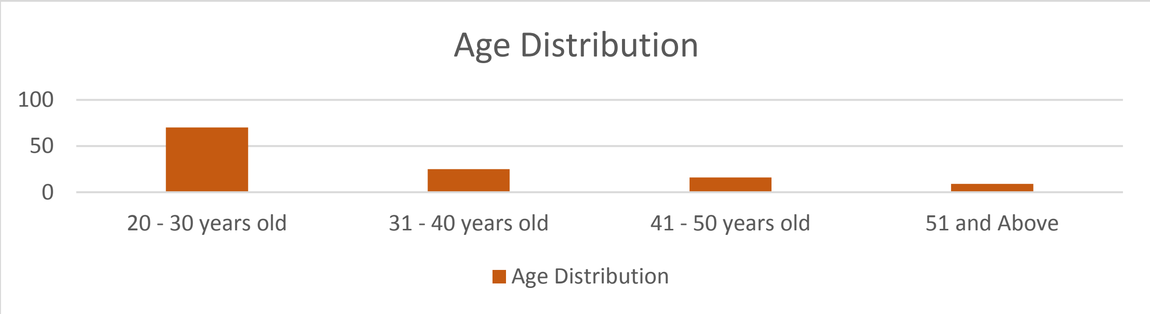

Figure 4.2 Age Distribution of Respondents

4.1.3 Educational Background of the Respondents

The educational background of the respondents is important because it provides a great insight into the intellectual capacity of the respondents and how they might analyze or react to issues at the workplace. The findings from the study revealed that 8% of the respondents had their Masters' degrees, while 87% of the respondents had their bachelor's degrees. The respondents with Tertiary certificates and diplomas made up 8% of the group, with each category having 4% of the total number of respondents. The findings show that the Micro Finance banks hire mainly skilled workers.

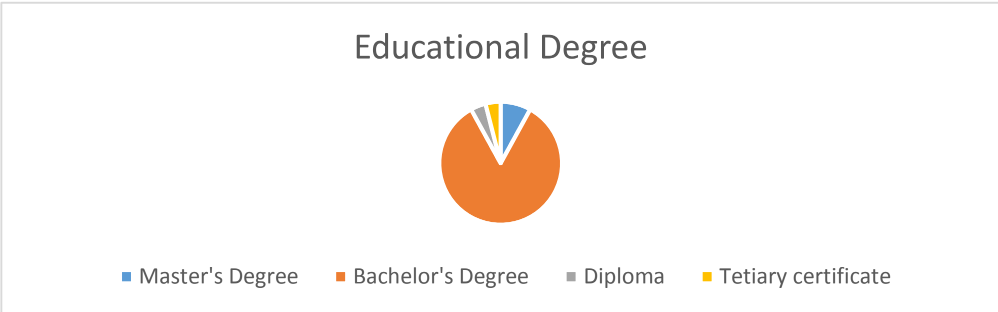

Figure 4.3 Educational Background of Respondents

4.2 Correlation between Performance Appraisal and Employee Productivity

The study investigated the correlation between the Performance Appraisal process and employee productivity by investigating all the variables in Table 4.1. The following statistical analysis was applied to the responses: Mean, Standard Deviation, Skewness, and Kurtosis.

$$\text{Mean } \bar{x} = \frac{\sum fx}{n} \qquad \text{Population Standard deviation } \sigma = \sqrt{\frac{\sum f \cdot x^2 - \frac{(\sum f \cdot x)^2}{n}}{n}}$$

$$\text{Population Skewness } = \frac{\sum (x - \bar{x})^3}{n \cdot S^3} \qquad \text{Population Kurtosis } = \frac{\sum (x - \bar{x})^4}{n \cdot S^4}$$

