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COLLAGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

Effect of Performance Appraisal on Employee Job Satisfaction

case of Awash Bank S.C

A thesis submitted to School of Commerce, Collage of Business and Economics, Addis Ababa University in partial fulfillment of the requirements for the award of Master of Arts Degree in Business Leadership.

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I hereby declare that this thesis is my original work has not been presented for an academic purpose in any other university and that all sources of material used for the thesis have been properly acknowledged.

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Approval sheet 2: Approval/ Endorsement (Advisor's approval sheet)

This is to certify that Mrs. Sintayehu Nigussie has completed his thesis work entitled "**The Effect of Performance Appraisal On Employee Job Satisfaction: In The Case Of Awash Bank S.C**". As I have evaluated, his research is original work and appropriate to be submitted as a partial fulfillment requirement for the Award of Degree in Master of Business Leadership.

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Addis Ababa University

College of Business and Economics

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EFFECT OF PERFORMANCE APPRISAL ON

JOB SATSFACTION THE CASE OF AWASH BANK S.C

By

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List of Acronyms

- AB= Awash Bank S.C
- HRM =Human resource management
- HR =Human Resource
- KPI= Key Performance Indicator
- PAS =Performance Appraisal System
- PA = performance Appraisal
- PAP = Performance Appraisal Process

Abstract

The present study aimed at to examine the effect of performance appraisal on employee job satisfaction in Awash Bank S.C. An Explanatory research design was used to analyze this effect and the researcher mainly deployed quantitative research Approach. Total of 447 Awash Bank employees under East Addis Ababa Region were considered as a study population, of which 211sample respondents were selected. Stratified random sampling was applied to select the sample respondents from the sampling frame. Primary data were collected from study participants through Self-Administered questioner and total of 203 employees responded resulting in a 96.2% response rate. Both descriptive and inferential statistics were adopted to analyze the data with the help of SPSS 27.0 application software. The result of the findings indicated that major components of performance appraisal have positive relationship with job satisfaction. Major components of Performance appraisal systems explain 59% of variation in job satisfaction where as 41% of variance is explained by other factors. The findings indicated that majority of the employees are not satisfied with current performance appraisal system. The bank should focus on the selected major performance appraisal components and take necessary remedial actions to increase the level of employees' job satisfaction.

Key words: *performance appraisal, job satisfaction, major component of performance appraisal system.*

Chapter One

Introduction

This chapter deals about background of the study; statement of the problem; objectives of the study; significance of the study; scope of the study; limitations of the study; operational definition of key terms, and organization of the study.

1.1. Background of the Study

Performance measurement has evolved over time. The development of performance appraisal practices began during World War I. U.D. Scott is credited with inventing performance appraisals. Formal performance evaluation systems were well developed by the mid-1950s. In this case, systems that rely on the personality of the evaluator are widely used. It can be defined as the formal evaluation and ranking of employees by managers, usually at an annual review meeting (Armstrong, 2014). Satisfied employees are the heart of any organization, without them the organization cannot achieve its goals. However, it is true that every employee for that matter needs something to stimulate or look forward to so that they are motivated to work in the best interests of the company. This represents a more strategic approach to human resource management (HRM) policy that seeks to link organizational goals with human performance. The key goals, objectives, and objectives of the organization become an integral part of the performance management process and are communicated through the performance appraisal process (Lisa, Daoanis, 2012).

Job satisfaction refers to people's attitudes and feelings about their jobs. A positive and favorable attitude toward work indicates job satisfaction. Negative and unfavorable job attitudes indicate job dissatisfaction (Armstrong, 2006). Performance appraisal is a systematic and periodic process of evaluating the performance and productivity of individual employees against certain established criteria and organizational goals. In many organizations, performance appraisals are conducted formally at predetermined intervals and involve discussions or interviews between managers and individual employees. Based on (Gold.J, 1999) The purpose of these discussions can be broadly divided into making administrative decisions about pay, promotions and careers, job responsibilities, discussing development needs, identifying training opportunities, and improving productivity through action plans. Both goals require judgment. Managers may have to make

decisions about the value of employees both now and in the future, which can cause some discomfort.

The performance evaluation process should be as job-related as possible, rather than evaluating employees based on subjective, personal judgments. If performance appraisals are not used appropriately, they create negative attitudes among employees, affect employee morale, and reduce productivity and job satisfaction for employees and the organization (Gold.J, 1999). An effective evaluation system makes employees more satisfied and committed to their jobs (Luthans, 1998). Performance appraisal and employee job satisfaction were selected from human resource management practices.

The main objective of this study was to observe the most commonly used methods of performance appraisal and job satisfaction in case of Awash Bank and their effect on employees' job satisfaction if they are not used correctly.

1.2 Background of the organization

Awash Bank, Ethiopia's pioneering private bank, was established on November 10, 1994 after the downfall of the socialist regime. The Bank was established by 486 founding shareholders with a paid-up capital of Birr 24.2 million and started banking operations on Feb. 13, 1995. Since embarking operation, the Bank has registered remarkable growth. Notwithstanding global and domestic challenges, Awash Bank has exhibited a superior operational and financial performances among private banks operating in Ethiopia. Awash Bank is currently working towards strengthening its capital base, technological capabilities, human resources and customer base.

Awash Bank derives its name from Awash River, which is extensively used in Ethiopia for small to large-scale irrigation schemes, hydroelectricity generation and for industrial activities. By that token, the tagline "nurturing like the river" implies Awash Bank's immense contribution to the country's socio-economic development. The bank also serves the population by encouraging the habit of saving, the provision of credit facilities and facilitating efficient and fast payment systems.

The total staff strength of the bank raised as of June 2023 to be 20,055 employees composed of a mix of young aspiring professionals, established leaders, and experts in respective fields. Awash Bank in view of enhancing employee productivity, to drive high performance culture and excellent customer services providing targeted, role-based, specific and general training to its staff.

One of the core values of the bank is accessibility. Awash Bank always strive to improve accessibility by means of different service delivery channels. Currently, Awash Bank are the most accessible private bank in the country, with a large footprint of extensive branch networks. In addition to branch networks, Awash Bank provide its customers the convenience of 24/7 service through ATMs, point of sale terminals, internet, mobile and agency banking.

Corporate social responsibility lies at the heart of Awash Bank's activities since its establishment. The Bank's intent is to change the socio-economic situation of the communities within which it operates by ploughing back funds to improve education, health and the environmental and social wellbeing of the disadvantaged strata.

1.3. Statement of the Problem

The competitions among banks in the banking industry and emergency of new entrant bank lead banks to incorporate and formulate effective performance appraisal process in their HR practices which will be related to employee satisfaction and attainment of organizational objective. According to (Wright, 1994) this HR practices will shape and change the behavior, perception and attitude of employees and achieve objectives that mainly dependent on human resource. Employee participation on performance appraisal process is crucial for creating a fair and effective evaluation system by engaging in self-assessment, goal setting, feedback, open communication.

Employee satisfaction is a crucial aspect of healthy work environment and happy employees are more engaged, productive and less likely to seek opportunities elsewhere. Job dissatisfaction can significantly impact organizational performances and it is manifested by lack of interest, procrastination, absenteeism, declining performance, and stress.

The researcher arrange session for discussion with some of the staff of Awash Bank , accordingly the commitment and dedication employees of the bank is reduced because of various reason and majority of the staff either leaves the bank or willing to accept role other than current job role mainly related to application of performance appraisal system to evaluate the contribution of each employee towards attainment of the bank objective. Moreover according to the data found from director Employee business partnership employee turnover increase from time to time and evidence from exist interview during such period shows the main reason employee left the bank were related dissatisfaction with pay rate, different administrative issue, managers emotional attitude and the performance appraisal practice and impact.

In order to boost the performance of the bank and reward employee based on contributions and on the one hand to replace the existing subjective appraisal systems the bank developed and launch on July 2020 the new performance appraisal system (PMS) that can better measure the performance of employees objectively for Branch Clerical and Non Clerical staff including Branch Managers which include competency and character to be evaluated every month which run from July- June. Some of the KPI used for evaluation purpose in various Job role are more subjective, use group performance to evaluate the individual result and general not clearly rate the individual performance and this will

cause problem for both the rater not clearly and objectively evaluate the individual performance and the result obtained by employee will differ from what they deliver.

There is no research conducted on this issue with Awash Bank as to my knowledge and since the inception of the newly implemented performance management system that investigate the effect of performance appraisal on employee job satisfaction. The main problem that will be investigated in this research is to fill the gap observed by identifying the significant effect of performance appraisal on employee job satisfaction at Awash Bank S.C.

1.4. Research Question

The research questions of this study were:

- What is the existing practice of Performance Appraisal in Awash Bank S.C?
- What is the level of Employee Job Satisfaction in Awash Bank S.C?
- What is the relationship between Performance Appraisal and Employee Job Satisfaction in Awash Bank S.C?
- What is the Effect of Performance Appraisal on Employee Job Satisfaction in Awash Bank S.C?

1.5. Research Objective

1.5.1. General objective

The purpose of this study were to examine the effect of performance appraisal on employee job satisfaction at Awash Bank S.C.

1.5.2. Specific objectives

Specifically, the objectives of this study will include

1. To examine practical application of performance appraisal in Awash bank S.C
2. To assess the level of employee job satisfaction in Awash Bank S.C
3. To investigate the relationship between performance appraisal and employee job satisfaction

1.6 Significance of the Study

This study yields the following benefits

• The study will help to improve the performance evaluation application system by understanding how the effects of performance appraisal impact employee job satisfaction.

• This study will help as a guide how effective performance appraisal can satisfy and lead employee towards attainment of organizational commitment and goals. This study will also contribute to the knowledge base in the field of Human Resource Management specifically in the areas of performance appraisal and job satisfaction and benefit other organizations other than financial sector giving insight what encompasses an effective performance Appraisal system.

• The study will initiate other researchers who might be interested to undertake research in the area of staff appraisal, relationship between performance and job satisfaction in a wider scale.

1.7 Scope of the Study

Geographically, the scope of the study revolves employees who are working in East Addis Ababa Region which includes Special, Grade I, II and III Branches staffs covering the views of both management and non-management employees of the bank excluding non-clerical staffs within the selected sample size.

Conceptually, the concept of job satisfaction only measured from factor in the Human Resource performance Appraisal which includes performance standard setting, appraisal form and content, Rater assurance and confidence, Accuracy of Rating , Providing feedback, Explaining Rating decision, and Appeal handling procedure are considered independent variables and other factors like bonus, salary increment and other benefit packages etc. are intentionally excluded as they are out of the scope of the study.

Methodologically, since the study seeks to investigate the relationship between performance appraisal and employee job satisfaction which require quantitative data to be tested the scope limited to a Quantitative Research Approach.

1.8 Limitation of the study

There are some limitations that needs to explained, firstly result obtained for this study shall not be generalized for wider range of Awash employees as the study of the population was geographically limited to employee of Awash bank under East Addis Ababa Regional office as it was not a complete representation of all branches in the bank and the researcher also challenged in data gathering related to confidential information.

