



CONDUCTING APPRAISAL AND PERFORMANCE OF COMMERCIAL BANKS IN MACHAKOS COUNTY- KENYA

Mwanthi Winfred Mutindi 

Department of Business Administration, School of Business and Economics,
Machakos University, Kenya
w.mwanthi08@gmail.com

Ombuki Charles

Department of Business Administration, School of Business and Economics,
Machakos University, Kenya
ombuki@yahoo.com

Nzioki Susan

Department of Business Administration, School of Business and Economics,
Machakos University, Kenya
sknzioki@yahoo.com

Abstract

Conducting Performance Appraisal (PA) affects performance of commercial banks. When undertaking PA, banks should ensure that, the supervisors and employees know the parameters to be used in measuring the actual performance against the set targets at the start of the period. They should also be made to know the importance of PA both to individual employee and for the company and should be conducted periodically. This study sought to establish how conducting PA affects performance of commercial banks. The study was done in Machakos County in Kenya, in Africa. Data was collected from 16 commercial banks in the county. Sample size for the study was one hundred and ninety-five (195) respondents. A descriptive survey design was adopted. The research instruments used were questionnaire and interview guide, the former having closed-ended Likert scale questions and the later had guiding questions. Data was analyzed quantitatively and qualitatively using Statistical Package of Social

Sciences (SPSS). The study found that there is a positive relationship between conducting performance appraisal and performance of commercial banks in Machakos County. The study also recommends that banks should use combination of appraisal techniques to reduce the weaknesses of one single technique. Continuous assessment of the methods used should be done.

Keywords: Performance, Performance Appraisal, Conducting, Parameters

INTRODUCTION

Performance Appraisal is the procedure of assessing employees' performance and advancement on a certain job and possible growth in future. The key rationale to undertake Performance Appraisal is to gather essential information about employees for decision making. It determines employee performance, assists to communicate any areas of improvement to employees and helps the management to come up with a plan of ensuring good relations between supervisors and employees for enhanced organizational performance (Mayol, 2016).

Globally, diverse performance evaluation practices are employed depending on business, human resources cadre and corporation cultures. Most businesses know the significant function Performance Appraisal (PA) plays and have increased its adoption considerably. PA has been integrated by organizations in diverse sectors in an attempt to strive and continue to exist in a global competitive economy. In any organization, human capital is the most important asset that can be relied on to attain competitive advantage. Nevertheless, the overall efficiency of human capital should regularly be reviewed hence, creating the need for PA programmes (Munguti, 2017).

Performance Appraisal monitors employee's work performance so as to make sound personnel decisions. Therefore, it is a planned interface between appraisees and their appraisers where, appraisers look at the appraisees' performance to recognize strengths as well as weaknesses for future performance improvement (Mwangi, 2013). Performance Appraisal evaluates and discusses employee's performance to determine which duties and tasks to assign to employees (Kithuku, 2012).

Appraisal should focus on the outcome an employee obtains; not their behavior characteristics and should assess skills with sensible correctness and consistency so as to discover areas that need improvement (Kithuku, 2012). PA helps an establishment to recognize what workers have attained and what they are capable of, by determining their weak areas for

further training and strong areas so as to motivate them to get better performance (Wanjala & Kimtai, 2015).

Organizational output can be calculated wholesomely as a collective effort or independent worker productivity. Performance of workers is usually a product of their sweat, personality, attentiveness and hard work. Organizations however, can boost and manipulate positive worker efficiency by motivating them well, ensuring the working surroundings are good, adequate remunerations are in place and recognizing good performance (Chadwick et al., 2015).

There are various measures of productivity for instance money, production unit or services. Nevertheless, mainly, workers' performance is influenced by their abilities, incentive levels and the surroundings (Elliott, 2015). Performance Appraisal enables human resource managers in management of career planning and progression planning by assisting in monitoring and keeping records on how an employee performs in a certain job (Mayol, 2016).

As an orderly assessment of performance, PA gives the right understanding of a worker's ability for more development and improvement. Further, PA promotes an affirmative work atmosphere which leads to efficiency if good results are acknowledged and rewarded based on goal performance actions. This also creates an aggressive spirit and workers are aggravated to advance their concerns which helps to increase self-confidence among them hence, improved performance and consequently overall organizational performance (Mayol, 2016).

