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A Study on the Role of the Impact of Performance Appraisals System on Employee Motivation in HR Practices in the Business Administration Sector in India

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ABSTRACT

This study looks into how performance appraisal systems affect employee motivation in HR practices within the business administration sector in India. Performance appraisal plays an important role in HRM; it influences career growth, job satisfaction, and overall performance. The research uses a mix of surveys and interviews at business administration institutions and companies to explore how different appraisal methods impact motivation and engagement. The findings seek to offer guidance on creating more effective, clear, and fair appraisal systems to improve employee morale and productivity.

KEYWORDS : Performance Appraisal, Employee Motivation, HR Practices, Business Administration, Employee Engagement

INTRODUCTION

In today's competitive business world, performance appraisal systems are essential tools in Human Resource (HR) practices. They directly affect employee motivation and organizational success. These systems evaluate employee performance, offer constructive feedback, and help make decisions about promotions, training, and rewards. In India, the business administration sector widely uses appraisal mechanisms, but their effectiveness in genuinely motivating employees is unclear. Some employees see appraisals as fair and aimed at growth, while others find them biased and demotivating. This difference shows the need to understand how appraisal practices really impact employee morale and engagement. Since motivation is a key factor in productivity and job satisfaction, this study looks at how appraisal systems work within HR frameworks and if they truly support employee development in the Indian business sector.

RESEARCH OBJECTIVES

- To examine how performance appraisal systems motivate employees.
- To identify how employees perceive the fairness and effectiveness of current appraisal methods.
- To evaluate the link between appraisal outcomes and employee engagement.
- To suggest improvements in appraisal systems for better HR practices.

REVIEW OF LITERATURE

Punit Goel, et.al 2010 – “A Study on Method and process to motivate the employee at performance appraisal system ” The study concludes that performance appraisal systems greatly improve employee motivation when connected to rewards, goal-setting, and development. Different appraisal methods also increase satisfaction and effectiveness.

Liza Estino Daoanis , et.al 2012 – “A Study on Performance Appraisal System: It's Implication to Employee Performance ” The study found that while NAAS Construction's appraisal system matches its goals, problems such as lack of rewards, poor communication, and limited feedback reduce its effectiveness. This shows a need to redesign it to improve employee performance.

Nadeem Iqbal , et.al 2013 – “A Study on Impact of performance appraisal on employee's performance involving the moderating role of motivation ” The study found a positive link between performance appraisal and employee performance among bank employees. Motivation plays a key role in this relationship. It suggests that matching appraisals with HR strategies can improve outcomes.

Abhinanda , et.al 2014 – “A Study on A study on performance appraisal system practiced in sugar mills, and its impact on employees’ motivation. A case study of Simbhawli sugar limited, India” The study found that the Performance Appraisal System at Simbhaoli Sugar Limited significantly boosts employee motivation by focusing on KRAs. However, it recommends better post-appraisal training to improve overall effectiveness.

Catherine W Muriuki , et.al 2016 – “A Study on Effect of performance appraisal on employee motivation at ministry of East African community, labour and social protection ” The study looked at how performance reviews affect employee motivation at the Ministry of East Africa Community, Labour and Social Protection. It aimed to improve appraisal practices at every job level to increase motivation and performance.

Ayomikun Idowu , et.al 2017 – “A Study on Effectiveness of performance appraisal system and its effect on employee motivation ” The study shows that modern performance appraisal systems, when they are fair, transparent, and focused on goals, effectively improve employee motivation. They shift HR's focus from just evaluation to development and motivation.

Aytac Aydin , et.al 2018 – “A Study on Impact of performance appraisal on employee motivation and productivity in Turkish forest products industry: A structural equation modeling analysis” The study showed that performance appraisal has a big effect on motivation and productivity in Turkey’s forest products industry. It provides useful insights for managers and points out the need for more research in this underexplored area.

Yousif Al-Jedaia , et.al 2020 – “A Study on The effect of performance appraisal on job performance in governmental sector: The mediating role of motivation ” The study in Qatar's government sector found that the purpose of appraisal and evaluation methods positively influence motivation and job performance. However, criteria and leadership do not. This highlights key areas for HR managers to improve outcomes.

Pooja Dangol , et.al 2021 – “A Study on Role of performance appraisal system and its impact on employees motivation ” The study in Nepal's service industry found that fair and regular performance appraisals, clear job descriptions, and addressing skill gaps improve employee motivation. However, biased ratings from managers can discourage workers.