1.9 Organization of the Study

This thesis organized in to Five chapters. The First Chapter refers introduction of the study which includes, the background of the study, Background of the organization, statement of the problem, Research Question, Research objectives, significance of the study, scope of the study and definitions of key terms. The second chapter focused to review of related literature. It contains theoretical and empirical reviews, empirical and conceptual discussion and conceptual framework. Third Chapter discusses the methodology applied to conduct the research included here are research approach and design, sampling technique, sample size determination, methods of data collection, source and types of data, and data analysis. The fourth chapter presents demographic characteristics, descriptive and inferential statistical analysis, findings, and their interpretations. The last chapter consists summary of the major findings, conclusions, and recommendations of the research study.

1.10. Definition of Terms

Performance Appraisal: is a periodic review and evaluation of an individual's job performance (Armstrong, 2006).

Job satisfaction: The term job satisfactions refer to the attitude and feelings people have about their work. Positive/ favorable attitudes indicate job satisfaction. While negative/ unfavorable attitudes towards the job indicate job dissatisfaction (Armstrong, Performance Management: Key strategies and practical guidelines, 2015).

Performance Appraisal Process: As per (DeCenzo A.D, 2010) the appraisal process is establishment of performance standards in accordance with the organization’s strategic goals, communicate expectations, measure actual performance, compare actual performance with standards, discuss the appraisal with the employees and initiate corrective action.

Feedback: It is the communication of the results of appraisal to the subordinates, so that they know their strong as well as weak points (Gupta R.S, 1988).

Chapter Two

Literature Review

2.1 Theoretical Literature

2.1.1. Definition of Performance Appraisal

A performance appraisal is a formal method of evaluating how well a particular employee is achieving set goals. Its ultimate purpose is to communicate personal goals, encourage good performance, provide constructive feedback, and lay the foundation for an effective development plan (school, 2006). According to (Greg, 2009), performance appraisal is the process of measuring which employees contribute to the organization. It is a necessary but difficult part of leading others. Indeed, for many managers, performance appraisal is at the top of the list of undesirable tasks. What makes this task so difficult? One reason managers dislike performance appraisals is the difficulty of taking all aspects of input into account. Employees contribute in many ways, and it is often difficult to accurately measure their efforts with numerical scores. Another reason is that many employees seem to think that performance appraisals are biased. Sometimes they see the process as unfair. The starting point for performance measurement is to think about how estimates can be inaccurate. A performance appraisal is a specific and formal assessment of an employee to determine how effectively the employee performs his or her job. Some organizations use the term performance appraisal for this process, while others prefer to use different terms such as performance appraisal, performance review, annual review, employee evaluation, or employee evaluation. This assessment results in some sort of score or rating on a scale. These assessments are usually done once or twice a year (Angelo, 2008). Appraisal practices often include formal review and feedback sessions and may include procedures for setting performance goals. PA performance has increasingly become part of a more strategic approach to the integration of HR functions and business policy and is now an umbrella term covering a range of activities through which organizations aim to evaluate employees and develop their skills, improve performance and distribute rewards.

2.1.2 Significance of Performance Appraisal

Most managers may be unhappy with various facets of the performance appraisal process, but most would agree that they are nevertheless very important Angelo and Ricky (2008). One reason why appraisals are so important to organizations is that they provide a benchmark for assessing the extent to which *recruiting and selection* process are adequate. Performance appraisal is also important because it is-or at least should be fundamentally linked to an organization *compensation* system. In theory, organizations prefer to provide greater rewards to higher-performing employees and lesser rewards to lower-performing employees. To provide this compensation on a fair and equitable basis, however, it is important that the organization can differentiate between its higher and its lower performing employees. Managers want to know that they are giving the appropriate rewards to employees for appropriate reasons. Performance appraisal plays a big role in this process. Performance appraisal is also important for legal reasons. Organizations must be able to demonstrate that their promotions, transfers, terminations, and reward allocations are based on merit (or the lack thereof), as opposed to some discriminatory factor such as gender or race. Performance appraisal, therefore, is the mechanism by which the organization can provide this *documentation*. Managers must be able to rely on performance appraisal information to demonstrate that all of their important employment related decisions have been based on the actual performance of those affected by the decisions. Without proper performance appraisal, an organization is subject to concerns or charges that there is at least the impression that promotions and other rewards may be based in a factor or factors other than actual performance Angelo And Ricky (2008). Performance appraisal also plays an important role in employee *motivation and development.* Most people want to know how well they are doing so that they can correct their deficiencies, capitalize on their strengths, and improve their overall contributions to their jobs.

2.1.3 Problems of Performance Appraisal

Performance evaluation is one of the most difficult tasks and must be conducted in an objective and standardized system to achieve the intended goal or objective. In some organizations, the expected results from activities are not achieved. In organizations, performance appraisals often fail to achieve their mission. If evaluations are performed poorly or even poorly under unsatisfactory operating conditions, they can increase employee anxiety and hostility and ultimately lead to

inefficient use of human and non-human resources, increased costs and reduced productivity. The end result may be the death of the organization (Henderson, 2006). The main challenges faced when conducting performance appraisal are:

Defining performance indicators and performance evaluation criteria;

1. Gathering facts about performance;
2. Management bias;
3. Resolving conflicts between reviewers and reviewers;
4. Individual defensive behavior against criticism by (Khulida, 2009).

Factors that cause performance appraisal processes to fail include:

1. The standards for measuring performance are unclear.
2. Leaders or managers do not have the skills to evaluate employee performance.
3. Supervisors or managers are unprepared to evaluate employee performance because they do not want to be seen as judges who made unfair decisions.
4. Employees do not receive continuous feedback on their performance.
5. Supervisors or managers are not honest during the performance evaluation process.
6. Performance appraisals do not focus on employee development.
7. Supervisors or managers use language that employees do not understand during performance evaluations.
8. Employees believe that the organization does not allocate enough resources to reward performance.

Therefore, top management support is important for successful performance measurement and for the organization to compete in the market.(Khulida K. A., 2009).

According to (Greg L. S., 2009). the following are common issues associated with performance appraisal measures: rater error and bias, situational influences, and change over time. Rater Mistakes Research shows that raters make many mistakes when evaluating employee performance. Evaluation errors occur when an evaluator provides an evaluation that follows an undesirable pattern or when the evaluator does not adequately consider factors that may affect the evaluation.

Central Tendency Error: A rating error that occurs when an evaluator rates almost all employees somewhere in the middle of a scale. Contrast bias: A rating bias that occurs when evaluators unconsciously allow comparisons between employees to influence their ratings. Similar to me: The error raters make when they rate people who are similar to themselves higher than people who are not like them Angelo And Ricky (2008).

2.1.4 Principles of Effective performance Appraisal

Systematic performance appraisal should be an accurate and reliable one. The reliability and accuracy of performance appraisal is obtained wherever the barriers of performance appraisal are overcome by the management. However, there is no perfect appraisal system in all organizations but there are some systems that possess certain characteristics that can provide a more effective means for achieving the appraisal. Regardless of which method is used an understanding of what an appraisal is supposed to do is critical. The most important thing is not which form or which method of performance appraisal used but whether managers and employees understand its purposes and obtaining the actual result from the evaluation (Brown, 2010).

According to (Brown M. H.-3., 2010), the management may take the following measures to make the appraising more effective. Single employee is rated by two raters. Then, the comparison is made to get accurate rating, a separate department may be created for effective performance appraisal, the plus points of an employee should be recognized, at the same time, the minus points should not be highlighted too much but they may be hinted to him, the standard for each job should be used for performance appraisal to each job according to the nature of the job, Separate printed forms should be used for performance appraisal to each job according to the nature of the job, The measurement should create confidence in the minds of employees and Continuous and personal observation of an employee. The perfect performance appraisal system doesn't exist because all performance appraisal methods have their own limitations and negative impacts.

The following points are the characteristics of effective performance appraisal system: (Brown M. H., Consequences of the performance appraisal experience, 2010).

Performance expectations: - the managers should clearly explain performance expectation to employees in advance of the appraisal period. This enables the employees lead their efforts and emphasis towards the expected performance level.

Employee access to the result: - An effective appraisal system should provide feedback to employees on how well or bad they have performed and a continuing basis.

Qualified appraisals: - the evaluators should be well trained, should be given instructions and skills about the rating system to provide ideas on evaluating, conducting appraisals interviews and documented approaches.

Standardization**:** - employees in the same job category, under the same supervisor and coordinator should be appraised by the same evaluation instruments, techniques, procedures and work objective.

Due process: - A formal procedure should be developed for appraisal process and it is vital to reduce employees‟ complaint and grievances performance should be job related.

Employees are sensitive to quality variations in performance appraisal as its processes are a powerful determinant of employees‟ futures such as having promotion, rewards, demotion or even termination of their job within the organization suggested performance appraisal quality variations will generate strong reactions among employees.

In order to create effective performance appraisal system that will create employee job satisfaction any organization shall include the following four principal indicators of the quality of performance appraisal system.(Brown M. H., Consequences of the performance appraisal experience, 2010).

1. **Clarity of performance expectations**, which shows the scope to which employees are familiar with the purpose and role of the performance appraisal. This will involve precision and clearness of the role of performance appraisal that will play in shaping an employee's fate within the organization and the performance appraisal process.
2. **Level of communication** between the employees and their supervisors that specifies the opportunities to evaluate information and acquire supply in combination with clarity about performance appraisal processes provide employees with the chance of exercising a level of process control. In addition providing an employee with the chance to express his or her opinion is appreciated in it and certifies his or her belongings in the organization.
3. **Trust in the supervisor employees** who consider their supervisor is capable and has high quality knowledge of their employees‟ job responsibilities will be more probable to rate their performance appraisal experience positively and trust their supervisor. Also when employees

trust their supervisor they grasp positive outlooks about their supervisor's motives, judging that manager will act in their finest interest.

4. **Fairness** of performance appraisal process employees want to be treated fairly throughout the performance appraisal process as this is considered to have an effect on the quality of the results of the process.

2.1.5 Performance Appraisers

In most organization Line managers are typically responsible for evaluating the performance of those staffs under their direct control in the organization. However, performance appraisals can be conducted by anyone who is familiar with the employee's performance. According to (Dessler, 2013), employees are evaluated on:

1. **Immediate Supervisor:** Supervisor evaluations are the basis of most evaluations because immediate supervisors are in the best position to observe and evaluate the performance of their subordinates. This is based on the assumption that line managers are the most qualified people to evaluate the performance of employees and managers. Become more familiar with the work of your subordinates.
2. **Peer Evaluation:** This type of evaluation is most often used in organizations where employees at the same level within the organization rate each other. In organizations using self-managed team assessments. Peer evaluations of employees are becoming increasingly popular.
3. **Self-Assessment:** This is a type of assessment that allows employees to assess their own strengths and weaknesses. But there's a problem. Most employees tend to rate themselves higher than their managers or coworkers rate them.
4. **Evaluation by subordinates:** More and more companies today allow subordinates to evaluate their managers' performance. This process sometimes generates feedback and is helpful to top managers. Diagnose management style, identify employee problems, and take corrective action. Subscales are especially valuable when used for developmental rather than evaluative purposes.