Performance Appraisal enables human resource managers in management of career planning and progression planning by assisting in monitoring and keeping records on how an employee performs in a certain job (Mayol, 2016). Commercial banks' performance can be measured using financial measures such as Return On assets (ROA), Return On Investments (ROI) and turnover (sales) among other indicators (Okun, 2012).

Ngure (2014), is emphatic that Kenya's financial sector is dominated by commercial banks and any failure will impact negatively to the country's economic growth. This is because if any bankruptcy happens in the sector it will have a contagion effect which can lead to bank crisis, overall financial crisis and economic tribulations.

In Kenya, the Banking sector has been experiencing low employee performance which has also led to poor performance of some commercial banks. This is attributed to inadequate performance management process (Kibichii, Kiptum & Chege, 2016). In an attempt to eliminate these challenges, the Central Bank of Kenya launched several reform programs including performance management process aiming at enhancing productivity (CBK, 2014).

This is done with a conviction that employees perceive an organization as fair and trustworthy through how it shapes and executes its human resource policies and practices. PA should be conducted continuously and with consistency; parameters to be used communicated to all the workers and well observed during the process so as to provides tangible evidence of fairness of the organization to its employees' which improves their morale to work hard to attain organizational goals which improves firms' performance (Mbugu, Waiganjo & Njeru. 2015).

Kenyan banks operate nationally and also as multinationals within East and Sub-Saharan Africa. Hence, the need for standardization on how, performance appraisal is conducted in terms of parameters used, its consistency and error rates to avoid major variances on how to manage workforce within the banking industry (Muli, 2014).

According to Heathfield (2018), managers in most organizations either ask employees to fill out a self- assessment forms or write their opinions about an employee annually which is mostly based on recent events, which the manager can remember instead of real performance, which requires time and follow up. Most managers also are uncomfortable in judging employees' performance and mostly undertake PA when it is long overdue despite the fact that it aids the management in decision.

In most cases, supervisors, and employees don't know the value of performance appraisals in an organization. Managers feel that conducting PA is additional work and remain skeptical of the whole process. Conducting an effective appraisal process is no easy task, especially when the supervisors take it as additional work for them. The process puts pressure on employees forcing them to set specific goals, and work towards achieving these goals (Carrol & Scheider, 2012).

Undertaking performance appraisal process gives an excellent opportunity to identify training and needs. During planning and monitoring of work, deficiencies in performance are identified and the necessary action taken through training of employee based on performance gaps. If PA is conducted diligently and regularly, it can give good returns. Areas with good performance will stand out and organization can motivate successful employees to improve even further hence improving organizational performance (US Office of personnel management, 2008).

Employees according to Abdul (2011), are the most important element in every organization. Organizational success or failure is therefore based on their performance. According to Khayinga, Mamuli and Wekesa (2016), assessment is made to determine what actual performance is by comparing the actual performance and the set standards. It should point out clearly the deviations between standard performance and actual performance for further action.

The appraisal results should be periodically discussed with a view to improve performance in the organization and boost self-esteem of the employee. Once the deviations have been determined and corrective actions taken performance is likely to improve. Appraisal results should be used to help in identifying better performing person for rewarding with either merit pay increases, bonuses, company stocks or promotions in order to encourage other workers to take the process positive hence better performance in organization (Ishaq et al 2009).

Organizations that motivate their employees based on performance and especially excellent performance; make employees to be more creative and comes up with bright ideas that give the organization a competitive advantage in its environment hence better performance (Salau, Oni-ojo, Falola and Dirisu, 2014). Some managers don't conduct appraisal appropriately as they only appraise their staff when there is need for promotion or when it is long overdue. Due to busy schedules, managers don't give appraisal process enough time leading to biasness which makes the whole process inappropriate (Nuwagaba, 2015).

When conducting PA, the evaluator should ensure the right information concerning each employee is entered well, describe in details what goal an employee has attained and which he/she has not been attained by comparing current performance against the set goals at the start of the appraisal period and give comments on results attained against the set goal for the employee to know how far he/she is from the target set (<http://www.businessmanagementideas.com>).

PA should be conducted in a continuous and periodical manner in order to determine deviations in the process. Deviations identified should be discussed to determine better performing employees for rewarding and other administrative decisions such as promotions and salary increment. PA errors such as biasness, inconsistency and discrimination should be avoided for the process to be fair and for workers to trust the process. If PA is not conducted well either due to errors committed by the raters or lack of skills on how to carry out PA, employees will term the process as unfair and will not trust the process leading to their poor performance and consequently poor bank performance (<http://www.businessmanagementideas.com>).

