

A Study on Performance Appraisal and its Impact on Employee Productivity

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Abstract

Performance appraisal is considered an important strategic management tool that ensures that human resources are utilized efficiently to meet organizational goals, especially in developmental organizations. This research focuses on examining the importance of performance appraisal and its effects on productivity within the YMCA Rural Centres and Institute of Rural Development, Marthandam. Primary data was obtained from 109 employees via a structured questionnaire. Reliability testing was carried out to ensure the validity of the research instruments used. The data analysis was carried out using SPSS through both descriptive and inferential statistics techniques which included the Independent T-tests and one-way ANOVA. From the findings, there is clear evidence that the appraisal process is very highly ranked with regards to its transparency rating of 71.6% and its capacity to determine training needs at 70%. However, this is overshadowed by the presence of huge gaps in terms of the process from the evaluation process to development stage. There is notable "subjectivity gap" because 63.3% of the respondents perceive evaluation parameters as being subjectively driven on the basis of personal output. In addition, there is significant statistical difference between men and women when it comes to mentoring/coaching after appraisals, where $p=0.043$.

Keywords: Employee Productivity, Human Capital Management, KPI, Performance Appraisal, Subjectivity Gap, YMCA Rural Development.

Introduction

In today's competitive business environment, employees are considered the most valuable assets of an organization. Their performance plays a vital role in achieving organizational goals and improving productivity. Therefore, organizations focus on effective performance management practices to enhance employee efficiency and overall organizational success. Among these practices, performance appraisal is one of the most important tools used to evaluate employee performance and contribution.

Performance appraisal is a systematic process of assessing an employee's job performance, skills, and achievements over a specific

period. It helps organizations identify employee strengths and weaknesses, provide feedback, and plan training and development activities. A fair and effective appraisal system motivates employees, improves job satisfaction, and encourages them to perform better. Employee productivity refers to the efficiency with which employees convert their skills, knowledge, and efforts into productive outcomes. An effective performance appraisal system can positively influence employee productivity by improving motivation, communication, and career development opportunities. It also helps management in making decisions related to promotions, rewards, and training programs.

This study focuses on analyzing the impact of performance appraisal on employee productivity. It aims to understand how appraisal practices influence employee performance, motivation, and efficiency, while also identifying the strengths and weaknesses of the existing appraisal system.

Literature Review

Recent studies highlight that performance appraisal systems play a significant role in improving employee productivity, motivation, and organizational performance. Researchers such as Maganti (2025) and Mohamud (2025) emphasize the shift from traditional annual reviews to continuous feedback systems that enhance employee engagement and performance. Studies by Patel and Pathak (2024), Adeniyi (2024), and Helal (2022) reveal that fair and transparent appraisal systems positively influence employee productivity, job satisfaction, and motivation. Research also indicates that appraisal practices help identify training needs, support career development, and align employee goals with organizational objectives. Furthermore, studies by Lavanya et al. (2024) and Nwokeocha (2024) conclude that effective appraisal techniques and developmental feedback contribute significantly to employee growth and organizational success. Overall, the literature suggests that a well-structured and employee-focused performance appraisal system acts as a strategic tool for enhancing employee productivity and organizational effectiveness.

Research Methods

Research methodology can be defined as the systematic and organized approach to conducting a research study. It includes methods, techniques, and procedures employed by the researcher to obtain data and analyze it in an efficient manner to resolve a particular research problem. It can be considered a blueprint for conducting the research study in an efficient and logical manner in an attempt to obtain accurate results.

Objectives

1. To analyze the relationship between performance appraisal practices and employee development.
2. To evaluate the impact of performance appraisal processes on employee productivity

Type of Research

The research design used in this study is “Descriptive Research”.

Sources of Data Collections

The term “data” can be obtained from a variety of sources, and it is classified into two types: primary data and secondary data.

Primary data

Primary data is defined as the data that is collected directly by the researcher for a specific research study.

Secondary data

Secondary data is defined as data that is already collected by someone else for a different purpose other than the current research.

Statistical Tools for Analysis

Statistical methods are essential for the successful completion of a study and cover the entire process from planning and designing the study to the collection, analysis, interpretation, and reporting of the study's findings. Statistical analysis makes numbers meaningful and thus gives life to lifeless numbers. The accuracy of the results depends on the proper application of statistical tests. The statistical methods that were used for the analysis in this study are as follows:

- Correlation
- ANOVA

Karl Peasons Coefficient of Correlation

Karl Pearson's coefficient of correlation, often denoted as (r), is a measure of the linear relationship between two variables. It indicates both the strength and direction of the relationship between two quantitative variables. The value of (r) ranges from -1 to +1, where +1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 indicates no correlation.