Table 4.1: Relationship between Performance Appraisal and Employee Productivity

Survey Statements		1	2	3	4	5	Mean	Standard Deviation	Skewness	Kurtosis
1	Performance appraisal makes me increase my work output	**3** **2.5%**	**7** **5.8%**	**8** **6.6%**	**10** **8.3%**	**92** **76.6%**	**4.51**	**1.02**	**-2.05**	**6.08**
2	Performance appraisal makes me go the extra mile to achieve my results	**4** **3.3%**	**12** **10%**	**23** **19.1%**	**65** **54.1%**	**16** **13.3%**	**3.64**	**0.95**	**-0.88**	**3.54**
3	Performance appraisal makes me work below expectation due to how it is conducted	**88** **73.3%**	**11** **9.1%**	**10** **8.3%**	**8** **6.6%**	**3** **2.5%**	**1.56**	**1.06**	**1.80**	**5.09**
4	If I don't agree with performance appraisal score, there is an appeal process	**3** **2.5%**	**6** **5.0%**	**5** **4.1%**	**50** **41.6%**	**56** **46.7%**	**4.25**	**0.93**	**-1.62**	**5.70**
5	Performance appraisal helps me understand my set goals and targets doing	**1** **0.8%**	**4** **3.3%**	**12** **10%**	**65** **54.1%**	**38** **31.7%**	**4.13**	**0.78**	**-1.06**	**4.9**

6	Performance appraisal is used tool for measuring my performance	**31** **25.8%**	**13** **10.8%**	**2** **1.6%**	**40** **33.3%**	**34** **28.3%**	**3.28**	**1.59**	**-0.42**	**1.53**
7	Performance appraisal effectively captures all my contribution and efforts	**39** **32.5%**	**32** **26.7%**	**12** **10%**	**17** **14.2%**	**20** **16.7%**	**2.56**	**1.48**	**0.49**	**1.78**
8	I often perform better than what can be expected without appraisal	**23** **19.2%**	**20** **16.6%**	**4** **3.3%**	**31** **25.8%**	**42** **35%**	**3.4**	**1.56**	**-0.45**	**1.60**
9	Performance appraisal is used as a basis for reward (Promotion, Bonus)	**44** **36.6%**	**45** **37.5%**	**23** **19.1%**	**3** **2.5%**	**5** **4.2%**	**2.0**	**1.02**	**1.09**	**4.06**
10	I am happy with the current performance appraisal system in my organization	**34** **28.3%**	**1** **0.8%**	**32** **26.7%**	**25** **20.8%**	**28** **23.3%**	**3.1**	**1.51**	**-0.26**	**1.68**

NB: 1-Strongly disagree; 2-Disagree; 3-Not sure; 4-Agree; 5-Strongly agree

Source: Field survey (2022)

From the data in Table 4.1, 76% of the respondents agreed that the Performance Appraisal process increased their work output. Going by the Likert scale, the mean value of 4.51 showed that there was a general agreement between the respondents. The Likert scale qualifies as a general agreement if the mean is equal to 4. The high mean value and the standard deviation of 1.02 show that most of the respondents agreed and dispersion among the responses was low. The high negative skewness is indicative of the large number of respondents that agree with the assertion that the Performance Appraisal process increased their work output.

A large portion of the respondents that is 54% of the group also stated that the Performance Appraisal process made them go the extra mile in a bid to achieve their goals. The mean value of 3.64 also denotes a general agreement with the assertion. Seventy-three (73%) of the respondents did not agree that the Performance appraisal process made them work below their expectations. The low mean value of 1.56 is indicative of a strong disagreement. Over 80% of the respondents agreed that if the Appraisal Process was not satisfactory, there was an appealing method to correct any discrepancy. This assertion had a high mean value of 4.25 and was also negatively skewed, pointing to a majority agreement. There was also a majority agreement that the Performance Appraisal process also helped the employees better understand their set goals and targets. With a mean value of 4.13 and high negative skewness of -1.06, the data support a majority agreement. When asked if the Performance Appraisal captured all their contributions and efforts, there was a major disagreement, with a mean value of 2.56 and a standard deviation of 1.48, it was a major disagreement. Another major disagreement was noticed when the respondents were asked if they believed that the Performance Appraisal process was used as a basis for promotion and financial incentives. With a mean value of 2.0 and a standard deviation of 1.02, the respondents do not agree with the assertion. The assertion that the respondents were satisfied with their current Performance Appraisal process had a mean value of 3.1 and a standard deviation value of 1.51. This result was more of a general disagreement, as it was roughly a 50/50 split between both groups.

