IMPACT OF PERFORMANCE APPRAISAL ON EMPLOYEES MOTIVATION IN ISLAMIC BANKING

Sobia Saeed
Faiza Maqbool Shah
Institute of Business Administration, Jinnah University for Women, Karachi Pakistan
Sobia_khan252@yahoo.com

ABSTRACT
The study was led with a reason to examine the relationship between performance appraisals on employee’s motivation in Islamic banking. Islamic banking is a new phenomenon in the Asian nation as Pakistan especially in this decade, with the aim to execute Shariah based human resource practices and their usage. For analysis, linear regression and spearman’s correlation techniques were connected through IBM SPSS programming. A result of correlation and regression investigation shows that there is general positive relationship of performance appraisal on employee’s motivation in Islamic banking. The findings of the study concluded that performance appraisal absolutely impact on employees motivation in Islamic banks.

KEY WORDS:
Islamic banks, rewards, work environment, training and development, Employee’s performance, employee’s motivation, performance appraisal.

INTRODUCTION
Performance appraisal is the main esteem in the HR practices since from the time of World War II. People do judge others as well as people judge themselves. According to Becker and Huselid (1998), human resource management can serve as key component of competitive advantage for any organization. Performance appraisal is the crucial part of performance management. Some factors are base on the performance appraisal like employee motivation, work performance, intrinsic rewards, extrinsic rewards, employee performance, employee training and development, internal communication, work environment, and organizational commitment. Due to globalization the business organizations are aggressively facing the competitive advantage and meet the global challenges. It is necessary to implement innovative human resource practices (Marwat, Qureshi and Ramay, 2008). Performance management is measure by top management like executives, managers, administrators, directors and chiefs keeping in mind the end goal to adjust employee performance to the company’s objectives. According to Ivancevich, (2007), unique terms are utilized for
performance appraisal as and when needed like performance evaluation, execution examination, personnel rating, merit rating, employee appraisal and employee evaluation. Performance appraisal is a procedure of assessment individual employee performance and how it can be enhanced to contribute overall organization performance (Grubb, 2007). Pakistan has the Islamic banking in year 2002. Islamic banking industry is fast growing industry and they have facing a lot of competition through conventional banking. Employees of these Islamic banks were hired from the conventional banks but there was a need of skillful employees, as skillful employees were more committed towards their organization, career, and work place (Alorfı, 2012).

PROBLEM STATEMENT
To investigate the relationship between performance appraisal on employee’s motivation in Islamic banks. The amount of effect of employee motivation through performance appraisal. To know the relationship of training and development and work environment.

SIGNIFICANCE OF THE STUDY
Performance appraisal is the decisive tool for every organization and lead to better progress. It is significant for employees to get motivated through different factors like promotions, incentive, intrinsic rewards and extrinsic rewards. All this exercise is done to keep employee motivated so that he can improve his productivity both in terms of quality and quantity so that he can contribute effectively towards the short term and long term goals of the organization

OBJECTIVE
From the discriminating survey it is noticed that there is a relationship between performance appraisal and employee motivation. So this research has been led with an objective to answer the accompanying inquiry.

RESEARCH QUESTIONS
1. To analysis the effect of performance appraisal System on employees motivation.
2. To judge the positive effect of performance appraisal and employee motivation in Islamic banks
3. Investigate the relationship between performance appraisal and employee motivation.
4. Rewards, training and development and working environment have the simultaneous effect on employee’s performance.
5. To investigate the relationship between work environment and training and development.

LIMITATION OF THE STUDTY
This research is applicable for the Islamic banks in Pakistan. Data was collected through Islamic banks and that is not representative for all employees of conventional banks.