Some managers are not objective when appraising their subordinates and end up being subjective. This denies the subordinates a chance to improve where they are weak. Performance evaluation if properly done will identify workers who need training and those who need to be groomed for higher positions which increase motivation hence good overall performance. If evaluation is poorly done it affects employees' moral leading to poor overall performance (Mayol, 2016).

Banks use Formal appraisal where the workers are evaluated either semiannually or annually. The supervisors should inform subordinates to know formally that their present performance is being rated. The PA results will show employees who deserve merit raise, those in need of additional training and those for promotion. It helps managers to differentiate between the current performance and the potential performance of employees. Managers in most cases fail to make this distinction and assumes that a person with the skills and ability to perform well in certain job will automatically perform well in a different job making people to be promoted to positions which they cannot adequately perform leading to poor performance (Fekadu, 2017).

Nuwagaba (2015), managers also don't keep record of how employees are performing throughout the year which would be of help during the process making. PA also measures mostly extreme performance and may not focus much on middle- range performers. Kondrasuk (2011), PA is mostly undertaken when there is need to promote staff. These practices could be affecting commercial banks in Machakos County.

Divya and Jaya (2015), assert that, many managers argue that performance appraisal system takes much of their productive time. In many cases they undertake PA evaluation once in a year or when need arises. If evaluation and monitoring is done once after a long time, then areas where the employee has improved over the period will not be noted and rating errors will be rampant. In the long run, it will demoralize workers hence affecting their performance and the overall organization's performance.

Continuous monitoring gives employees an opportunity to know how well they are meeting the set standards and take corrective action in case the performance is not good. It helps in identifying poor performance early and addressing such problems on time rather waiting until the end of the period. If PAS is undertaken continuously then deviation will be identified and corrected on time and this will improve performance in the banks (Armstrong, 2008).

According to Boateng (2011), bias is inaccurate distortion of performance measurement committed by managers during appraisal implementation and which affects the whole PA process. The most common error committed is horns and halos effect were managers assume a certain employee is either naturally good and rate him/her above average or assume the employee is bad and rate him/her poorly which may negatively affect performance.

Once a manager has an informed mind about an employee, he/she will look for information to support that instead of following the right PA practices and giving the correct performance. This affects employee's morale which affects their performance and consequently organizational performance. PA should measure employee's performance and not their

behaviors. Sometimes performance rating is affected by personal factors, age, prejudices and gender leading to wrong rating (Ochoti, 2016).

Muthoka, (2016), asserts that to reduce bias, discrimination and favoritism, performance appraisal system should have a continuous review mechanism, were the evaluator's immediate supervisor, automatically review all evaluations of employees made by subordinate managers. This ensures that the evaluation is fair, consistent, and accurate and assures that the evaluator has carried out his or her function objectively to boost employees moral which consequently improve overall performance.

Statement of the problem

Banjoko, (2007) is emphatic that there is perhaps no plan in the arsenal of human resources administration that is complex to efficiently implement and so far, so essential to individual and organizational development than Performance Appraisal. Appraisal should determine skills and performance with sensible exactness and consistency, a condition which appeared missing in commercial banks in Machakos County. PA aims at correcting poor performance, sustaining good performance and improving performance (Kiara, 2017).

Cytonn Investment Report (2016), stressed that despite banks having PA in place, poor performance had been registered in most of the banks leading to staff layoffs, closure of branches and mergers and acquisitions. Banking (Amendment) Act of 2016 requiring commercial banks to lend at 4 % above the CBK rate of 10.0 % saw 1470 bank employees laid off, 39 branches closed and 7 banks acquired as cost cutting strategy.

When employee are made to understand how they performed and how the results were attained and find fairness in the process, they will accept the result and work hard to improve future results which also improves firm's performance. If they don't understand how the final grade was attained and perceive unfairness in the process they will be demotivated to work which reduces their performance and consequently the firm's performance (Muthoka, 2016). This study will therefore establish whether conducting of PA affects performance of commercial banks in Machakos County.

This study was carried out at a time when commercial banks are experiencing cut throat competitions, which have led to closure of several bank branches and retrenchment of workers, mergers and acquisitions as cost cutting measures for survival. The study would unearth the problems affecting PA and which may have led to the poor performance witnessed in the banking sector

Research hypothesis

H0: Conducting of Performance Appraisal has no effect on Performance of Commercial Banks in Machakos County.