Fadillah Ismail , et.al 2022 – “A Study on The Effect Of Performance Appraisal System Towards Employee Performance, Employee Motivation And Employee Satisfaction ” The study at ABC SDN. BHD. found that performance appraisal systems greatly affect employee performance, motivation, and satisfaction. They explain more than 50% of the differences observed and provide recommendations to improve appraisal systems in private sector companies.

Mufeeda Shadiya , et.al 2022 – “A Study on The Influence of Performance Appraisal System on Employees from Work Motivation and Satisfaction ” The study at Agrobisnis Tarutama Nusantara Cooperative found that its performance assessment system has a positive effect on job motivation and satisfaction. This increase in motivation and satisfaction significantly improves employee performance, as confirmed by Structural Equation Modeling.

Veronica Opoku , et.al 2024 – “A Study on The Impact of Performance Appraisal Systems on Employee Motivation and Organizational Success: A Comprehensive Review of Best Practices and Challenges ” Employee motivation and organizational success are greatly impacted by performance appraisal systems; however, their efficacy hinges on resolving issues such as bias, inadequate communication, and a lack of transparency.

RESEARCH GAP

Sl. No.	Design of Research	Objective of Research	Finding of Research
Punit Goel et al. (2010)	Exploratory qualitative approach	To examine how appraisal methods and processes influence employee motivation	Using multi-method appraisals enhances employee motivation when tied to rewards and development
Liza Estino Daoanis et al. (2012)	Mixed method: quantitative & qualitative	To assess the implication of PAS on employee performance in a construction firm	Lack of rewards, feedback, and clarity reduce appraisal effectiveness despite alignment with vision
Nadeem Iqbal et al. (2013)	Correlational analysis using SPSS & AMOS	To study the moderating role of motivation on the relationship between appraisal and performance	Motivation positively moderates the link; appraisal improves performance in banking sector
Abhinanda et al. (2014)	Case study using Z-test	To analyze the effect of PAS on motivation in sugar industry	PAS based on KRAs significantly boosts motivation; recommends post-appraisal training
Catherine W. Muriuki et al.	Descriptive survey research	To study how PAS affects motivation at various job levels	PAS affects motivation differently across levels; calls

(2016)		in government	for role-specific PAS strategies
Ayomikun Idowu et al. (2017)	Conceptual analysis with application	To explore modern PAS and their motivational potential	Modern PAS improves morale if transparent and fair; moves from rating to development
Aytac Aydin et al. (2018)	Structural Equation Modeling (SEM)	To test relationship between PAS, motivation, and productivity in wood industry	PAS has a statistically significant impact on both motivation and productivity
Yousif Al-Jedaia et al. (2020)	Quantitative SEM approach	To evaluate how PA elements and motivation affect job performance	Motivation mediates PA-performance link; not all PA dimensions impact motivation equally
Pooja Dangol et al. (2021)	Descriptive research design	To examine PAS influence on employee motivation in Nepal's service industry	Fair PAS boosts motivation; biased appraisals reduce it; clear roles increase impact
Fadillah Ismail et al. (2022)	Quantitative cross-sectional study	To measure PAS effects on performance, motivation, and satisfaction	Strong positive correlation between PAS and employee outcomes ($r=0.836$ for motivation)
Mufeeda Shadiya et al. (2022)	Explanatory design using SEM	To test causal relationship between PAS, motivation, satisfaction, and performance	Positive relationship among all variables; feedback loops and motivation enhance performance
Veronica Opoku et al. (2024)	Comprehensive literature review	To synthesize best practices and challenges in PAS for motivation and success	PAS enhances motivation and success; hindered by bias, poor communication, and lack of transparency

Table 01: Research Gap



Figure No. 1 The performance appraisal system.

PROBLEM STATEMENT

Many organizations recognize the importance of performance appraisal systems in HRM. However, they often struggle to use them effectively to boost employee motivation. When appraisal methods are not clear, fair, or focused on feedback, it can cause dissatisfaction, low morale, and lower productivity. This study aims to explore how appraisal systems influence motivation among employees in the business administration sector in India.

RESEARCH METHODOLOGY

- **Research Design:**

The study uses a descriptive research design to learn about employee views on performance appraisal systems in their organizations. This method helps gather factual information and interpret opinions from a specific group.

- **Sampling Method:**

A convenience sampling technique gathered data from 52 respondents working in various companies. This non-probability method made it easy to reach participants.

- **Data Collection Method:**

Primary Data: was gathered using a structured questionnaire with close-ended questions presented in pie chart-based Google Forms. The survey focused on factors like motivation, satisfaction, frequency, and the presence of appraisal systems.

