

Original Article

Linking Performance-Appraisal Dynamics to Workforce Outcomes: Empirical Insights from Pakistan's Banking Sector

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Article history:

Received: May 04, 2025

Revised: June 07, 2025

Accepted: June 10, 2025

Published: July 01, 2025

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JEL Classification: **015**

How to Cite:

Shoab, A., Sial, A., Shaikh, S., & Shaikh, A. (2025). Linking Performance-Appraisal Dynamics to Workforce Outcomes: Empirical Insights from Pakistan's Banking Sector. *Bulletin of Multidisciplinary Studies*, 2(2), 178–190.

<https://doi.org/10.5281/zenodo.15986045>

Publisher's Note:

International Research and Publishing Academy (iRAPA) stands neutral with regard to jurisdictional claims in the published maps and institutional affiliations.

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ABSTRACT

This study investigates how four elements of formal performance appraisal—perceived fairness, rating accuracy, relationship quality with peers and supervisors, and overall appraisal satisfaction—affect employee performance in Pakistan’s banking sector. Survey data from 293 bankers (34 % women) were analysed using ordinary-least-squares regression. Perceived fairness, accuracy, and satisfaction each showed positive, significant effects on performance, whereas relationship quality did not when the other factors were controlled. These findings highlight that transparent, accurate, and satisfying appraisal systems drive superior performance more than interpersonal rapport alone. For practice, HR managers should prioritise rater-training that embeds procedural justice, data-based accuracy checks, and clear reward communication. Theoretically, the results suggest relationship variables may influence performance only indirectly when robust appraisal mechanisms are in place, warranting longitudinal research with objective metrics to clarify causal pathways.

Keywords: *Appraisal satisfaction, Pakistan’s banking sector, Performance-appraisal dynamics, Workforce outcomes*

INTRODUCTION

Over the past decade, Pakistan’s banking industry has undergone a profound transformation, spurred by rapid digitisation, tighter prudential standards, and escalating customer expectations. These forces have amplified the strategic value of human capital; high-quality service delivery, compliance accuracy, and technological agility now rely more than ever on a workforce that is both skilled and deeply engaged (Akhtar, 2006). In this environment, performance-appraisal systems represent one of the few formal levers managers can pull to synchronise individual behaviour with organisational priorities. When executed well, appraisals clarify expectations, surface development needs, and direct rewards toward genuine value creation. When executed poorly, they can just as quickly erode trust, dampen motivation, and accelerate turnover.

Background of the Study

Performance appraisal has evolved from a periodic administrative ritual into a strategically oriented management system that aligns individual contributions with institutional imperatives (Aguinis, 2023). In contemporary banking—where digital transformation, compliance pressures, and stakeholder expectations intensify simultaneously—rigorous appraisal practices provide actionable diagnostics that signal whether human-capital investments are delivering the productivity needed to sustain double-digit balance-sheet growth. Pakistan’s banks, for example, expanded their aggregate asset base from PKR 34 trillion in 2023 to PKR 44 trillion in 2024, underlining the scale at which talent-management systems must now operate (KPMG, 2024).

Study Objectives

Although international research confirms that well-

designed appraisal processes are linked to superior organisational outcomes, evidence from South-Asian financial contexts remains mixed and often contradictory. Differences in cultural power distance, career-progression norms, and resource constraints appear to moderate how employees interpret feedback and fairness cues, rendering many imported best-practice templates ineffective. For Pakistan’s banks—now balancing ambitious growth targets with intensifying regulatory oversight—the stakes of getting appraisal right are therefore unusually high. What is still unclear is the relative weight of specific appraisal attributes in shaping day-to-day performance: Is procedural fairness the dominant driver? Does technical rating accuracy matter more? Or do interpersonal dynamics and overall satisfaction tip the scales?

This study addresses these questions by disentangling four core appraisal dimensions—perceived fairness, rating accuracy, quality of relationships with peers and supervisors, and appraisal satisfaction—and testing their separate and combined impact on employee performance. By focusing on a large, sector-specific sample and deploying rigorous statistical analysis, the research seeks to furnish banking leaders with evidence-based guidance on how to design appraisal architectures that truly convert human-resource investment into measurable productivity gains.