Table 4.2 Ways to enhance employee productivity through performance appraisals

Survey Statements		**1**	**2**	**3**	**4**	**5**	**Mean**	**Standard Deviation**	**Skewness**	**Kurtosis**
1	The rewards motivate me to work harder and better	**2**	**1**	**5**	**20**	**92**	**4.66**	**0.75**	**4.66**	**12.06**
		1.7%	**0.8%**	**4.2%**	**16.7%**	**76.7%**				
2	My rewards are linked to my performance	**9**	**7**	**15**	**34**	**55**	**3.99**	**1.22**	**-1.16**	**3.38**
		7.5%	**5.8%**	**12.5%**	**28.3%**	**45.8%**				
3	Financial incentives are better as motivation than staff training	**1**	**3**	**2**	**38**	**76**	**4.54**	**0.73**	**4.54**	**8.86**
		0.8%	**2.5%**	**1.7%**	**31.7%**	**63.3%**				
4		**1**	**4**	**12**	**38**	**65**	**4.23**	**0.78**	**-1.06**	**4.9**

	Bonuses increase my performance	0.8%	3.3%	10%	31.7 %	54.1 %				
5	My level of wage is fair and satisfactory to the degree of my performance.	34	23	33	7	23	2.68	1.43	0.38	1.91
		28.3 %	19.2 %	27.5 %	5.8%	19.2 %				
6	Financial incentives are better as rewards than recognition	2	2	10	3	103	4.69	0.82	-2.76	10.09
		1.7%	1.7%	8.3%	2.5%	85.8 %				
7	. Appreciation by my manager helps me work better	6	5	4	40	65	4.23	1.05	-1.80	5.71
		5.0%	4.2%	3.3%	33.0 %	54.2 %				
8	Reward opportunities encourage staff to be creative	3	4	20	55	38	4.01	0.92	-1.05	4.33
		2.5%	3.3%	17.0 %	45.8 %	31.7 %				
9	The rewards are varied and satisfactory	34	10	22	19	35	3.09	1.59	-0.14	1.48
		28.3 %	8%	17.0 %	15.8 %	29.2 %				
10	When rewarded I seek for ways of improving the performance of the department.	10	2	3	65	40	4.03	1.08	-1.70	5.50
		8.3%	1.7%	2.5%	54.2 %	33.0 %				

NB: 1-Strongly disagree; 2-Disagree; 3-Not sure; 4-Agree; 5-Strongly agree

Source: Field survey (2022)

From the data in Table 4.2, over 80% of the respondents agree that the rewards provided by their employers motivate them to work harder and better. This shows that a large portion of the group agreed with this assertion, and that a reward system can serve as a good motivator. Most of the respondents also agreed that the rewards received from their employers was directly linked to their performance, a strategy by their employers to motivate higher employee productivity. Over 90% of the group agreed with the assertion that financial incentives were better motivators than staff training. In the same vein, over 80% of the respondents were in support of the assertion that bonuses increased their performance at work. There was however a large disagreement with the assertion that their level of wage was fair and satisfactory to their degree of performance. Over 70% of the group did not support this assertion. When asked if they would prefer financial incentives over recognition, above 85% of the group supported this assertion. In the past, there have been many theories about motivating employees through recognition programs, but this result puts that theory in doubt. A majority of the group agreed that positive feedback and appreciation from their managers helped them work better. Over 80% of the respondents supported this assertion. When asked if the rewards made the employees more creative, over 75% of the group agreed with the assertion. When asked if the rewards were varied and satisfactory, there was a 50/50 split with about 50% of the group disagreeing with the assertion. This result points to a rigid reward system in these organizations. Over 80% of the group agreed that when rewarded, they would look for ways to improve their department's performance.

4.3 Regression Analysis

To further establish the relationship between the independent and dependent variables, the study used a multivariate regression analysis model to review the data. The regression model in this study was:

$Y= \beta0 +\beta1X1 +\beta2X2 + \beta3X3 + \varepsilon$

Where: Y= Employee productivity; X1= Performance appraisal design and methods; X2= Employee perception; X3=Performance based rewards; ε= Error term; β0,β1,β2,β3 = unknown parameters.

Taking the established regression equation, if all the determinants are equal to zero, then the employee productivity will be 3.221.