Performance evaluation system

According to (Dick, 1996), performance evaluation is a process, not an event. These events occur in a predictable and sequential manner. One event is completed and the next event begins. The main components of a performance evaluation system are standard setting, performance evaluation process, evaluation format and content, feedback, and appeal process.

2.1.6 Stages in Performance appraisal

According to (DeCenzo, 2010), the performance evaluation process consists of six steps:

1. **Setting performance Standards,** the evaluation process begins with establishing performance standards based on the organization's strategic goals. It should be developed based on the company's strategic direction, particularly an analysis of positions and job descriptions. Additionally, these performance standards must be clear and objective enough to be understood and measured. Too often standards are expressed in vague phrases like "full-time employment" or "good job" that tell us little. What is a full-time and good job? A manager's expectations about employee performance should be clear enough in his or her mind so that he or she can later communicate those expectations to employees and mutually agree on and evaluate specific performance measures. Performance according to these established standards.
2. **Communicate expectations:** once performance standards are established, these expectations must be communicated. Employees don't have to guess what's expected of them. In too many workplaces, performance standards are vague, and the problem is further complicated when these standards are set solely without employee input. Communication is a two-way street. Simply passing information from managers to employees is not successful communication. Measure actual performance.
3. **Performance measurement:** We need some information about this to see what the actual performance is. We need to be interested in how we measure and what we measure. Four common sources of information frequently used by managers relate to methods of measuring actual performance: personal observations, statistical reports, oral reports, and written reports. Everyone has their own strengths and weaknesses. However, their combination increases both the number of input sources and the likelihood of obtaining reliable information. What we measure is perhaps more important to the evaluation process

than how we measure it. Choosing the wrong criteria can lead to serious and dysfunctional consequences. And what we measure determines where people in the organization strive to excel. The criteria we measure should reflect the performance established mutually in the first two stages of the evaluation process.

4. **Compare actual performance to standards** the fourth step in the evaluation process is comparing actual performance to standards. In this step, the difference between standard performance and actual performance is recorded. The performance evaluation form should include a list and description of performance standards. You should also describe the different performance levels and how acceptable they are compared to the performance standards. This provides a valuable feedback tool for managers as they discuss the evaluation and move to the next steps.
5. **Discuss evaluations with employees** one of the most difficult tasks appraiser's faces is providing accurate ratings to employees. Performance appraisals can involve one of the most emotionally taxing activities: assessing the contributions and abilities of others. The impression employees receive from the appraisal greatly affects their self-esteem and importantly their subsequent performance. Of course, it is much easier to convey good news to both the appraiser and the employee than to convey bad news. In this context, the appraisal discussion can have both negative and positive motivational consequences.
6. **Initiate corrective action** as needed. The final step in the appraisal is to determine corrective action, if needed. There are two types of corrective action: one is immediate and primarily aimed at eliminating symptoms, and the other is fundamental and aimed at eliminating causes.

2.1.7 Appraisal methods

There is no universally accepted method of evaluating employee performance. This may depend on factors such as the size, nature, financial capabilities and objectives of the organization. According to (Martin, 2010) and (Gilley, 2009), there are various methods that can be used individually or in combination with other methods to evaluate performance:

1. **Rating scales**: This approach involves predefining a number of factors against which performance will be measured and defining "quantitative" performance indicators for each factor.

2. **Performance-Based Appraisal**: Manager evaluates the specific job requirements associated with the employee's position. Identifying where an employee falls in the "Below Expectations" to "Exceeds Expectations" category is a quick way to accurately evaluate performance. This involves completing a standard rating scale form, making the process very quick and simple. Measurable job requirements must be the same for all employees in the same position to be fair and equitable.
3. **Behaviorally Anchored Rating Scales** (**BARS**): Similar to standard rating scales, but based on factors that reflect behaviors identified as necessary to achieve high performance on the job.
4. **Ranking and forced distribution method**: This aims to compare the performance achievements among all the employees under consideration. In its simplest form, ranking aims to provide a list of all employees, from the best to the worst performers. Forced distribution aims to classify all employees into performance bands according to prescribed proportions within each band.
5. **Critical Incidents**. Performance appraisals using this approach require the supervisor to identify significant events (critical incidents) that demonstrate effective and ineffective performance by the employee. These then become the basis for performance discussion during the appraisal review.
6. **Essay**/**Narrative**. This approach simply presents the supervisor with a blank sheet of paper and asks the employee to describe the employee's work in his or her own words. You will then discuss this with that person at an evaluation meeting. This can be a highly subjective assessment, as authors often discuss individual personality traits rather than measurable job abilities. It can be used as a way to 'soften the blow' of an unfavorable assessment. The effectiveness of a narrative depends directly on its writing. Manager skills. When used alone, it makes it impossible to compare ratings from multiple employees.
7. **Management by Objectives** this approach involves identifying key tasks, projects, and other objectives that individuals must accomplish during the review period. At the end of this period, performance outcomes are determined based on the achievement of each objective.
8. **Top down**: Multiple management levels evaluate employee performance.
9. **Bottom Up**: Employees evaluate their managers' performance and effectiveness.

10. **Peer evaluation**. Colleagues and team members evaluate employees' performance. Care must be taken when selecting unbiased colleagues, and managers must decide how much weight to give to each colleague's feedback to ensure fair results. This method can be used when managers have limited contact with employees.
11. **Self-esteem**. Employees evaluate their own work. Self-assessment can be incorporated into any performance evaluation method.
12. **360-degree view**. This method is based on feedback from people across the organization and at various levels of expertise who work with employees. This includes managers, peers, and customers (both internal and external).
13. **Continuous feedback**. The appraisal process is conducted at least once a year (usually 2-4 times). This allows for ongoing monitoring, communication, feedback, and adjustments to performance and goals.
14. **Follow-up Review** A continuation of the evaluation process to plan training/development opportunities, evaluate/revise short-term goals, and discuss progress. This often takes place within a few weeks of the main evaluation meeting.

2.1.8 Definition of Job satisfaction

Job satisfaction can be understood as an employee's attitude toward his or her job and various aspects of the job (Spector, 1997). According to Specter, research over the past 30 years has shifted job satisfaction from a requirement to an attitudinal variable. For example, an employee can be either involved in the organization or dissociated from the organization. Job satisfaction can be defined as an emotional state associated with a positive or negative evaluation of job experiences. Job satisfaction is a comprehensive construct or set of different dimensions to which employees react emotionally (Locke, 1969).

McNamara defines job satisfaction as an individual's feelings or state of mind regarding the nature of his or her job. Job satisfaction can vary depending on many factors, such as the quality of the relationship with the supervisor, the quality of the physical environment in which they work, and the degree to which job completion occurs (McNamara & a human resource approach 4th edition, 1981).

Job satisfaction is an employee's sense of accomplishment and success at work. This is generally believed to be directly related to productivity as well as personal happiness. Job satisfaction

involves doing something you enjoy, doing it well, and being rewarded for your efforts. Job satisfaction also involves being passionate and happy about your job. Job satisfaction is a key component that leads to recognition, income, promotion, and other goals that lead to satisfaction with the organization. High job satisfaction among employees provides strong evidence that employees are motivated and committed to achieving their goals. High-quality workmanship. Increased productivity per hour worked and product quality may seem like almost automatic byproducts of improved technology (Kaliski, 2007).

(Vroom, 1964) defined job satisfaction as a combination of psychological, physiological, and environmental circumstances that allow an individual to honestly state that he or she is satisfied with his or her job. According to this approach, job satisfaction is influenced by many external factors but remains an internal factor related to the employee's emotions. In other words, job satisfaction is a combination of factors that cause satisfaction. (Vroom, 1964) defines job satisfaction as people's emotional orientation toward the job role they currently occupy.

In the past, extensive research has been undertaken to determine the factors that determine employee job satisfaction. According to the literature, these reasons include job characteristics (Fitzgerald, 1985), perceived organizational support (POS), employee-supervisor relationship and supervisor support, role ambiguity and role conflict, workload and fairness (Kim, 2007). Within organizational factors, minimal work has been done on individual factors (personality, demographics, family life, religious beliefs, etc.) that influence employees' job satisfaction. (Staw, 1986) laid the foundation for future research by finding a relationship between personality and job satisfaction. Over the past 20 to 30 years, psychologists, behavioral experts, and scientists have focused on the relationship between individual personality and job satisfaction. Researchers have focused on the Big Five personality traits and their relationship with job satisfaction (Kanfer, 1990).

They argue that depression, joy, positive emotions, kindness, anger, etc. may better convey the subtleties of emotional experiences at work.

(Locke, What is job satisfaction? Organizational Behavior and Human , 1969). This theory is the most well-known model of job satisfaction. The basic premise of this theory is that satisfaction is determined by differences in what individuals want from a job. This theory also states that how important a person considers a given aspect determines how satisfied/dissatisfied they become when their expectations are not met. If a person values a particular aspect of their job, their satisfaction

will be more positively affected when their expectations are met compared to someone who does not value that aspect.

2.1.9 Theories of job satisfaction

Research shows that certain conditions can cause both job satisfaction and dissatisfaction, and the growing literature on job satisfaction theories shows that theories are typically categorized according to personality or chronological arrangement. (Saifuddin K. S., 2012).

Herzberg's two-factor theory

Herzberg's theory is considered the most functional model for studying job satisfaction. (Kim, Forming and reacting to overall fairness: A cross-cultural comparison. Organizational Behavior and Human Decision Processes,, 2007). Two-factor theory suggests that there are two factors that can make employees satisfied or dissatisfied with their jobs: the job satisfaction or motivation factor and the job dissatisfaction or hygiene factor. Job satisfaction is an aspect of a job that encourages employees to be satisfied with their jobs and takes into account job aspects such as recognition, achievement, responsibility, and performance. Promotion and the job itself. (Herzberg, 1976) considers job dissatisfaction or hygiene factors not necessarily motivating, but absence from the workplace as a situational factor that causes dissatisfaction. However, this theory has been criticized for its motivation and hygiene content, which ignores individual differences and assumes that individual employees will respond similarly to changes in motivation and hygiene factors. (Karimi, 2007).

Equity Theory

According to (Yusof, 2006), this theory has been widely studied for decades under the name of "distributive justice." Supporting this theory, (Adams, 1963) suggests that workers consider their outputs (what they get from their work) and their inputs (what they put into their work) and try to evaluate this relationship using cost-benefit ratios. . In other organizations. (Robbins, 2005) states that capital wealth exists when a person perceives his or her ratio to be the same as that of his or her peers in other organizations. Likewise, if the proportions are not aligned, inequality exists. Fairness brings satisfaction to employees, while inequality brings dissatisfaction. (Perry, 2006) found that these employees' satisfaction only increases with rewards when the rewards are perceived as valuable and fair.