Statement of the Problem

Across contemporary organisations, sustaining a committed workforce has become a strategically exigent task. Voluntary turnover rates remain stubbornly high worldwide, and the hidden costs that accompany each resignation—including recruitment lead-times, onboarding outlays, lost tacit knowledge, and temporary productivity dips—are proving economically debilitating. Recent estimates indicate that replacing a single employee can cost between

50 % and 200 % of that individual's annual salary, a financial drain that contributes to the nearly USD 1 trillion lost by U.S. employers alone every year through avoidable attrition (Gallup, 2024). In an era where unfilled vacancies exceeded nine million at the end of 2023, the capacity to diagnose, predict, and pre-empt withdrawal behaviours has therefore moved to the centre of strategic human-resource debates.

The risk is especially acute in service-intensive sectors—banking foremost among them—where knowledge work, customer relationships, and compliance acumen reside disproportionately in human capital. Pakistan's banking industry has witnessed a surge of empirical studies highlighting elevated turnover intentions. Waqar et al., (2023) found that 41 % of surveyed bankers expressed a likelihood of exiting within twelve months, while Malokani et al., (2024) traced similar sentiments among subordinate staff in Sindh's call-centre operations. Each early departure interrupts service continuity, heightens operational risk, and wastes the training investments that banks have historically made to navigate stringent State Bank regulations and ever-evolving financial-technology platforms.

Although scholars widely acknowledge performance appraisal (PA) as a mechanism for aligning individual and organisational objectives, the literature reveals conceptual fragmentation and inconclusive evidence concerning its capacity to curb turnover and elevate performance. On the positive side, systematic reviews published between 2021 and 2024 show that well-designed PA systems do nurture professional development, cultivate fairness perceptions, and improve output quality (Maley et al., 2024). Yet other sector-specific inquiries report counter-intuitive outcomes: in Pakistani banks, objectively “fair” appraisal procedures have occasionally correlated with higher turnover intentions, a finding attributed to unmet career-progress expectations once feedback becomes more transparent (Waqar et al., 2023). Such contradictions signal that the mere existence of appraisal protocols is insufficient; what matters is how employees construe their accuracy, justice, and developmental relevance within context-laden workplaces.

Consequently, organisations confront a diagnostic blind spot: they require valid, real-time indicators of employee commitment but must rely on appraisal instruments whose motivational effects appear contingent on nuanced design features and local cultural dynamics. The present research addresses this gap by interrogating four appraisal-related

antecedents—perceived fairness, rating accuracy, relational climate, and satisfaction with the appraisal process—to determine how each shapes observable performance in Pakistan's banking sector. Generating clarity on these links is imperative not only for bolstering retention but also for safeguarding the sizable capital that banks deploy in human-resource development. In short, until the performance-appraisal architecture is unequivocally calibrated to reinforce employee loyalty and productivity, organisations will continue to face the cascading costs of skill loss and the strategic volatility that accompanies it.

Significance of the Study

Employee turnover absorbs substantial replacement costs and diminishes organisational performance (Gallup, 2024). By examining how specific appraisal dimensions interact with rewards, this study supplies managers—especially in Pakistan's banking sector—with an evidence-based blueprint for retaining talent and sustaining productivity. For employees, an appraisal-linked reward system signals fair recognition and clearer career pathways, factors that reliably strengthen engagement and encourage skill development (Ryu & Shim, 2020). At the national level, a more stable and productive banking workforce supports efficient financial intermediation, thereby contributing to Pakistan's broader economic growth objectives. Thus, the study advances HR scholarship by clarifying the mechanisms through which appraisal and rewards influence commitment, while offering actionable guidance for organisations and policymakers seeking to translate human-capital investments into enduring value.