Secondary data: Secondary data is gathered from academic journals, industry reports, data bases and published articles related to training delivery and methodology sources such as Harvard business review, McKinsey reports, and research papers from Google scholar are referred Sampling Technique

- **Sample Size:**

The study included responses from 52 employees across different sectors, offering a broad perspective on appraisal practices.

- **Tools for Analysis:**

Responses were analysed with Google Forms pie charts, which visually showed the percentage distribution of each response category. Descriptive analysis helped interpret the findings.

- **Scope of the Study:**

This research is limited to employee perceptions and does not assess the technical or strategic effectiveness of specific appraisal tools or systems.

SAMPLING TECHNIQUES

For this study, the sampling technique used was convenience sampling, a type of non-probability sampling. This method was chosen because it allowed the researcher to gather responses quickly and efficiently from a readily available group of participants working individuals from various backgrounds who could access the survey online.

Sample Size & Location

A total of 52 respondents participated in the study, providing diverse perspectives on the impact of mental health support in the workplace.

ANALYSIS AND DISCUSSION

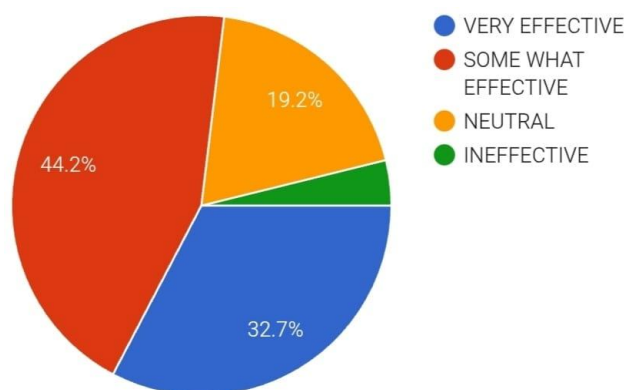
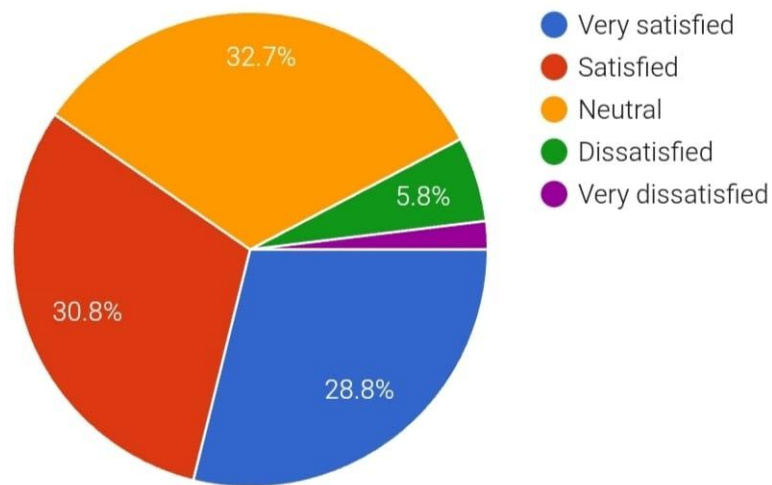


Figure No. 02 Effective company's performance

Very Effective	32.7%
Somewhat Effective	44.2%
Neutral	19.2%
Ineffective	3.8%
Total	100%

Table 01: Responses**Interpretation:**

Most employees have a positive view of the appraisal system, with 76.9% finding it effective. However, the 20% who are neutral point to potential areas for improvement, such as better communication, fairness, or incentives. Only a small number of employees see the system as ineffective. This shows a favorable overall perception, but there is still room for improvement.

**Figure No. 3 Satisfaction level with the appraised system in your company**

Very Satisfied	28.8%
Satisfied	30.8%
Neutral	32.7%
Dissatisfied	5.8%
Very Dissatisfied	1.9%
Total	100%

Table 02: Responses**Interpretation:**

A majority of employees, 59.6%, are satisfied with the appraisal system, which shows a generally positive feeling. However, the high neutral response, 32.7%, may indicate uncertainty, lack of engagement, or unclear benefits of the system. The low dissatisfaction rate, 7.7%, shows minimal discontent, but it still suggests a need to address possible feelings of neglect or unfair treatment among a small group.