Job design theory

This theory proposes that aspects of an employee's job will indicate that person's level of responsibility within the organization. According to (Moynihan, 2007), job transparency leads to higher job satisfaction because it makes employees more satisfied with their jobs, more committed to their jobs, and more interested in their jobs. The theory posits that five job characteristics, including skill variety, job identity, job importance, and autonomy, are factors that influence an individual's perception of how important their job is and ultimately influence their level of satisfaction. Autonomy refers to the level of exercise of self-control. The more independent an employee feels, the more responsibility they take on.

Vroom's expectancy theory

Vroom (1964) suggests that the motivation of people working to realize their dreams depends on the assumption that the goal is worthwhile and the belief that what they do will help them achieve the goal. (Robbins, Organizational behavior. 11th ed. New Jersey: Prentice hall., 2005) states that this theory is based on three variables: valence, expectancy, and instrumentality. Valence refers to an individual's preference for a particular outcome. Expectations consider the probability that a particular effort will lead to a particular first-level outcome. Instrumentality, on the other hand, is the extent to which first-level outcomes create a desire for second-level outcomes. For example, an employee may be motivated (motivational effort) to achieve superior performance (a first-level outcome) in order to receive a promotion (a second-level outcome) (Luthans F. , 2005). Similarly, (Newstrom, 2007) explains that satisfaction is the result of three factors, including the desired reward (evaluation), the evaluation of the likelihood that efforts will lead to successful performance (expectancy), and the evaluation that performance will lead to reward (instrumentality).

Equity theory: A theory that explains relationship satisfaction in terms of perceptions of fair or unfair distribution of resources in interpersonal relationships. John Stacy Adams, who developed this theory, argued that employees seek fairness in relation to their contributions to the organization and what they receive from the organization in return, especially in relation to how other employees' contributions feel valued. . I give back to these employees. This borders on a motivational problem because if employees feel they are being treated fairly, they will be motivated to maintain healthy relationships with their colleagues and the organization. What the employee contributes is called input and what the organization provides in return is called output. Therefore, equity theory deals

with the relationship between costs and benefits. If an employee is undercompensated, we will try to restore balance by increasing or decreasing their contributions accordingly. Equity theory typically focuses on ensuring fairness in the distribution of organizational resources and is measured by comparing the cost-benefit ratios of relationship partners. It can be concluded that the theory generally focuses on rewards and recognition, which can be reflected in the form of bonuses or salary increases. Accordingly, the researcher interrelated the elements of the reviewed literature, such as fairness of the appraisal system, reflection of employee performance in the form of rewards such as promotions, providing feedback to all employees, and clarifying job roles for all employees, to employee job satisfaction. (Robbins, Organizational behavior, 2005).

Expectancy Theory: According to (Vroom, Work and motivation, John Wiley and Sons, New York., 1964), expectancy theory suggests preferred rewards that employees expect to receive when they perform or perform a particular behavior. It's about how motivated employees are to complete tasks because they understand that completing them will result in results. This also applies to whether the employee prefers the outcome. The likelihood that a particular behavior will lead to a preferred reward is central to expectancy theory. In light of the above, employees tend to weigh the likelihood of obtaining desired rewards by completing different tasks and ultimately choose to perform the task they believe to be more successful. Therefore, employees are motivated to have a positive attitude toward work. Anticipated rewards make us put in more effort to achieve better results. Vroom discusses three components of the theory, including expectancy, instrumentality, and valence. Expectations are employees' beliefs that their efforts will be sufficient to achieve desired performance goals and are usually determined by the employee's past experiences. Instrumentality, on the other hand, is the employee's belief that if he or she meets performance expectations, he or she will be rewarded in the form of a promotion or pay increase. Valence measures how much employees value the rewards they can receive if they meet performance expectations. When employees place a high value on rewards, they are more likely to take action to receive them.

2.1.10 Factors affecting job satisfaction

True job satisfaction comes from a sense of security when an individual's performance is objectively judged by the quality of their work performance, rather than by artificial criteria such as relationships with senior executives or relatives within the company (Kaliski B. , 2007).

The level of job satisfaction is influenced by intrinsic and extrinsic motivators, the quality of supervision, social relationships with work groups, and the degree to which an individual succeeds or fails in their job (Armstrong, 2006).

Perhaps the most important consideration when considering job satisfaction is that it is influenced by many factors. The reasons why employees are satisfied with their jobs vary from employee to employee and from day to day. In addition to the factors mentioned above, job satisfaction is also influenced by the employee's personal characteristics, the manager's personal characteristics and management style and the nature of the job itself. Managers who want to maintain high levels of workforce satisfaction must understand the needs of each employee. (Kaliski, 2007).

2.1.11 Measuring Job Satisfaction

Job satisfaction is not automatic in business organizations. Broadly speaking, a job satisfaction program must exist and include carefully designed activities to achieve the intended job satisfaction goals. This should be a program of action and should be carefully monitored to ensure that changes are made regularly as needed. (Kaliski, 2007). According to (Armstrong, 2006), the level of job satisfaction can be measured using attitudinal surveys. There are four ways to do this:

1. **Use a structured questionnaire** it may be issued to all or some employees. The advantage of using standardized questionnaires is that they have been thoroughly tested and, in many cases provide a baseline against which results can be compared. You can perform benchmarking with other organizations and add additional questions to the standard list that are particularly relevant to your company. Although specially designed questionnaires can be used to address specific issues, it is recommended that you seek professional help from an experienced psychologist who can do a skilled job of designing questionnaires, pilot testing and interpreting the results. The advantage of questionnaires is that they are relatively inexpensive to administer and analyze. This is especially true if you have a lot of questionnaires.

2. **Through interviews** This may be an open-ended or in-depth interview where discussion can proceed completely freely or it may be semi-structured, including a checklist of issues to be addressed, although the interviewer's goal should be to allow the discussion to flow. In a circle. Focus on getting the person's honest and open opinion. Alternatively, and less commonly, the interview may be explicitly structured to be nothing more than an oral application of the questionnaire. Individual interviews are likely to be informative, but they are expensive, time-consuming and not easily analyzable, so they should be preferred. Focus group discussions (i.e. groups of employees convened to focus attention on a specific issue) are a faster way to reach a large number of people, but they are less likely to produce results. It's hard to quantify and some people may have a hard time expressing their views publicly.
3. **Combination of questionnaire and interview** This is an ideal approach because it combines quantitative questionnaire data with qualitative interview data. It is always advisable to follow up the questionnaire with in-depth interviews, even if only allowing for a time-limited sample. An alternative approach is to send a questionnaire to a group of people and then discuss how the group responds to each question. This allows the analysis to be quantitative but also allows the group, or at least some of its members, to express their feelings more fully.
4. **Use of Focus Groups** A focus group is a representative sample of employees who are asked to provide their views and opinions on issues related to the organization and its work. The main characteristics of a focus group are that it is structured, informative, constructive, and confidential.

2.2 Empirical Literature Review

Among many studies that deal with employee's job satisfaction and performance appraisal system are the study conducted at KENYA REVENUE AUTHORITY, by CAROLINE W. M'MBUIKITHUKU, (2011) the researcher concluded that the findings have indicated a positive and significant relationship between performance appraisals and job satisfaction.

On the other hand, according to research conducted at KENYA COMMERCIAL BANK, by VICTORIA MUTILE KITHUKU, (2012) the researcher concluded that the method of performance appraisal used by the bank have an effect on employee motivation and general job satisfaction.

According to (Murphy & Cleveland, 1991) state that when the following criteria are met, performance appraisals are most likely to be perceived by employees as accurate and fair:

1) Appraisals are conducted frequently;
2) There is a formal system of appraisal;
3) Supervisors have a high degree of job knowledge;
4) Rates have an opportunity to appeal ratings;
5) Performance dimensions are seen to be highly relevant;
6) Action plans are formed for dealing with present weaknesses; and
7) The organizational climate is cooperative rather than competitive

It is a commonly held and a seemingly not unreasonable belief that an increase in job satisfaction will result in improved performance. But research has not established any strongly positive connection between satisfaction and performance. A review of the extensive literature on this subject by (Brayfield, 1955) concluded that there was little evidence of any simple or appreciable relationship between employee attitudes and their performance.

An updated review of their analysis by (Vroom, 1964) covered 20 studies, in each of which one or more measures of job satisfaction or employee attitudes was correlated with one or more criteria of performance.

Brayfield and Crockett concluded that Productivity is seldom a goal in itself but a means to goal attainment. Therefore, we might expect high satisfaction and high productivity to occur together when productivity is perceived as a path to certain important goals and when these goals are

achieved. Under such conditions, satisfaction and productivity might be unrelated or even negatively related.

It can be argued that it is not job satisfaction that produces high performance but high performance that produces job satisfaction, and that a satisfied worker is not necessarily a productive worker and a high producer is not necessarily a satisfied worker. People are motivated to achieve certain goals and will be satisfied if they achieve these goals through improved performance. They may be even more satisfied if they are then rewarded by extrinsic recognition or an intrinsic sense of achievement. This suggests that performance improvements can be achieved by:

1. Giving people the opportunity to perform,
2. Ensuring that they have the knowledge and skill required to perform and,
3. Rewarding them by financial or nonfinancial means when they do perform.

It can also be argued that some people may be complacently satisfied with their job and will not be inspired to work harder or better. They may find other ways to satisfy their needs (Armstrong, 2009).

Employees' attitude and satisfaction towards an organization performance appraisal system is a significant direction of research regarding its efficiency and approaches for evaluation has concentrated on employees' satisfaction and perception of the whole process. According to levy and William employee perception of fairness of performance appraisal system has shown linked to satisfaction with the system in their review of performance appraisal research indicated that the most important performance appraisal issue faced by organizations is perceived fairness of performance review and performance appraisal system.

On their findings they suggested most employee perceived their performance appraisal system as neither accurate nor fair hence performance appraisal system and process can be a source of dissatisfaction when employees believe the system is biased and irrelevant. One of the major problems of organization is the performance appraisal system and process and the evaluation system is perceived as inaccurate and unfair.

2.3 Research Hypothesis

Based on these considerations, the following hypothesis is formulated:

H1: The performance Rating Accuracy has a significant and positive effect on employee job satisfaction.

H2: Setting performance standard for employee performance evaluation has significant effect on job satisfaction than those who do not.

H3: The Appraisal form and content has significant effect with employee job satisfaction.

H4: The procedure for handling Appeal for performance evaluation result positively associated with employee job satisfaction.

H5: There is a significant positive relationship between the feedback received from performance appraisals and employee job satisfaction.

H6: The Rater Assurance and confidence has significant effect on employee job satisfaction.