H1: Conducting of Performance Appraisal has effect on performance of commercial banks in Machakos County.

THEORETICAL FRAMEWORK

This study was informed by several theories.

Equity theory

This theory was proposed by John Stacey Adams in 1963. It states that employees are motivated to work when they perceive equal treatment in an organization. People tend to compare themselves with other employees in the organization and also in other organizations. The comparison is based on their contribution to work, cost of their action and the benefit they get from their contribution to the reference person. If they perceive inequity in the ratio their inputs-outputs with those of their reference others, then motivation reduces which affects both individual and organizational performance (<http://www.anlytictech.com>).

Therefore, where there is equity, employees are likely to be more motivated to work than in those organizations where employees perceive inequity. The theory argues that inequity, affects employees morale to do the work whether real or perceived and it consequently affects the overall organizational performance (Wagacha & Maende, 2017).

When employees feel that they are treated unequally, it affects their morale to work; and will try to gain equity. This may be through decreasing their input or pushing for more pay. Moreover, employees may avoid any extra work and only do the work assigned which reduces organization's performance. Equity theory shows that, employees' treatment matters a lot if performance will increase. It therefore calls for a fair and equal treatment of employees so as to boost their morale for more performance in an organization (Kisang & Kirai, 2016).

Expectancy theory

This theory was developed in 1964 by Victor Vroom. The theory assumes that people will be motivated to exert more effort on their work if there is a relation between efforts exerted, performance gained and compensation they get. Individuals will therefore adjust their behavior to attain these goals in order to get rewards. It suggests that an individual will look at several

outcomes associated with different levels of performance and will choose to follow the level that gives him/her the maximum reward (Hepnetich & Bula, 2017).

In expectancy theory, for an employee to put more efforts towards attaining organizational goals will highly depend on how the organization will develop and undertake it's PA. For employees to achieve their set targets, they should know what would be the reward associated with attainment of goals. When an employee believes that a high performance will lead to a better compensation for the work done, he/ she will work extra hard in order to attain the set target so as to get the reward attached on such performance leading to growth in banks (Muthoka, 2016).

EMPIRICAL REVIEW

Several empirical studies have been done on Performance appraisal. Wanjala and Kimtai (2015), studied the Influence of performance appraisal on employee performance in commercial banks in Trans Nzoia County in Kenya. The study employed descriptive research design. Sample size of 178 employees was used. The study revealed that PA can be an essential tool in improving employees' performance if they see it as being fair and objective in facilitating their upward mobility and are involved in the whole process. The duo recommended for training of managers on PA, clear and early communication on any changes made on the PA rating for each concerned person to know what is expected of them (Wanjala & Kimtai 2015).

Mulwa (2017) studied the Influence of Performance Management System on Employee Performance in Commercial Banks in Kitui Town. The study employed descriptive research design. Sample size of 94 employees was used. Observations, questionnaire and interviews methods were used to collect data. The findings were that PA positively affects motivation and work performance. The study recommended that training should be based on performance gaps, the process should be done professionally, should be unbiased, employees should be involved in setting their targets and regular feedback should be given (Mulwa, 2017).

Antwi, Opuku, Ampadu and Osei (2016), assessed Human Resource Management Practices of Public Banks from Employees' Perspective: Case Study of Selected Branches of Ghana Commercial Banks Kumasi was used. Descriptive research design was applied. Sample size of 80 employees from selected bank branches was used. The study revealed that performance appraisal, internal communication, and training and development, reward/remuneration greatly influence employees' performance hence organizational performance. The study recommended for adequate and appropriate training on PA, merit-based motivation, continuous interaction between senior management and workers to update

them on any changes in organization, regular feedback and fair remuneration to employees (Antwi, Opuku, Ampadu and Osei, 2016).

Chompukum (2013), studied performance management effectiveness in Thai banking industry: a look from performers and a role of interactional justice. The study found that employees attitude towards performance evaluation affects their attitudes towards performance management effectiveness. Employees are keen to receive feedback which ties rewards to performance than on how to develop skills. It recommended that organization should link performance with rewards, good communication between supervisors and employees on performance, consistence on performance evaluation across all people and that feedback given on continuous basis is paramount (Chompukum, 2013).