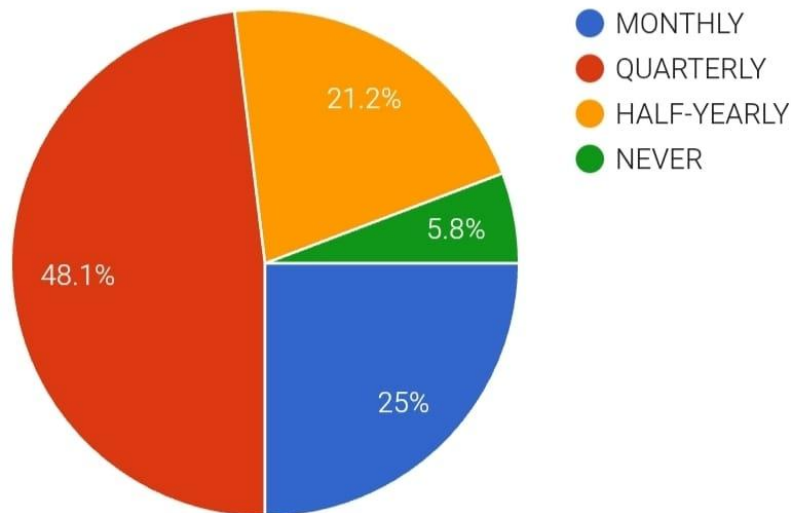


Figure No.4 Performance appraised

Monthly	25%
Quarterly	48.1%
Half-Yearly	21.2%
Never	5.8%
Total	100%

Table 03: Responses

Interpretation:

Most companies have a performance review system. Quarterly appraisals are the most common, providing regular feedback. Monthly and half-yearly reviews occur as well, but they are less frequent. However, the 5.8% of employees who never receive appraisals might feel less motivated or undervalued, which could lead to dissatisfaction.

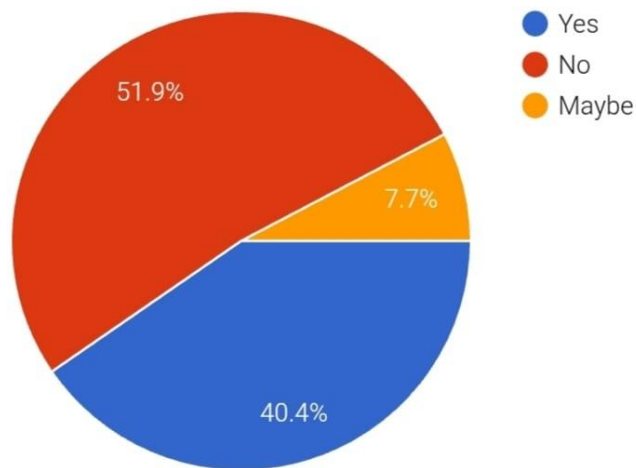


Figure No.5 Performance appraised

Yes	40.4%
No	51.9%
Maybe	7.7%
Total	100%

Table 04: Responses

Interpretation:

More than half of the respondents, 51.9%, said their company does not have a formal appraisal system. This might suggest that they rely on informal feedback methods or that there is a breakdown in communication or awareness among employees. It could also point to a disconnect between HR policies and how they are carried out. These gaps can cause inconsistencies in performance evaluations, which may impact employee motivation and growth.

CONCLUSION, LIMITATIONS, IMPLICATIONS, FUTURE RECOMMENDATIONS
CONCLUSION

The study finds that performance appraisal systems significantly influence employee motivation in HR practices within the business administration sector in India. A well-structured, transparent, and timely appraisal process boosts employee morale, job satisfaction, and productivity. In contrast, poorly implemented appraisal systems that lack feedback, fairness, or clarity can cause disengagement and dissatisfaction. Therefore, HR departments must ensure that appraisal processes meet employee expectations, performance goals, and organizational culture to create a motivated and high-performing workforce.

LIMITATIONS

This study focuses on India and the business administration sector. It may not represent global or cross-industry practices. Data was collected through self-reported methods, which could introduce bias. The small sample size may also limit the generalization of the findings.

IMPLEMENTATIONS

HR can use these findings to create fair, consistent, and growth-focused appraisal systems. Training managers to give helpful feedback will improve the development aspect of appraisals. Involving employees in designing and reviewing appraisal policies increases acceptance and effectiveness. Connecting appraisals to career growth and rewards can boost employee motivation, engagement, and retention.

FUTURE RECOMENTATION

Future research should use larger, more diverse samples from different industries and regions for wider relevance. A longitudinal approach can show the long-term effects of appraisals. Studies on AI-based tools and real-time feedback systems may improve transparency. Additionally, looking into the role of emotional intelligence and leadership style can provide deeper insights into how effective appraisals are.

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