2.4 Conceptual Framework

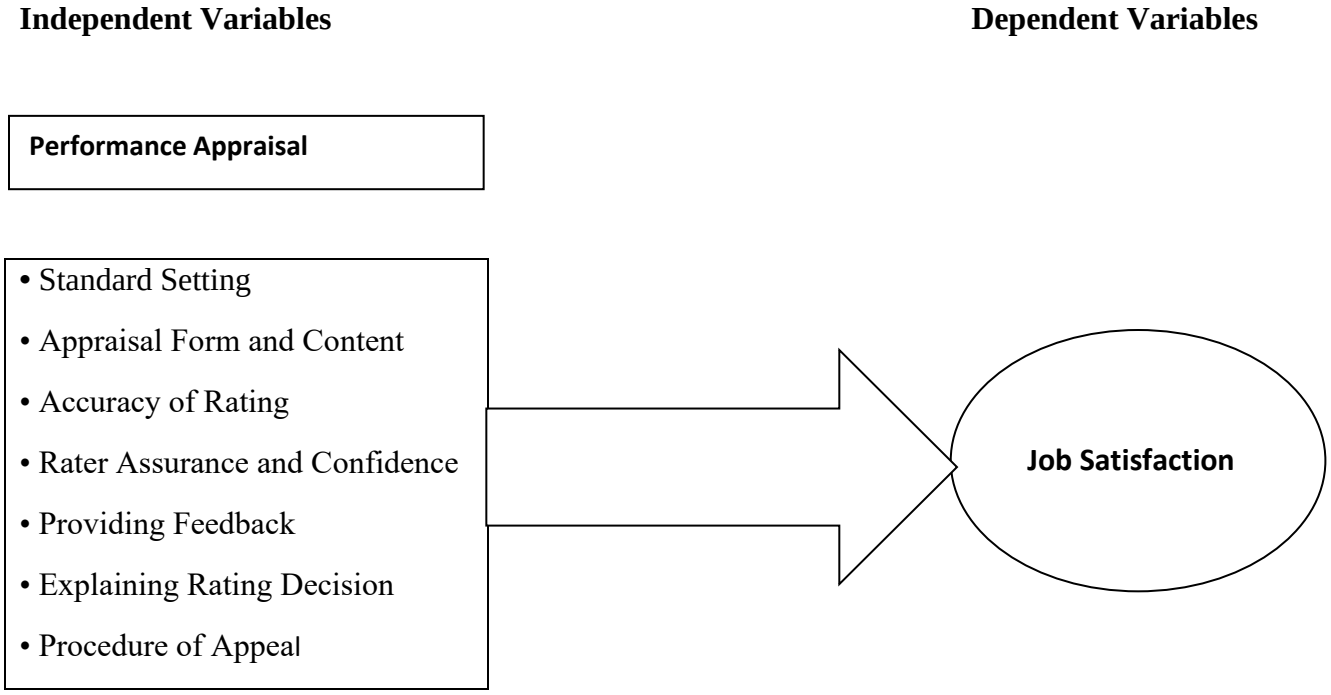
Studies have shown that there is a positive relationship between performance evaluations and employee job satisfaction. Inappropriate use of performance appraisals creates negative attitudes and perceptions among employees, which affects employee morale and reduces productivity and job satisfaction for employees and the organization (J, 1999). An effective evaluation system makes employees more satisfied and committed to their jobs (Luthans F. , Organizational behavior, 2005).

The main components of a performance appraisal system are standard setting, performance appraisal process (rater confidence or confidence, rating accuracy), appraisal format and content, feedback, explanation of rating decisions), and appeal process. An employee's job satisfaction can be affected by a variety of factors, among which ineffective performance appraisals are one of the reasons.

This literature supports the existence of a positive relationship between performance appraisals and employee job satisfaction. The independent variable (main component of the performance evaluation system) and dependent variable are job satisfaction. Therefore, based on this, the following conceptual framework is developed. Performance appraisal practices and employee job satisfaction have been widely used and accepted to explore the relationship between performance

appraisal systems and their impact on employee job satisfaction. To address this gap, the proposed research model depicts the relationship between performance appraisal and employee job satisfaction.

Figure 1 Effect of performance appraisal and job satisfaction



Source: Own Survey 2024

Chapter Three

Research Methodology

This chapter provides the research methodology used in order to achieve the research objective. The research design, population and sampling techniques, types of data and instruments for data collection, procedure of data collection, methods of data analysis, and finally the ethical consideration are the areas presented in this chapter.

3.1 Research Approach

The main objective of the researcher to analyze the effect of performance appraisal on employee job satisfaction the researcher uses quantitative approach which will allow the researcher in order to objectively measure, quantify the relationship between variables and collect data in the form of number and using statistical tools to analyze those numbers.

3.2 Research Design

This study adopted explanatory research designs as it analyzed the variables of interest (performance appraisal and employee job satisfaction) to determine the relationship between the constructs.

3.3 Target Population, Sampling Technique, Sample Size and Sample Frame

3.3.1 Target Population

The target population is the entire group of people that the researcher is interested in and for which the researcher wishes to conclude (Kothari, 2004). Therefore, the population of the study were 447 employees in Awash Bank under 102 Branches in East Addis Ababa district.

3.3.2 Sampling Technique

There are three sampling techniques namely probability, non-probability, and mixed sampling techniques in use to select the targeted respondents from the sample frame (Creswell, 2009). In this study, the researcher adopted a random sampling technique to select 211 sample respondents from total population.

3.3.3 Sample Frame and Sample Size

A sampling frame is a list of individuals in the population (Mooi, 2011). In this study the sampling frame was 447 employees Which includes the full-time employees (employees who served the bank at least more than 1 year or at least their job performance rated once by the supervisor. In addition to the management team this employee also knows about the overall bank rules, regulation, policy, culture and environment).

Sampling is the process of selecting a number of study units from a defined study population (Saunders, 2010). There are several approaches to determine the sample size. These include using census for the small population, imitating a sampling size of a similar study, using published tables, and applying formulas (Hair, 2010). Here in this study, Considering the nature of the study and the total population in East Addis Ababa Region to decide the amount of sample size (Yamane T. (1967). Statistics: An Introductory Analysis, 1967) sample size determination formula has been used where n is the sample size, N is population size, and e is the error of 5 percentage points and a confidence coefficient of 95% are assumed for this equation.

Formula, $n = \frac{N}{1+Ne^2}$

$$\frac{447}{1+447(0.05)2} = 211$$

- by utilizing the above formula, the calculated sample size was 211.

3.4 Source Data

Data collection involves the gathering of relevant and important data used for conducting a particular research work (Arbnor, 2014). It is the basis for acquiring data and can be collected in two ways which are primary and secondary data collection method. The study uses both primary and secondary data source. Primary data collected through questionnaire and the secondary data gathered information from the existing processes, policies, procedures, forms, published and unpublished documents of the bank and other documents which are linked with the performance appraisal system of the bank.

3.5 Data Collection Instrument

This study uses a questionnaire to collect the required primary data from employees of AB in East Addis Ababa district. Questionnaires are particularly suitable for quantitative data and also, they are convenient, the personal influence of the researcher is also eliminated and respondents were having time to check fact and think about their answers, which tends to lead to more accurate information and also it is cheap and quick to administer (Walliman, 2001).

3.6 Data Collection procedure

To conduct this research, information from both primary and secondary data sources were used. Primary data was collected via structured questioner from and secondary data reading from the documents.

3.7 Data Analysis

To analyze the data both descriptive and inferential statistical analysis were used to identify the effect of performance appraisal practice on employee job satisfaction of AB. Information from data analysis were summarized and analyzed using IBM SPSS Statistics Version 27.

3.7.1 Descriptive Statistics

Descriptive statistics like mean, frequency, and percentage were used to profile Demographic characteristics of the respondents.

3.7.2 Inferential Statistics

Inferential statistics were used to identify the degree of correlation between the variables using Pearson's Product – Moment Correlation. Further regression analysis were done to determine the degree of relationship between the independent variable (performance appraisal quality) and dependent variables (job satisfaction).The models were tested by **Multicollinearity** Test, **Linearity** Test and **Normality** Test.

3.8. Reliability

Reliability is the degree to which what researchers measure is free from random error (Mooi and Sarstedt, 2011) and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. In this study, **Cronbach's alpha** (α) was used to test the reliability of the measure. a result, Cronbach's alpha of the questionnaire

revealed **0.952** scored for 30 items of questionnaire. Usually, reliability coefficients should be at least '.70' and the higher approaching 1 shows Acceptable internal consistency. Therefore, the reliability of the response was accepted & assured.

3.9. Scale Validity

Validity refers to whether we are measuring what we want to measure (Mooi and Sarstedt 2011). It is related to research methodology because its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of any given study (Marczyk, 2005).

To ensure the validity of the study, the researcher used expert opinion from experienced Human resource managers and research advisor. Also, validity of measure was guaranteed using a thorough and adequate literature review.

3.10 Ethical Consideration

All the information gathered were treated and kept secretly with high and strict confidentiality without disclosing the respondent's identity. Information was presented as collected with no change or modification. It will not be ethical to access some confidential documents of the organization. Therefore, the organization's code of ethics was taken in to account while the researcher collects information without significantly compromising findings of the study.

Chapter Four

Analysis, Discussion and Interpretation

4.1 Response rate of Respondents

Table 1 Respondents' response

Questionnaires Distributed	Questionnaires Returned	Percentage
211	203	96.2%

Out of 211 questionnaires distributed to Branches in Special, Grade I, II and III under Esat Addis Ababa Regional offices, 203(96.2%) questionnaires were returned with full information.

4.2 Backgrounds of Respondents

Table 2 Respondents Response Rate

No	Factors (Variables)	Categories/ Characteristics	Frequency	%
1	Sex	Male	60	29.6
		Female	143	70.4
		Total	203	
2	Age	Below 25	37	18.2
		25-35	121	59.6
		36-45	40	19.7
		Above 45	5	2.5
		Total	203	100.0
3	Educational level	Bachelor's Degree	161	79.3
		Masters	42	20.7

		Total	203	100.0
4	Place of Assignment	Grade I branch	15	7.4
		Grade_II_branch	43	21.2
		Grade_III_branch	127	62.6
		Special branch	18	8.9
		Total	203	100.0
5	Current Position	Branch Managers	17	8.4
		Operation Manager	15	7.4
		Customer service Manager	28	13.8
		Boo cashier	15	7.4
		Customer service-officer	112	55.2
		Relationship officer	16	7.9
		Total	203	100.0
6	Work Experience	2_3_year	36	17.7
		3_5_year	49	24.1
		5_7_year	38	18.7
		less_than_2_year	37	18.2
		more_than_7_years	43	21.2
		Total	203	100.0

Source: Own Survey, 2024

The demographic characteristics include: Work experience, Educational Background, Current position, Place of assignment. This aspect of the analysis deals with the personal data of respondents. The table above shows the details of background information of the respondents.

As shown in table 2 above, concerning gender distribution of respondents n=143 (70.4%) were males whereas n= 60 (29.6%) females. This shows that the variation in work force composition with male dominance in the regional office which were used to attain and fill the gap in performance.

According to the age of respondents, as shown in the table 2 above, n=121(59.6%) were in age group of 25-35 years. This indicates that majority of employee's are young, active and productive work force which contributed for improvement of the performance AB.