LITERATURE REVIEW
The study expounds with a reason to research the relationship between transformational leadership and job satisfaction and organizational commitment of representatives working in the banking sector of Lahore (Pakistan). The Likert scale polls were utilized as a part of this exploration that consisting of 35 things and regression method was utilized. The discoveries of the study presumed that transformational leadership emphatically impacts work fulfillment and organizational commitment of employees. On the off chance that administrators embrace
transformational initiative conduct, they can show signs of improvement fulfilled and conferred workers. (Fatima Bushra, Ahmad, Usman, Asvir Naveed, 2013)
The study was about to know the relationship between performance appraisal and employee motivation and what kind of relationship exists between performance appraisal and employee motivation. The sample size is 40 in this research and correlation method was utilized. From the findings there is a strong relationship between Performance Appraisal and Employee’s motivation. (CA Rashmi Rathi, Mrs. Sarita Goyal, 2009)
The research is about to discuss the impact of intrinsic motivation on organizational commitment among the employees of Islamic banking. The survey questionnaires and the primary tools were utilized to get the information and presenting analysis. From the findings, opportunities should be given to employees for the internal satisfaction. (Um-e-Farwa, G.S.K Niazi, 2009)
The study was to explore the mediating role of employee motivation in the relationship between post-selection Human Resource Management (HRM) practices and perceived performance of Islamic Banks operating in Pakistan. By utilizing the correlation results there were a strong and positive perception about the Islamic banking in Pakistan. From the findings study endorsed the theoretical concept about the effective HRM policies makes employee motivated. This can helps to improve organizational performance through retention of motivated and skilled employees. (Aftab Tariq Dar Mohsin Bashir Faheem Ghazanfar Muhammad Abrar 2011).
The study aims to explore the determinants of employee performance in islamic banks. By considering some factors to boost the employee’s performance. Sample size is 32 by analysis the multiple regression method and likert type scale were used. They presume that the variables of job stress, motivation and communication do simultaneously affect the employees’ performance. It shows that the both job stress and motivation variables don’t influence the employees’ performance, while the communication variable has partial effect on employees’ performance. (Iskandar Muda, Ahmad Rafiki, Martua Rezeki Harahap 2014)
The objective of the study is to explore the relationship of work performance with the performance appraisal and motivation in banking sector of Pakistan. The sample size consists of 200 employees and correlation and regression method were utilized. The finding shows the positive relation between work performance, performance appraisal and motivation. These are interrelated and help to enhance the organizational performance. (Asad ur Rehman, Zahid Mahmood, Moeed Ahmed 2012)
This study examines the factors that influence the employees’ performance levels within Jordanian Banks. This study based the quantitative research which has the 377 sample size. Results of the study revealed that the factors have significant relationships between organizational performance and employees' performance. Factors include financial rewards, employees' satisfaction, motivation, performance appraisal, internal communication, and employees’ training and development. Financial rewards that involve salaries, bonuses, and commission are the most important factor. The finding revealed that these factors help in employee’s performance and it’s beneficial towards organizational success. (Wasfi Alrawabdeh, 2014)
This study highlights the relationship between Islamic HRM and organizational commitment. Data was analysis by self administered questionnaires distributed among employees of Islamic Banks in Bangladesh. The sample size was based on 165 respondents. The results revealed through training and development practices can bring the huge change in organizational performance. (Nik Mutasim Nik Ab.Rahman, Sharmin Shahid 2011)
This study examines the empirical research on the impact of progressive HRM practices. There was a unique probability sample of for-profit and nonprofit organizations that evaluates
the variety of progressive HRM practices. Regression method was utilized. From the findings there was a positive relationship between HRM practices and organizational performance. (John T. Delaney, Mark A. Huselid, 2000)

This study highlights the effect on attitudinal outcomes and employee’s development in Pakistan. The sample size using 120 respondents date is utilized by applying regression, ANOVA & AHP. There were important dimensions among performance appraisal and employees motivation. The findings were the focus for improving the process of performance appraisal system in telecom industry. (Muhammad Shaukat Malik 2013)

In this study they develop a model that the employee is uncertain about his own performance and a manager has the ability to assess him. Managers have played the main role to motivate the employees. Regression method was utilized and the results were ensuring that the managers access the employee’s performance and pay attention to them. (Jurjen J.A. Kamphorst Otto H. Swank, 2012).

This study focuses the effects of motivation and the impact of performance appraisal on employee’s performance. Random sampling was utilized among the banks of dera Ghazi khan. For analyzing data they applied correlation coefficient through IBM SPSS and Amos Software. Results said that there is a positive relationship between performance appraisal and employees performance. Divisional banks are used appraisal system as a strategic approach by integrate the business policies and HR practices and can improve the performance standards of its employees. (Nadeem Iqbal ,Naveed Ahmad ,Zeeshan Haider,Yumna Batool,Qurat-ul-ain MBA 2013)

**METHODODOLOGY**

General research has been embraced with a specific end goal to investigate untapped areas identified with our advantage. In this research we have done with quantitative way to deal with the relationship of performance appraisal on employee’s motivation in islamic banking. Deductive approach method is utilized to uncover the answers of the research questions. Primary data method is utilized as a part of which questionnaires are the most suitable approach to gather the information. The questionnaires will cover the all perspectives identified with the variables. Questionnaires were the most proper research instrument so as to meet the objective of the research study.