Migiro and Tenderera (2011), studied evaluating the performance appraisal system in the bank of Botswana. The research design used was qualitative with a sample population of 417 representatives. Questionnaire was used to collect data. The duo discovered that there was no consistence In undertaking PA and rewarding employees performance was based on performance appraisal results. The study recommended that employees and evaluators be regularly trained to reduce bias, increase transparency of the appraisal system, regular feedback be given to employees on their performance and reduce inconsistency of PA across the banks (Migiro and Tenderera, 2011).

Managers feel that conducting PA is additional work and remain skeptical of the whole process. Conducting an effective appraisal process is no easy task, especially when the supervisors take it as additional work for them. The process puts pressure on employees forcing them to set specific goals, and work towards achieving these goals (Carrol & Scheider, 2012).

According to Khayinga, Mamuli and Wekesa (2016), assessment is made to determine what actual performance is by comparing the actual performance and the set standards. It should point out clearly the deviations between standard performance and actual performance for further action. The appraisal results should be periodically discussed with a view to improve performance in the organization and boost self-esteem of the employee. Once the deviations have been determined and corrective actions taken performance is likely to improve (Ishaq et al 2009).

Performance appraisals intends to evaluate the performance and potential of employees but sometimes it may fail to give valid indicator of what it intends to assess because of how it is conducted. Performance appraisal errors such as biasness and inadequate training lead to wrong results making the whole process to be unfair and workers also lose trust hence affecting their performance and consequently performance in banks (Rao, 2014).

Some managers don't conduct appraisal appropriately as they only appraise their staff when there is need for promotion or when it is long overdue. Due to busy schedules, managers don't give appraisal process enough time leading to biasness which makes the whole process inappropriate (Nuwagaba, 2015).

According to Migiro and Tederera (2010), performance appraisal system should measure employees' performance consistently for it to be effective and reliable. High performing employees should consistently receive a high rating while a low performing employee receives a consistently low rating

Continuous monitoring gives employees an opportunity to know how well they are meeting the set standards and take corrective action in case the performance is not good. It helps in identifying poor performance early and addressing such problems on time rather waiting until the end of the period. If PAS is undertaken continuously then deviation will be identified and corrected on time and this will improve performance in the banks (Armstrong, 2008).

RESEARCH METHODOLOGY

This study adopted a descriptive survey design. A descriptive research is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subject in the study (Mugenda & Mugenda, 2009). Kombo & Trump (2010), are emphatic that the purpose of descriptive research is not only restricted to fact findings, but often results in formulation of important principles of knowledge and solution to significant problem.

The descriptive design chosen was supported by a previous research by Kimeu (2018). Three hundred and eighty (380) employees' in commercial banks formed the study population. The target population was sixteen (16) commercial banks in Machakos County.

Sampling Technique

Stratified random sampling technique was applied. Total population was divided into three (3) strata's based on their ranks and sample items were randomly selected from each stratum. The researcher picked a sample size of 195 (one hundred and ninety-five) employees where; forty eight (48) managers, seventy nine (79) supervisors and sixty eight (68) clerks were picked.

Data Collection Tools

Data was collected using questionnaires and interview guide. The researcher used interview guide for managers and structured closed-ended questionnaires with likert questions for the other commercial bank employees in Machakos County.

Analytical Approach

To test whether the relationship between conducting of PA affected performance of commercial banks, Pearson correlation coefficient was computed to measure the strength of the association between the two variables (Kasomo, 2006). Further, coefficient of relationship was calculated to establish the amount of change the independent variable had on the dependent variable (Newton & Rudestan, 1999).

ANALYSIS AND RESULTS

Conducting of Performance Appraisal and Performance

The researcher also sought to determine how conducting of performance appraisal affects performance of commercial banks in Machakos County. The researcher looked at how actual performance was measured against the set targets and rating errors experienced. Various questions were posed to the respondents to facilitate this investigation.

Majority (67%) of the respondents agreed with the item that “the ongoing monitoring in the bank has provided an opportunity to check how well employees are meeting predetermined standards.” Majority (51%) respondents however disagreed with the item that “The employees help in the policy creation process as a way to make them appreciate the monitoring system” On the other hand, a majority (49%) of the respondents agreed with the item that “Monitoring continually helps to identify unacceptable performance”

Further, 58% of the respondents, agreed that “If the bank is going to discipline based on the monitoring system, the employee have right to see exactly what they did wrong.” Additionally, the researcher inquired whether “Performance monitoring plays a central role in the process of problem solving at the bank” of which majority (85%) of the respondents also agreed with the statement.