As shown in table 2 above, concerning educational qualification of respondents n=161 (79.3%) were holders of Bachler's Degree and the remaining n=42 (20.7%) Masters holders. This shows that majority of respondents understand and respond the question provided in the questionnaire easily.

According to the work experience of respondents as shown in the table 2 above, n=49 (24.1%) those with 3-5 years range of work experience, n=38 (18.7%) with 5-7 years' experience and n=43 (21.2%) with more than 7 years work experience. This indicates that the majority of respondents have enough experience and understanding of the current performance appraisal system.

As shown in table 2 above, regarding current position of respondents, n=112 (55.2%) were customer service officers, n=28 (13.8%) were Customer Service Managers, n=17 (8.4%) Branch Managers. This indicates that majority of respondents were represented by the officers who were handling customer service request and accordingly their performance evaluated as per the standard delivery time and all position has been represented to gather the required information.

According to place of assignment of respondents as shown in the above table 2, n=127 (62.6%) were from Grade III Branches, n=43 (21.2%) were from Grade II Branches, n=15 (7.4%) were from Grade I and n=18 (8.9%) were from special branch. This indicates that majority of respondents were from major process that have been implemented in AB.

4.3. The existing Practice of Performance Appraisal in Awash Bank S.C

4.3.1. Standard Setting

Table 3 Analysis of Standard Setting

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	The performance appraisal requires that performance expectations set for me at the start of a rating period.						2.66	1.206
2	My rater clearly and regularly explains to me what he or she expects from my performance.						3.69	1.242
3	The PAP allows me to help set the performance standards that my supervisor will use to rate my performance.						3.81	1.391
	Overall (aggregate) mean						***3.39***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

Rule of thumb for mean value- Mean Range criteria

Mean Range	**Response Options**
1.00-1.80	Strongly Disagree
1.80-2.60	Disagree
2.60-3.40	Neutral
3.40-4.20	Agree
4.20-5.00	Strongly Disagree

Acceptable value for standard Deviation data item close to zero or +/-2

As shown in table 3 above, respondents' response for setting performance standard categorical three questions has (aggregate) mean value of 3.39 and standard deviation value of 1.27. This indicates that majority of the respondents were neutral that neither they do know when performance standard prepared in the bank, whom to update it nor they have doubts on clarity of performance setting practice of the bank.

4.3.2. Appraisal Form and its contents

Table 4 Appraisal forms and its contents

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	The PAS makes sure that my performance expectations measure what I really do for the bank.						3.82	1.392
2	The expectations set reflect the most important factors in my job.						2.60	1.295
	Overall (aggregate) mean						***3.21***	

Source: Survey Result (2024)

As shown in table 4 above, respondents' response for appraisal form and its contents categorical two questions have (aggregate) mean value of 3.21 and standard deviation value of 1.34. This indicates that majority of the respondents were neutral about appraisal forms and content that neither they do understand and clear about the details in the appraisal form currently the bank deployed nor admitted that the form accommodates their requirements.

4.3.3. Rater Assurance or confidence

Table 5 Rater Assurance or confidence

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	My bank makes sure that I am assigned a rater who knows what I am supposed to be doing.						2.57	1.250
2	My bank ensures that I am assigned a rater who is qualified to evaluate my work.						2.53	1.332
3	My bank makes sure that my rater understands the requirements and difficulties of my work.						2.59	.968
4	My bank makes sure that my rater understands the PAP rating procedures and rating format.						2.59	1.534
5	My bank makes sure that I am assigned a rater that understands the requirements and difficulties of my work.						2.80	1.659
	Overall (aggregate) mean						***2.61***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

As shown in table 5 above, respondents' response for rater assurance or confidence categorical five questions has (aggregate) mean value of 2.61 and standard deviation value of 1.34. This indicates that majority of the respondents were neutral regarding rater assurance or confidence that neither they do understand whether they were assigned to qualified rater who knows the rating requirements, procedure, formats and difficulty in the work area nor admit it.

4.3.4. Accuracy of Rating

Table 6 Accuracy of Rating

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	My performance rating is based on how well I do my work.						2.49	1.306
2	My performance rating reflects how much work I do.						2.40	1.347
	Overall (aggregate) mean						***2.44***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

As shown in table 6 above, respondents' response for Accuracy of Rating categorical two questions has (aggregate) mean value of 2.44 and standard deviation value of 1.32. This indicates that majority of the respondents were Disagree regarding accuracy of rating the fact that they believe the current rating not executed accurately based on the work done and expected outcome from the staff.

4.3.5. Providing Feedback

Table 7 Providing Feedback

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	My rater or bank lets me know how I am doing.						2.61	1.332
2	My rater regularly gives me feedback that is important to the things I do at work.						2.49	1.329
3	My rater reviews with me my progress towards my goals.						2.48	1.302
						Overall (aggregate) mean	***2.53***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

As shown in table 7 above, respondents' response for providing feedback categorical three questions has (aggregate) mean value of 2.53 and standard deviation value of 1.32. This indicates that majority of the respondents were Disagree about providing feedback the fact that they believe the rater not regularly give feedback and review the progress towards attainment of goal.

4.3.6. Explaining Rating Decision

Table 8 Explaining Rating Decision

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	My rater helps me to understand the process used to evaluate and rate my performance.						2.53	1.329
2	My rater takes the time to explain my rating.						2.34	1.231
3	My rater lets me ask him or her questions about my performance rating.						2.46	1.248
4	My rater helps me understand what I need to do to improve my performance.						2.47	1.310
						Overall (aggregate) mean	***2.45***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

As shown in table 8 above, respondents' response for explaining rating decision categorical four questions have (aggregate) mean value of 2.45 and standard deviation value of 1.27. This indicates that majority of the respondents were Disagree about explaining rating decision that they believe the rater not help them to understand the process used to evaluate, give time to explain about rating, and help them to improve their performance.

4.3.7. Procedure of Appeal

Table 9 Procedure of Appeal

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	I have ways to appeal (request or ask) a performance rating that I think is biased or inaccurate.						2.36	1.192
2	I can challenge a performance rating if I think it is unfair.						2.36	1.196
3	My performance rating can be changed if I can show that it is incorrect or unfair.						2.36	1.208
	Overall (aggregate) mean						***2.36***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

As shown in table 9 above, respondents' response for appeal hearing procedure categorical three questions have (aggregate) mean value of 2.36 and standard deviation value of 1.19. This indicates that majority of the respondents were Disagree about appeal procedure that there is no transparent procedure for lodging appeal and no room for correcting rating which is unfair.

4.4. The level of Employee Job Satisfaction in Awash Bank S.C

Table 10 Analysis of Employee Job Satisfaction

No	*Items*	*Rating Scales*					*Mean*	*St. dev*
		1	*2*	*3*	*4*	*5*		
1	How proud are you in your current Job.						2.47	1.236
2	How often do you have fun at your work.						2.37	1.185
3	I am satisfied with the appeal process of the performance appraisal system.						2.39	1.203
4	I am satisfied with the feedback aspect of the performance appraisal system.						2.29	1.185
5	Does performance evaluation serve as a basis for job satisfaction?						3.24	1.427
6	Does positive performance result on your job enjoyable?						3.07	1.420
7	How much are you satisfied with the current performance appraisal system of your bank?						2.40	1.256
						Overall (aggregate) mean	***2.60***	

Key: 1 = strongly disagree; 2 = disagree, 3 = neutral; 4 = agree and 5 = strongly agree

Source: Survey Result (2024)

As shown in table 10 above, respondents' response on employee job satisfaction categorical seven questions has (aggregate) mean value of 2.60 and standard deviation value of 1.27. This indicates that majority of the respondents were neutral regarding job satisfaction that neither they all were happy, get fun with work, satisfied with appeal process, feedback process nor admit it.

4.5 The relationship between performance appraisal (IV) and employee job satisfaction (DV)

Table 11 Analysis of Relationship (Correlation)

		Setting performance Standard	Appraisal Form Content	Rater Assurance Confidence	Accuracy of Rating	Providing Feedback	Explaining Rating Decision	Procedure of Appeal	Job Satisfaction
Setting performance Standard	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	203							
Appraisal Form Content	Pearson Correlation	.060	1						
	Sig. (2-tailed)	.394							
	N	203	203						
Rater Assurance Confidence	Pearson Correlation	-.020	.048	1					
	Sig. (2-tailed)	.779	.495						
	N	203	203	203					
Accuracy of Rating	Pearson Correlation	.130	**.252****	.043	1				
	Sig. (2-tailed)	.064	.000	.538					
	N	203	203	203	203				
Providing Feedback	Pearson Correlation	**.187****	.083	.077	.070	1			
	Sig. (2-tailed)	.008	.241	.272	.322				
	N	203	203	203	203	203			
Explaining Rating Decision	Pearson Correlation	.100	-.027	.060	.014	**.179***	1		
	Sig. (2-tailed)	.155	.700	.392	.840	.011			
	N	203	203	203	203	203	203		
Procedure of Appeal	Pearson Correlation	.090	.017	.074	.055	.055	.150*	1	
	Sig. (2-tailed)	.201	.815	.297	.434	.435	.033		
	N	203	203	203	203	203	203	203	
Job Satisfaction	Pearson Correlation	-.088	.046	.106	**.141***	.057	**.218****	-.066	1
	Sig. (2-tailed)	.214	.511	.132	.044	.420	.002	.351	
	N	203	203	203	203	203	203	203	203

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

*. Correlation is significant at the 0.05 level (2-tailed).

Correlation is a measure of association/Relationship/ between and movement of the two variables e and c on). It be m d betw two or more independents and of' r 'indicate positive correlation e in the stated direction), whereas values ndicat tive co on i.e es in the two variables taking place in s no association between the two

Correlations

		Setting performance Standard	Appraisal Form Consent	Rater Assurance Confidence	Accuracy of Rating	Providing Feedback	Explaining Rating Decision	Procedure of Appeal	Job Satisfaction
Setting performance Standard	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	203							
Appraisal Form Consent	Pearson Correlation	.060	1						
	Sig. (2-tailed)	.394							
	N	203	203						
Rater Assurance Confidence	Pearson Correlation	-.020	.048	1					
	Sig. (2-tailed)	.779	.495						
	N	203	203	203					
Accuracy of Rating	Pearson Correlation	.130	.252**	.043	1				
	Sig. (2-tailed)	.064	.000	.538					
	N	203	203	203	203				
Providing Feedback	Pearson Correlation	.187**	.083	.077	.070	1			
	Sig. (2-tailed)	.008	.241	.272	.322				
	N	203	203	203	203	203			
Explaining Rating Decision	Pearson Correlation	.100	-.027	.060	.014	.179*	1		
	Sig. (2-tailed)	.155	.700	.392	.840	.011			
	N	203	203	203	203	203	203		
Procedure of Appeal	Pearson Correlation	.090	.017	.074	.055	.055	.150*	1	
	Sig. (2-tailed)	.201	.815	.297	.434	.435	.033		
	N	203	203	203	203	203	203	203	
Job Satisfaction	Pearson Correlation	-.088	.046	.106	.141*	.057	.218**	-.066	1
	Sig. (2-tailed)	.214	.511	.132	.044	.420	.002	.351	
	N	203	203	203	203	203	203	203	203

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

*. Correlation is significant at the 0.05 level (2-tailed).