Null Hypothesis(H0): There is no significant relationship between performance appraisal practices and employee development.

Table 1 Analysis of Karl Peasons Coefficient of Correlation Note: 1. * denotes significant at 5% level

Factors	Detect Training Needs	Skill Development	Mentoring & Coaching	Career Planning Input	Career Path Established
Detect Training Needs	1 109	.266 .005 109	-.283 .003 109	.120 .215 109	-.042 .667 109
Skill Development	.266 .005 109	1 109	.055 .568 109	.263 .006 109	-.008 .931 109
Mentoring & Coaching	-.283** .003 109	.055 .568 109	1 109	.163 .090 109	.176 0.67 109
Career Planning Input	.120 .215 109	.263** .006 109	.163 .090 109	1 109	.071 .466 109
Career Path Established	-.042 .667 109	-.008 .931 109	.176 .067 109	.071 .466 109	1 109

Note: 1. * denotes significant at 5% level

2. **denotes significant at 1%level

Interpretation:

Performance appraisal and skill improvement have a positive correlation, which means that the system is effective in finding out training requirements.

Nevertheless, a negative correlation with mentoring programs proves the need for better mentoring

One-way ANOVA

Analysis of Variance (ANOVA) is a statistical technique used to compare the means of three or more independent groups to assess whether there are statistically significant differences between them activities in the workplace. Skills have an influence on career planning but not on career growth. It can be said that employees develop their skills independently since there is no link between skill improvement and organizational career development. Hence, the organization must pay more attention to mentoring programs.

Null hypothesis (H0): There is no significant difference in the mean productivity levels based on the educational qualifications of the employees.

Table 2 Analysis of One way ANOVA comparing educational qualification with each factors

Factors	Educational Qualification			F-Value	P-Value
	Diploma Mean (SD)	Postgraduate Mean (SD)	Undergraduate Mean (SD)		
Incentives motivate productivity	3.00 (1.000)	3.33 (1.207)	3.16 (1.171)	0.336	0.715
Appraisals improve work accuracy	2.80 (1.095)	3.70 (1.067)	3.39 (1.136)	1.933	0.150
No effect on daily efficiency	4.40 (0.548)	3.85 (0.949)	3.67 (1.085)	1.371	0.258
Feedback does not improve work	3.60 (0.894)	3.13 (1.244)	3.50 (1.113)	1.402	0.251

Note: 1. * denotes significant at 5% level

2. **denotes significant at 1%level

Interpretation:

ANOVA analysis reveals that there are no statistically significant differences between employees’ opinions regarding the performance appraisal process and its effect on their productivity based on their education qualifications. Since all p-values exceed 0.05, we accept our null hypothesis. This means that employees who differ in education qualification perceive the performance appraisal process the same way. It can be concluded from the results obtained that the process of performance appraisal works evenly for all employees regardless of their qualification.

Findings

- The majority of employees (71.6%) hold a positive consensus in regards to effectiveness and transparency of the performance appraisal process.
- According to the results of Independent Samples T-Test, there exists a statistically significant ($p = 0.040$) gender difference in relation to the way in which appraisals impact mentoring and coaching, with women being more likely to see the connection.
- No statistically significant difference in perception of the process ($p > 0.05$) based on one’s education (Diploma, Undergraduate, Postgraduate).
- The majority of participants (63.3%) perceive the criteria used for evaluating employee

performance as being highly subjective and non-objective.

- Appraisal is highly effective in detecting individual training and development needs of more than 70% of the workforce

Suggestions

- Establish a standardized mentoring process to ensure that both genders receive adequate development through a gender-neutral mentoring process.
- Develop a clear career path linking high appraisal scores to specific promotion opportunities.
- Train the supervisor or evaluator on reducing bias to ensure that each employee is rated objectively.
- Use advanced Human Resource management tools to automate the appraisal process.

Conclusion

In conclusion, the performance appraisal process of YMCA Rural Centres and Institute of Rural Development can be considered as a structurally transparent model, which is capable of linking the goals of employees to those of the organization for more than 71% of personnel. The results of the study show that despite the efficiency of identifying needs for training at all levels of education, a statistically significant difference between male and female mentors' opinions ($p = 0.040$) and high level of concern over the subjectivity of assessment criteria were found. In order to move on from being just another management obligation to becoming a tool of employee development, the organization should introduce objective criteria based on KPIs and map out career paths for all employees.

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