Further on, a majority (61%) of the respondents agreed with the item “Monitoring has helped increase efficiency, develop customer service and improve the evaluation process of the employees at the bank” On whether “The evaluation methods used are fair in measuring my performance”, 76% of the respondents agreed. Another 77.9% indicated that “Periodic performance rating has an impact on the performance of employees”

Additionally, 70% of the respondents agreed that “The evaluation methods used are designed with inputs from the employees and their representatives” while, 79% agreed that “The company uses modern and non-complex methods during the conducting of performance appraisal “while another majority (69%) agreed that “The conducting of performance appraisal process is just and fair. The finding shows that the employees were generally satisfied with how the performance appraisal was conducted. This is very crucial in performance. As was observed

by Grobler and Govender (2016), organization should ensure the system is fair to all and resources are equally distributed to all workers to ensure fair play ground to all in order to improve individual performance and consequently organizational performance as indicated in Table 1.

Table 1: Conducting of Performance Appraisal and Performance

Statement	1	2	3	4	5
The ongoing monitoring in the bank has provided an opportunity to check how well employees are meeting predetermined standards	30%	37%	15%	15%	2%
The employees help in the policy creation process as a way to make them appreciate the monitoring system	13%	16%	10%	20%	31%
Monitoring continually helps to identify unacceptable performance	10 %	39%	15%	14%	12%
If the bank is going to discipline based on the monitoring system, the employee have right to see exactly what they did wrong.	34%	24%	10%	16%	16%
Performance monitoring plays a central role in the process of problem solving at the bank	35%	30%	18%	13%	4%
Monitoring has helped increase efficiency, develop customer service and improve the evaluation process of the employees at the bank	26 %	35 %	21%	10 %	8%
The evaluation methods used are fair in measuring my performance	40 %	39%	1 %	13%	7%
Periodic performance rating has an impact on the performance of employees	59.8%	19%	1.1%	2.1%	18%
The evaluation methods used are designed with inputs from the employees and their representatives	35%	35%	4%	16%	10%
The company uses modern and non-complex methods during the conducting of performance appraisal	59%	20%	5%	6%	15 %
The conducting of performance appraisal process is just and fair	33%	36%	5%	12%	14%

Muthoka, (2016), also found that to reduce bias, discrimination and favoritism, performance appraisal system should have a continuous review mechanism, were the evaluator's immediate supervisor; automatically review all evaluations of employees made by subordinate managers. This is to ensure that the evaluator has carried out his or her function objectively which boosts employees' moral and consequently overall firms' performance.

Relationship between Conducting of PA and Performance of Commercial Banks

Correlation Analysis

Multiple regression analysis was utilized to investigate the relationship between the variables. These included an error term, whereby a dependent variable was expressed as a combination of the independent variable. The finding showed that there is a positive relationship between performance of commercial banks in Machakos County and conducting performance appraisal levels with a statistically significant coefficient as indicated by a t-ratio of 1.226 as shown in Table 2.

Table 2: Regression Results of the Relationship between Variables

	Unstandardized		Standardized	t-	t-	Significance
	Coefficients		Coefficients	values	critical	
	Beta	Std. Error	Beta			
(Constant)	4.481	5.30		0.912	1.667	0.472
Conducting	1.752	1.324	0.68	1.226	1.667	0.041

NB: T-critical Value 1.667 (statistically significant if the t-value is less than 1.667: from table of t-values)

SUMMARY OF THE FINDINGS

Conducting Appraisal and Performance of Commercial Banks

The study found a positive relationship between performance of commercial banks in Machakos County and conducting performance appraisal levels with a statistically significant coefficient as indicated by a t-ratio of 1.226. The study found that continuous monitoring helped to identify unacceptable performance and that performance monitoring significantly helped in the process of problem solving at the bank.

It was also found that Majority of the companies used modern and non-complex methods during the conducting of performance appraisal and the actual performance appraisal process is just and fair. These finding asserts the need for conducting performance appraisal since it affects performance of commercial banks in Machakos County.

CONCLUSION AND RECOMMENDATIONS

The study concluded that performance of commercial banks is affected by the form of performance appraisal conducted. Modern and non-complex methods were more effective as well as continuous monitoring of the appraisal.