– (+) 1 icates t posi relati when it is (–) 1, it indicates perfect), also interpreted the coefficient ation b o and n the ng ma The correlation coefficient (r) ranging orrelation, r ranging from 0.30 to ranging from 0.50 to 1.00 may be le) used to test hypothesis and to (whe he dep variabl ows change as a result of change in ificance value < 0.05.

The result in Table 11. showed that there were significant positive and low degree of correlation between Accuracy of Rating (sig=.44, and r=.141) , significant positive and low degree of correlation between Explaining Rating Decision (sig=.002 and r=.218) and employee job satisfaction . Furthermore, there were negative correlation between setting performance (sig=.214 and r=-.088), procedure of appeal (sig=.351 and r=-.066) and job satisfaction. These indicates that a variation in performance appraisal variables such as accuracy of rating and explaining rating decision would bring changes in employee job satisfaction and conclude that performance appraisal was a good predictor of employee job satisfaction in this study.

4.6. Assumption test of Regression analysis

Multiple linear regression is an analysis that assesses whether one or more predictive variables explain the dependent (criterion) variable. The regression assumptions are **Multicollinearity**, Normality **and Linearity**.

Multicollinearity

Multicollinearity refers to the situation in which the independent variables are highly correlated. When independent variables are Multicollinearity, there is "overlap" or sharing of predictive power. Thus, the impact of Multicollinearity is to reduce any individual independent variable's predictive power by the extent to which it is associated with the other independent variables. "Tolerance" and "variance inflation factors" (VIF) values for each predictor is a means of checking for Multicollinearity. Tolerance value above 0.1 and VIF value less than 10 percent indicate no Multicollinearity problem exist, (Robert, 2006).

Table 12 Collinearity Statics

Coefficients[a]					
Model		95.0% Confidence Interval for B		Collinearity Statistics	
		Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.028	2.826		
	Appraisal Form Consent	-.109	.136	.929	1.076
	Rater Assurance and Confidence	-.049	.270	.985	1.015
	Accuracy of Rating	-.003	.225	.931	1.074
	Providing Feed back	-.136	.145	.954	1.048
	Explaining Rating Decision	.084	.347	.945	1.058
	Procedure of Appeal	-.246	.021	.970	1.031

Source: Own survey, 2024

In the above table 12, the results showed that the collinearity statistics analysis of **variance inflation factors (VIF)** value ranges from **1.015 to 1.076** which indicated there was no sever multicollinearity issue exist in the model and assumption satisfied.

Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable employee's job satisfaction and the independent variables is linear; plots of the regression standard residuals through P-P Plot SPSS software had been used.

Figure 2 Normal P-P Plot of Regression standardized Residual

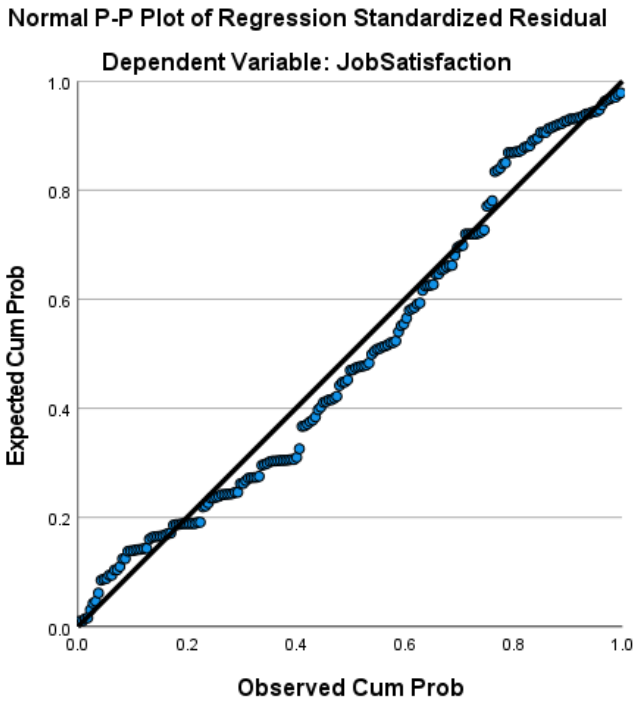


Figure 2. shows the P-P Plots of Regression standardized residuals. As you can see, majority of the standard residual fall in the line included in the curve and many of the residual are fairly close, no violation in linearity assumption and it is satisfied.

Normality Test

Figure 3 Frequency Distribution of Standardized Residual

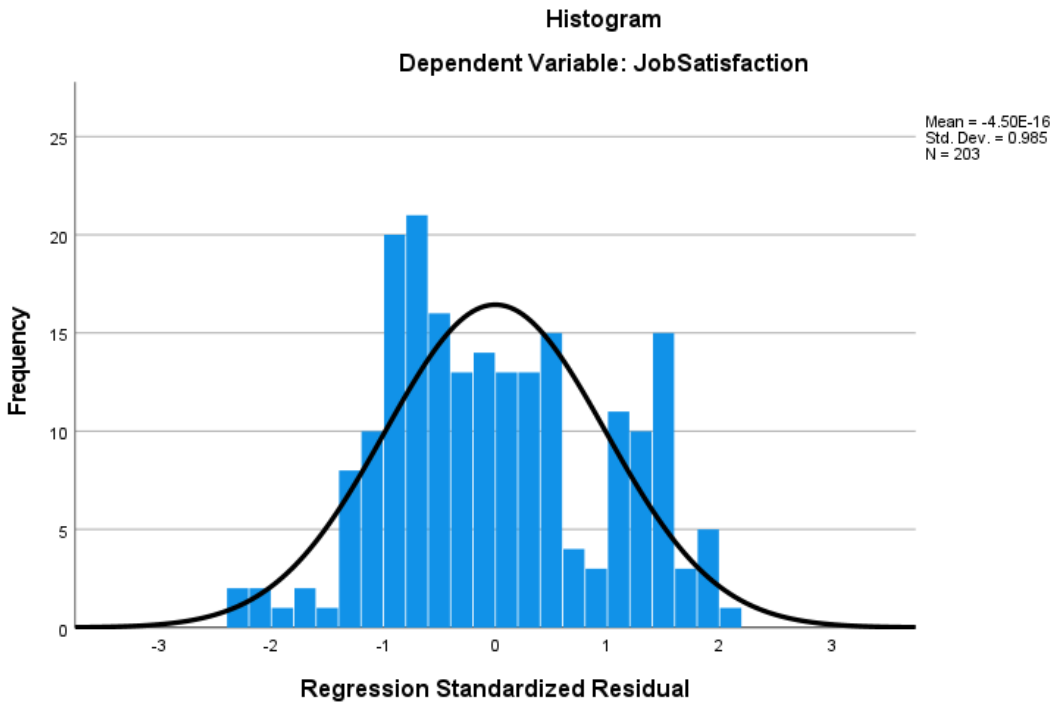


Figure 3. shows the frequency distribution of the standardized residuals compared to a normal distribution. As you can see, majority of the bar included in the curve, when the curve increases the bar the increase in the bar shown and the curve lies between -3 and 3 no violation in Normality assumption and it is satisfied.

4.7. The effect of Performance Appraisal (IV) on Employee Job Satisfaction (DV)

Regression analysis helps in order to measure the relative strength or effect of independent variable on dependent variable. Hence, the effect of between the major components of performance appraisal on employee Job satisfaction were analyzed.

When you do Regression Analysis we get R, R-Square and Adjusted R square value and it is the correlation between dependent and independent variables (R value) in the model, increasing the independent variable (R-square) the model gets stronger and compares explanatory power of independent variables (adjusted R-Square).

Table 13 Regression analyses of respondents

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.295[a]	.087	.059	1.209	1.721

Source: Own survey, 2024

a. Predictors: (Constant), Performance appraisal, b. Dependent variable: Job satisfaction

The above model summary shows the **Adjusted R Square** which were the degree of association between major components of performance appraisal system and job satisfaction is **0.59**. This implies **59%** of variation in job satisfaction were explained by major components of performance appraisal system where us **41%** of variance were explained by other factors. Assumption for Autocorrelation satisfied using Durbin-Watson test were between 1.5 to 2 (i.e 1.721) and accepted

Table 14 ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.305	6	4.551	3.116	.006[b]
	Residual	286.272	196	1.461		
	Total	313.576	202			

Source: Own survey, 2024

a. Dependent Variable: Job Satisfaction, b. Predictors: Performance Appraisal constructs.

The above table shows the **goodness of fit** of the model represented by **0.006** (were below 0.05) extent to which each independent variables influence the dependent variable.

Table 15 Coefficients

Coefficients[a]										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.927	.456		4.228	.000	1.028	2.826		
	Appraisal Form Consent	.013	.062	.015	.217	.828	-.109	.136	.929	1.076
	Rater Assurance Confidence	.110	.081	.094	1.366	.174	-.049	.270	.985	1.015
	Accuracy of Rating	.111	.058	.136	1.924	.056	-.003	.225	.931	1.074
	Providing Feed back	.005	.071	.005	.065	.949	-.136	.145	.954	1.048
	Explaining Rating Decision	.215	.067	.227	3.231	.001	.084	.347	.945	1.058
	Procedure of Appeal	-.112	.068	-.115	-1.656	.099	-.246	.021	.970	1.031

Source: Own survey, 2024

a. Dependent Variable: Job satisfaction

The above table shows the extent to which each independent variables influence the dependent variable. The relative importance or degree of relationship (independent variables) in

contributing to the variance of the (dependent variable) is explained by the **standardized beta** coefficient. The result of coefficient to be explained in two ways positive coefficient shows increase in a single independent variable value increase the dependent variable assuming other things constant.

The **beta** value was positive that means a higher positive effect of performance appraisal associated with higher job satisfaction. Among the independent variables in the above table **Rater Assurance & Confidence**, **Accuracy of Rating** and **Explaining Rating decision** has positive Beta value (11%,11.1% and 21.5%) respectively were more significant and statistically meaningful (meaning an increase in the independent variable increase positively the dependent variable) and Procedure **of Appeal** negative Beta Value -11.2% (Increase in procedure of appeal decrease in job satisfaction).

In addition, the other independent variables on the above table, shows that **Explaining rating decision** were more significant and statistically meaningful as the result shows the significance of the value were below 0.05 (sig= **0.01**). This can be interpreted as a certain improvement on the Explaining rating decision will increase employee's job satisfaction **21.5%.** Thus, explaining rating decision has a greater rate of change than other variables. Thus, from the above table **Null hypothesis** Rejected for **explaining rating decision** has effect on employee job satisfaction as p-value (significance) which was 0.01 below 0.05 (Result supported) and for the remaining independent variable based on the above result no evidence to reject the null hypothesis (Result not supported).