That is: X1 = 0, X2 = 0, X3 = 0

Substituting these values into the regression equation gives us an employee productivity value of 3.221

The standardized Beta Coefficients measure the contribution of each variable to the model. It shows how much each variable affects the entire model. A large value shows that a unit change in this predictor variable has a large effect on the criterion variable. The t and sig (p) values give a rough indication of the impact of each predictor variable- a big absolute t value and small p-value suggest that a predictor variable is having a large impact on the criterion variable. At a 5% level of significance and 95 % level of confidence, performance appraisal design had a beta coefficient of 1.24, employee perception had a beta coefficient of 1.31, and performance-based rewards had a beta coefficient of 1.42. The Beta coefficients indicate the extent to which employee productivity will change due to a unit change in any of the independent variables. The positive Beta coefficients show that any unit change in the independent variable will lead to a positive change in employee productivity. The Beta coefficients also show that performance-based rewards have a higher effect on employee productivity, with a value of 1.42, when compared to the beta coefficients of employee perception and the performance appraisal design. Therefore, the regression model with Beta values is:

$Y= 3.221 + 1.24X1 + 1.31X2+1.42X3+ \varepsilon$

Using the ANOVA test, we check to see if the differences between the beta coefficients have any statistical significance and measure their impact on the dependent variable.
Dependent variable = Employee productivity

Independent variables = Performance Appraisal design, performance-based rewards, and employee perception.

Table 4.2: ANOVA Testing

Model	Sum of Squares	df	Mean Square	f	Sig.
Regression	37.897	3	12.632	28.983	0.000
Residual	18.742	43	0.436		
Total	56.638	46			

The study further compared the beta coefficients of employee productivity and performance appraisal design, to determine the relationship between both variables.

Model	**R**	**R Square**	**Adjusted Square**	**RStd. Error of The Estimate**
1	0.865	0.745	0.755	0.814

The model correlation coefficient, R was 0.865. This value indicated that the model showed better results when more variables were added to the equation when trying to analyze the determinants of employee productivity. The coefficient of determination (R Square) with a value of 0.745, also showed that the model has a good fit. This data implies that all the independent variables added to the model account for 75% of the variations in employee productivity. This means that performance appraisal design, performance-based rewards, and employee perception contribute significantly to the overall employee productivity, with performance-based rewards having a higher weight, followed by employee perception and then the performance appraisal design.

5.0 Discussion

5.1 Discussion of Findings

Reviewing our first objective to determine the relationship between employee productivity and performance appraisal, we can develop our hypothesis statements:
HO: Performance appraisals have no impact on employee productivity
H1: Performance appraisals have an impact on employee productivity

From the regression analysis and the responses gotten from the respondents, it can thus be inferred that performance appraisal has a direct impact on employee productivity. Since the performance appraisal process and design weigh on employees' productivity, the conclusion is that an effective performance appraisal process would increase employee productivity. On the other hand, a poorly designed performance appraisal process would reduce employee productivity. The null hypothesis would have to be rejected based on the data obtained. Derven (2010) directly linked performance assessments to overall business growth, by improving employee work performance.

Reviewing our second objective to evaluate the impact of performance appraisal on employee productivity, we can develop our hypothesis statements:

HO: Performance appraisals do not influence employee performance
H1: Performance appraisals influence employee performance

The results also show that the influence of performance appraisal on employee productivity is positive. Derven (2010) also suggested that performance assessments could lead to increased productivity or service to clients, work performance improvements, and thus overall business performance. Derven (2010) also explains that a performance assessment helps evaluate employees ' performance and their contribution to organizational objectives, as well as bring individual performance into line with organizational objectives and examine employee achievements. The null hypothesis would have to be rejected based on the data obtained.

Reviewing our third objective to establish if performance appraisal enhances employee productivity, we can develop our hypothesis statements:
HO: Performance appraisals cannot enhance employee productivity
H1: Performance appraisals can enhance employee productivity

We have already determined that performance appraisals have a direct impact on employee productivity and that the impact is mainly positive. In trying to determine how the performance appraisals can enhance employee productivity, we must look at the individual components of employee productivity used in our regression analysis model: employee perception, performance appraisal design, and performance-based rewards. By increasing the input of performance appraisal design, through the creation of an effective performance appraisal system, an organization can significantly boost employee productivity. The study also reveals that performance-based rewards have the highest effect on employee productivity, as the variable has the highest component weight in the regression model used. The null hypothesis would have to be rejected based on the data obtained. Randell (2014) implicitly reports that the odds are increased when good performance is observed and rewarded.