The study recommends that banks should use combination of appraisal techniques to reduce the weaknesses of one single technique. Continuous assessment of the methods used should be done

The study also recommends that banks should adopt participatory performance appraisal systems in order to motivate employees and reduce biased considerations in both the process and outcome.

LIMITATIONS OF STUDY

This study confined itself to Commercial Banks and specific practices. Therefore the results may not be generalized for the whole banking industry. This is because the views expressed by the respondents may only relate to Commercial banks. This is also because other banking institutions such as micro finance and other firms may be using other performance appraisal practices.

The main limitations of this study was that the respondents were reluctant in giving full information fearing that the information asked would be used to intimidate them or paint a negative image about them or the firm. The researcher handled this problem by carrying an introduction letter from the University and assured the respondents that the information they gave would be treated with confidentiality and would be used purely for academic purposes. There was also limitation of time and funds to increase the study sample.

SUGGESTION FOR FURTHER RESEARCH

- i. The study was conducted in Machakos County, Kenya. The cases and phenomenon could be different in other counties. It is therefore recommended that other similar studies be done in other counties with a view of understanding better the factors which affect performance appraisal
- ii. In this regard, the study was not exhaustive performance appraisal practices and performance of commercial banks. Therefore, scholars and academicians should carry out further studies on the same topic, however, focusing on other factors not considered by this study. A similar study could be carried out on other variables not included in this study.

- iii. The study confined itself to commercial banks. This research therefore should be replicated in other sectors to establish the performance appraisal practices adopted in those sectors. At the same time it is important to explore how commercial banks can establish the formal appeal and control system, and keep transparency in performance appraisal. This further study may help banks or other organizations to improve its performance appraisal system specifically, and make it work professionally

REFERENCES

- Armstrong, M. (2008) Performance Management: The New Realities. Institute of Personnel and Development, London.
- Carroll, S. J. & Schneier, C. E. (2012) Performance Appraisal and Review Systems: The Identification, Measurement and Development of Performance in Organizations. Glenview, IL: Scott, Foresman.
- Ishaq, H. M, Iqbal, M.Z. & Zaheer, A. (2009) Effectiveness of performance appraisal: Its outcomes and detriments in Pakistani Organizations. *European Journal of Social Sciences*, 10(3): 479-85.
- Khayinga, M.C, Mamuli, M. L, & Wekesa, G. (2016) Employees view on Performance Appraisal process and its effect on work attitude; the case of Kenya seed company ltd. *Int Journal of Recent Research in Commerce Economics & Management*, Vol. 3, Issue 3, pp: (57-62).
- Kimeu .R. M. (2018) Strategy Implementation and Performance of Commercial Banks in Machakos County, Kenya. *International Academic Journal of Human Resource and Business Administration* | Volume 3, Issue 1, pp. 434-450
- Kisang, F. & Kirai, M. (2016) Effects of performance appraisal on employee motivation in commercial banks: a case of equity bank, Kenya
- Kithuku, V.M. (2012) Effects of performance appraisal on job satisfaction at Kenya commercial bank in Kenya
- Mbugua, G. M, Waiganjo, W.E. & Njeru, A. (2015) Relationship between Strategic Performance Management and Employee Retention in Commercial Banks in Kenya. www.sciedu.ca/ijba *International Journal of Business Administration* Vol. 6, No. 1; 2015
- Migiro, S. O. & Taderera, M. M. (2011) Evaluating the performance appraisal system in the banks of Botswana
- Moyal, S. (2016) Performance Appraisal in banks: *Elk Asia pacific journal of Human Resource Management and Organisational Behaviour*; DOI: 10.16962/EAPJHRMOB/issn.2394-0409; Volume 3 Issue 1
- Muthoka, M. (2016) Influence of contract appraisal on performance of sub-county administrators in makueni county, Kenya. Unpublished work.
- Mwangi, S. (2013) Performance Appraisal Practices among Commercial Banks in Kenya
- Okun, D. M. (2012) The effect of level of deposits on financial performance of commercial banks in Kenya
- Rao, V. (2014) A Study on Performance Appraisal Errors of Public Sector Bank
- Wagacha, K. N. & Maende, C. (2017) Performance appraisal systems and employee productivity in commercial banks in Nairobi County, Kenya. *International Academic Journal of Human Resource and Business Administration*, 2(4), 329-346
- Wanjala, M.W.& Kimtai, G. (2015) Influence of performance appraisal on employee performance in commercial banks in Trans Nzoia County in Kenya