The population for research was chosen the employees of Islamic banking. This research study concentrates on the Islamic banks employees, because the Islamic banking setup began in Pakistan in year 2002. The Human Resource works on being completed in these Islamic banks keeping in mind the end goal to hold their employees and the banks need to hold the skillful people which work with full commitment to build the growth and productivity of Islamic banking in Pakistan.

For the present study, the cross-sectional type was chosen to conduct the research implies one shot study. Non probability sampling design was utilized as a sampling procedure. The sample size required for the research study was assessed to be 100.

**HYPOTHESIS**

H1: There is a relationship between rewards and training and development.
H0: There is no relationship between rewards and training and development.
H1: There is a relationship between work environment and training and development.
H0: There is no relationship between work environment and training and development
SAMPLE SIZE CALCULATION
In this research study the sample size concluded through Taro Yamane formula.
\[ n = \frac{N}{1 + N \times e^2} \]

\( n \) = the sample size  
\( N \) = the population size  
\( e \) = the acceptable sampling error

THEORETICAL FRAMEWORK

![Diagram showing the relationship between REWARDS, TRAINING AND DEVELOPMENT, and WORK ENVIRONMENT.]

DATA ANALYSIS
Data analysis includes the vital attributes and relation of variables that sum up the define outlines and characterize the particular results. A descriptive investigation was utilized. Information was gathered through questionnaires that are associated with 100 respondents. For analyzing the validity of the questionnaire we assess the hypotheses, by applying SPSS software we utilized linear regression analysis to inspect factual information of the study.

FINDINGS
DESCRIPTIVE STATISTICS

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
<th>Skewness</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>employee desire is fulfill by the reward system of top management</td>
<td>100</td>
<td>2.4800</td>
<td>.99980</td>
<td>1.000</td>
<td>.458</td>
<td>.241</td>
</tr>
<tr>
<td>friendly working environment cause the main factor of org success</td>
<td>100</td>
<td>1.9000</td>
<td>.88192</td>
<td>.778</td>
<td>1.010</td>
<td>.241</td>
</tr>
<tr>
<td>training program are powerful for individual and org development</td>
<td>100</td>
<td>1.7800</td>
<td>.91652</td>
<td>.840</td>
<td>1.258</td>
<td>.241</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In this research study in which examines the descriptive study that shows the mean standard deviation variance and skewness. The skewness result of multiple variables is above 1 that indicates the spearmen’s correlation that would apply in other test.

**HYPOTHESIS 1**

**COEFFICIENT**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.519</td>
</tr>
<tr>
<td></td>
<td>training program are powerful for individual and org development</td>
<td>.214</td>
</tr>
</tbody>
</table>

a. Dependent Variable: the morale system in islamic banks is high as reward system

This test highlight the coefficient test of dual variables training and development and rewards shows the significance level is 0.032 at 5% significance level demonstrate the null hypothesis was rejected that shows training and development has an impact on the rewards, as the relationship exists between training and development and rewards. It is clear that the whole directional hypotheses are genuine and gave positive result.

\[ Y = 0.214x + 1.519 \]

Where Y= training and development X = rewards

**HYPOTHESIS 2**

**COEFFICIENT**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.391</td>
</tr>
<tr>
<td></td>
<td>training program are powerful for individual and org development</td>
<td>.286</td>
</tr>
</tbody>
</table>

This test highlight the coefficient test of dual variables training and development and work environment that expresses p-value is 0.003 at 5% significance level that shows the null hypothesis was rejected. It shows the positive relationship among training and development and work environment. The perceptions of the individuals contrast from one person to other
person due to this reason the workplace affects the individual employee response and it also lead towards the relationship between training and development and work environment.

\[ Y = 0.286x + 1.391 \]

Where \( Y \) = training and development \( X \) = work environment

CONCLUSION
This study reasons that the variables of rewards, work environment and training and development do simultaneously affect the employees’ performance at Islamic banks. It also expresses that the test demonstrate that the work environment, training and development variables respectively affect the employees’ performance, it impact on performance appraisal. In the organizations as Islamic Banks there is need of employee motivation, so such impacting variables that should be utilized by the organization, because of which employees stay faithful to their organization. In this era of competition, the employees of the banks should work better positive attitudes and perform better by showing initiatives and by showing creativity in the work. A result of correlation and regression investigation shows that there is general positive relationship of performance appraisal and employees motivation in Islamic banking. The discoveries of the study concluded that performance appraisal absolutely impact on employees motivation in Islamic banks employees Motivation and work environment both together lead towards better authorization result, if utilized in opposite way. Rewards and compensations should be given to employees to make them motivated and committed.

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