5.2 Managerial Implications

The findings from the study show that Performance appraisal is a very important part of the performance management process, and its effectiveness is dependent on the appraisal method employed. It also shows that managers can directly boost employee productivity by increasing the quality of the performance appraisal process. Lastly, managers can enhance the appraisal process by increasing the number of performance-based rewards, as these are more effective as motivational tools for employees.

5.3 Conceptual Implications

The findings from this study support the concept that performance appraisal is integral to increasing employee productivity. It also highlights the fact that performance-based rewards are important, but not the only factor to be considered by an organization when making efforts to increase employee productivity. These findings also challenge previous assertions that employee recognition and trainings are the major factors that affect employee productivity. This study shows that performance-based rewards weigh more when influencing employee productivity.

6.0 Conclusion

The findings from this study suggest that performance appraisal leads to improved employee productivity and that the design and choice of appraisal techniques are very important. The study concludes that the Micro Finance banks in Lagos all have a performance appraisal system and that their employees are regularly appraised by their supervisors. The study also concludes that the Performance appraisals in these banks' focus on the contributions of employees to the organization's objectives and that employees are rewarded for meeting their set objectives. The reward system from these performance reviews encourages employees to be creative and helps employees have a positive attitude to their work. The employees in these Micro Finance banks want to be rewarded financially for their input, as it motivates them to achieve their targets.

The study further concludes that there is a cooperation between the employees and their managers, the employees get feedback regularly and understand what is required of them, and performance appraisal systems encourage them to be committed to their work. For organizations that wish to achieve their objectives, the use of the recompense or reward system is very essential. Financial incentives like bonuses result in a greater interest in the task and achievement.

7.0 Recommendations

The study recommends optimizing the performance management to improve employee productivity as follows:

- The study recommends that organizations should reward staff adequately for their contribution and work effort. More focus should be on financial incentives like bonuses and increased commissions to improve task interests and performance.
- The study has shown that financial benefits are more effective in driving employee motivation, therefore the reward systems should also be varied and flexible to take into consideration all the employee's effort and contribution to the organization's growth.

References

Addison, J. T. (2005). The determinants of firm performance: unions, works council and employee involvement/ high performance work practices. Scottish Journal of Political Economy, 52:406-450

Butler M, Rose E (2011). Introduction to Organizational Behavior (ed), London, The Chartered Institute of Personnel and Development 3 (1):102-116

Coens .T and Jenkins. M (2000) Abolishing Performance Appraisals: Prentice Hall

Cole, G.A. (2008). Personnel and Human Resource Management. 5th Edition. C&C Officer. China

Derven, M. (2010). The paradox of performance appraisal. Personnel Journal 69 (2), 12-17.

Global Workforce Report (2012). Engagement at risk: Driving strong performance in a volatile global environment; NY: Towers Watson Publishers

Gundecha MM (2012). Factors affecting labor productivity at a building construction project in the USA: Web survey; USA: North Dakota State University

Kanungo, R.N,(1982). Management of Job and Work Involvement. Journal of Applied Psychology vol.77, pp 341-349.

Kenney et al, (1992). Management Made Easy, 1st ed. South Carolina: Omron Publishers.

Kim. S (2015) Organizational Attitudes as Precursors to Training Performance. Human Resource Development Quarterly,26: 409-429

Locke, E.A and Lathan, G. (2002). A Theory of Goal setting and task performance, Englewood Cliffs, Prentice- Hall.

Malik Shaharyar, Mushtaq Ahmad Baloch, Muhammad Ahsan Tariq, SeemalMushtaq, AdeelMushtaq (2014). Impact of Performance Appraisal on Employee Performance. Journal of Resources Development and Management - An Open Access International Journal Vol.3 2014

Martey. A. K. (2002). Appraising performance of library staff in Ghanaian academic libraries: a case of the library of the University of Ghana.

Meysam Fakharyan, Mohammad Reza Jalilvand, Behrooz Dini, Ebrahim Dehafarin.(2012). The Effect of Performance Appraisal Satisfaction on Employee's Outputs Implying on the Moderating Role of Motivation in Workplace. International Journal of Business and Management Tomorrow vol.2, Number 4.