The t-value of **Four** variable (Rater Assurance, Accuracy of Rating, Explaining Rating Decision and Procedure of appeal shows value greater than 1 and this implies how the value of those variable was significant.

Chapter Five

Summary of major Finding, Conclusions and Recommendation

This chapter deals about summary of major findings from data analysis, conclusion, recommendations and suggestion for future research area.

5.1. Summary of Major Finding

The descriptive statistics summary showed that overall (aggregate) mean value for all independent variables (performance appraisal) standard setting (3.39), Appraisal form and contents (3.21), Rater Assurance and confidence (2.61), Accuracy of rating (2.44), providing feedback (2.53), explaining rating decision (2.45), procedure of appeal (2.36) and job satisfaction (2.60) and responses represented based on aggregate mean value as Agree (standard setting and Appraisal form and content, rater assurance and confidence), Disagree (Accuracy of rating , providing feedback, explaining rating decision, procedure of appeal) and neutral (Job satisfaction).

The relationship between performance appraisal and employee job satisfaction measured using correlation analysis result showed that two independent variables accuracy of rating (sig=.44 and r=.141) and Explaining rating decision (sig=.002 and r=.218) significant positive and low degree of correlation.

The model summary regarding the effect of performance appraisal on employee job satisfaction shown with Adjusted R Square Value = 0.59. This indicates that 59% variation on job satisfaction explained by major components of performance appraisal system where us 41% were explained by other factors.

Positive beta value for regression coefficient shown in variables such as Rater Assurance (11%), Accuracy of rating (11.1%) and Explaining rating decision 921.5%0 were statistically significant and meaningful (an increase in those variables increases positively in job satisfaction).

5.2. Conclusion

From the findings of the study, we can conclude that employee do not have sufficient and clear understanding on the performance appraisal system of AB as shown from aggregate mean value of respondents on each construct on performance appraisal majority of response were in disagreements and neutral which have significant contribution on employee job satisfaction.

From the correlation analysis of this study, we can conclude that there exist significant positive and low degree of relationship between performance appraisal and employee job satisfaction for constructs such as Accuracy of rating and explaining rating decision and negative correlation for standard setting and procedure of appeal.

The result of model summary for the effect of performance appraisal on employee job satisfaction showed that 59 % of variation in job satisfaction explained by major components of performance appraisal and the rest 41% by other factors. From this conclude that performance appraisal has significant positive effect on employee job satisfaction.

Furthermore from the findings of the study the models summary result on Goodness of fit result shows that it is below 0.05 (0.006), we can conclude that performance appraisal variable influence job satisfaction Beta value for regression coefficient rater assurance, accuracy of rating and explaining rating decision were positive meaning a change in these variables changes job satisfaction but the change in explaining rating decision higher than other variables null hypothesis rejected (Result supported) as the p-value were 0.001 (below 0.05) and the remaining variables no evidence to reject the null hypothesis.

5.3 Recommendation

Based on the findings of the study, the research forwarded the following Recommendations:

The results illustrated that performance appraisal had positive and significant effect on employee job satisfaction. Specifically, Accuracy of rating and explaining rating decision had the highest effect. More employee job satisfaction of Awash bank could be achieved through implementation of detailed and well-designed efficient performance appraisal system in addition to existing system. Reconciling the measuring scales of the performance appraisal with the actual performance of individual employees and aligning the purpose of the appraisal with strategic, or business objective would also enhance the job satisfaction.

Similarly, explaining rating decision also had positive and statistically significant effect on employee job satisfaction of Awas bank. Investing on supervisors who were assigned to fill staff appraisal and believed to have details, instill confidence, and keeping confidential would also promote the staff's satisfaction at their assigned works. HR managers should train appraisal raters to have better experience in managing appraisal related issues.

The procedure for raising and presenting appeal which existed within the bank should encourage employees to develop confidence concerning the performance result change if they think it is unfair. The bank needs to enhance the confidence level of their employee in the appeal process to make the system very successful.

From the result as shown performance appraisal and employee job satisfaction even if it had positive relationship with performance appraisal. Thus, managements shall utilize and work on motivational tool, personality of individual staff who rate and to be rated as this would help in enhancing employee job satisfaction in the long run.

The results of performance evaluation not tied to certain personnel actions like bonus, salary increment, etc. Financial and non-financial incentive should be linked to the annual appraisal system so that employees would be motivated to perform better.

The researcher has recommended that in order to increase satisfaction of employe's, the bank has to improve the existing performance appraisal practices.

Suggestion for Future Research

The purpose of the study was to find the effect of performance appraisal on employee job satisfaction. Identifying performance appraisal tools that will increase employee job satisfaction benefit management of Awash Bank and future research also need to be undertake using more in depth cross- sectional study in order to gather more detail information.

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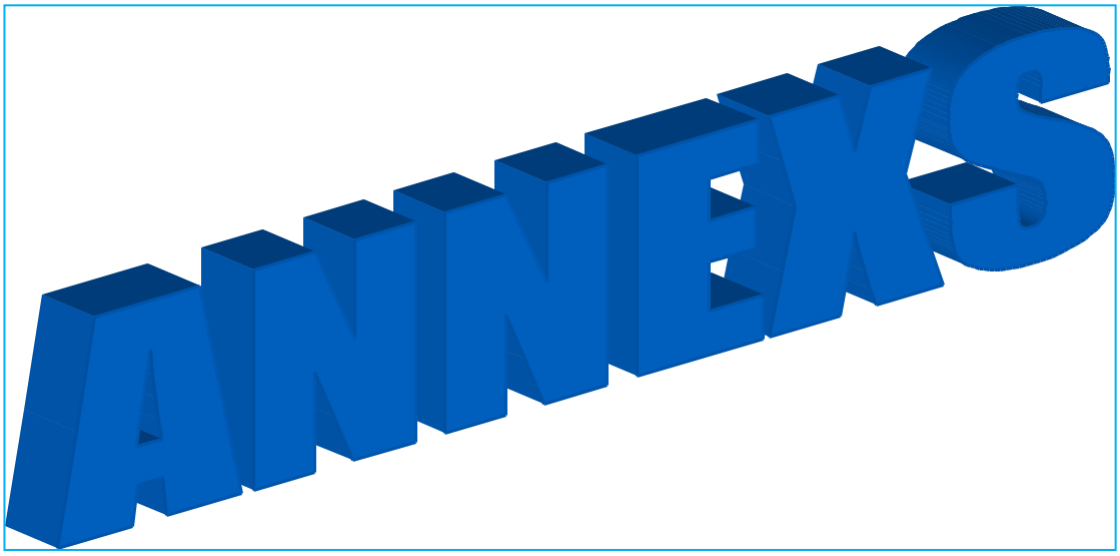
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WWW.Awashbank.com

Awash Bank Revised Staff performance evaluation guideline (July 2022)

Annex



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

Masters of Arts (MA) program in

Business Leadership

Dear Respondent,

I am a post graduate student at Addis Ababa University School of Commerce. This questionnaire is prepared to collected data for my dissertation project on the topic of **"The effect of performance appraisal on employee's job satisfaction*: The case* study of Awash bank S.C".** in partial fulfillment of the Degree of Master in Business Leadership.

Confidentiality: I want to assure you that, this research is only intends for academic purpose only authorized by AAU Thus your ideas and comments are highly honored and kept confidential.

Therefore, I request your cooperation to properly complete all the items covered in the questionnaire since your genuine feedback is of utmost importance in determining the study's outcome.

I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

Finally, you are kindly requested to return the questionnaire by answering every possible item at your earliest time.

General Instructions

- **To make the Satisfaction Survey objective and make your response confidential,**

  There is no need of writing your name.

  Thank you, for your cooperation and timely response in advance.

Sintayehu Nigussie

Student at the Addis Ababa University School of commerce

Cell Phone -091144602

I.Demographic Information

(Please put (√) to indicate your answer)

1. Sex ☐ **Male** ☐ **Female**

2. Your age category ☐ **below 25** ☐ **25-35** ☐ **36-45** ☐ **Above 45**

3. Years of service or work experience in the Awash bank S.c

☐ **Less than 2 year** ☐ **23 years** ☐ **45 years** ☐ **467years**

☐ **more than 7 years**

4. Highest formal education attended

☐ **Diploma** ☐ **Bachelor's Degree** ☐ **MA** ☐ **PHD and above**

5. Under which position are you working?

☐ **Branch managers**

☐ **Customer Service Manager**

☐ **Operation Manager**

☐ **Boo Cashier**

☐ **Auditor, Customer Service officer, Relation ship officer**

6. Place of Assignment

- **Special ,Grade I ,II, III**

II – Please indicate the level of your agreement with the statement below (Please put (√) to indicate your answer)

Definition of some term

PA – Performance Appraisal.

PAP Performance Appraisal Process

PAS Performance Appraisal System

S.N	Questions	Level of Agreement				
	Setting performance Expectations or standards	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
1	The performance appraisal requires that performance expectations set for me at the start of a rating period.					
2	My rater clearly and regularly explains to me what he or she expects from my performance.					
3	The PAP allows me to help set the performance standards that my supervisor will use to rate my performance.					
	Appraisal form and its content	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
4	The PAS makes sure that my performance expectations measure what I really do for the bank.					
5	The expectations set reflect the most important factors in my job.					
	Rater assurance or confidence	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
6	My bank makes sure that I am assigned a rater who knows what I am supposed to be doing.					

7	My bank ensures that I am assigned a rater who is qualified to evaluate my work.					
8	My bank makes sure that my rater understands the requirements and difficulties of my work.					
9	My bank makes sure that my rater understands the PAP rating procedures and rating format.					
10	My bank makes sure that I am assigned a rater that understands the requirements and difficulties of my work.					
	Accuracy of rating	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
11	My performance rating is based on how well I do my work.					
12	My performance rating reflects how much work I do.					
	Providing feedback	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
13	My rater or bank lets me know how I am doing.					
14	My rater regularly gives me feedback that is important to the things I do at work.					
15	My rater reviews with me my progress towards my goals.					
	Explaining rating decision	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
16	My rater helps me to understand the process used to evaluate and rate my performance.					

17	My rater takes the time to explain my rating.					
18	My rater lets me ask him or her questions about my performance rating.					
19	My rater helps me understand what I need to do to improve my performance.					
	Procedure of Appeal	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
20	I have ways to appeal (request or ask) a performance rating that I think is biased or inaccurate.					
21	I can challenge a performance rating if I think it is unfair.					
22	My performance rating can be changed if I can show that it is incorrect or unfair.					
	Job satisfaction	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
23	How proud are you in your current Job.					
24	How often do you have fun at your work.					
25	I am satisfied with the appeal process of the performance appraisal system.					
26	I am satisfied with the feedback aspect of the performance appraisal system.					
27	Does performance evaluation serve as a basis for job satisfaction?					
28	Does positive performance result on your job enjoyable?					

29	How much are you satisfied with the current performance appraisal system of your bank?					

Source: own survey questionnaire 2024

Thank You So Much for Your Cooperation