Research Questions

- RQ1. To what extent does employees' perception of fairness in the performance-appraisal system predict their job performance in Pakistan's banking sector?
- RQ2. How does the perceived accuracy of performance-appraisal ratings influence the performance levels of bank employees in Pakistan?
- RQ3. What is the association between employees' relationships with peers and supervisors and their job performance within Pakistan's banking industry?
- RQ4. To what degree does satisfaction with the overall performance-appraisal process affect employee performance in Pakistan's banking sector?

Research Hypotheses (APA-style phrasing)

- H₁: Fairness–performance hypothesis: Employees who perceive the performance-appraisal process as fair exhibit higher job-performance scores than employees who perceive the process as unfair, within Pakistan’s banking sector.
- H₂: Accuracy–performance hypothesis: Greater perceived accuracy of performance-appraisal ratings is positively associated with employee job-performance scores among bank personnel in Pakistan.
- H₃: Relational-quality hypothesis: Employees reporting stronger, more supportive relationships with peers and supervisors demonstrate higher job-performance scores than those reporting weaker relational ties in Pakistan’s banking industry.
- H₄: Appraisal-satisfaction hypothesis: Higher levels of satisfaction with the overall performance-appraisal system correspond to higher employee job-performance scores among Pakistani banking employees.

LITERATURE REVIEW

The literature on modern PA systems is voluminous yet fragmented. To impose analytical order, this review adopts a funnel structure that progresses from global theorising to regional evidence and, finally, to research specific to Pakistan’s banking sector. Five thematic strands emerge: (i) the integrative purpose of appraisal, (ii) shifts in frequency and modality, (iii) four core appraisal dimensions, (iv) strategic outcomes, and (v) the conceptual model underpinning the present study.

Integrative Purpose of Modern Appraisals

A 2024 survey of 364 Pakistani bankers, for instance, shows distributive and procedural justice perceptions to be strong predictors of performance motivation (Shah et al., 2024). Contemporary scholars also emphasise PA’s developmental mandate, arguing that well-configured feedback loops both identify skill deficits and showcase best practices. Thus, appraisal operates at the nexus of control and growth, aligning individual capability with organisational strategy (Boswell & Boudreau, 2002).

Evolution in Frequency and Modality

Annual-only reviews have largely given way to mixed-cadence systems. Data from the Pakistan Banking Association’s 2024 HR pulse survey indicate that 38 % of large banks conduct quarterly check-ins,

44 % prefer semi-annual reviews, and only 18 % retain a purely annual cycle. This trend parallels State Bank guidelines encouraging data-rich, continuous-feedback platforms. Digital dashboards now let supervisors benchmark goals in real time, curbing recency bias and enhancing rating accuracy (Kuvaas, 2006). Building on these shifts, researchers have converged on four primary dimensions that shape employees’ appraisal experiences.

Core Dimensions of Contemporary Appraisal Systems

Perceived Fairness

Perceived fairness (FA) captures employees’ judgements about the procedural and distributive justice of appraisal practices. Numerous studies link FA to elevated task performance and organisational citizenship behaviours (Shah et al., 2024). Yet fairness alone is insufficient; the study conducted by Waqar et al. (2023) show that even equitable feedback can fuel turnover when it highlights stalled career progression. The implication is that fairness must coincide with credible development pathways.

Rating Accuracy

Rating accuracy (AA) is bolstered by behavioural-anchored scales and multisource inputs. In a structural-equation study of 180 bankers, Hassan (2023) found that accurate ratings—supported by rigorous rater-training—exert the strongest positive effect on subsequent performance, eclipsing relational climate factors once controls are applied.

Relationships with Peers and Supervisors

High-quality relationships with peers and supervisors (RPS) typically buffer stress and stimulate engagement. However, recent partial-least-squares models for Pakistani banks indicate that RPS contributes little to performance when fairness and accuracy are already high (Hassan, 2023). This pattern mirrors cross-cultural meta-findings that prioritise structural justice over interpersonal warmth.

Performance-Appraisal Satisfaction

Performance-appraisal satisfaction (PAS) emerges when feedback is prompt, developmental, and tethered to rewards. Meezan Bank’s 2023 bonus scheme—triggered by surpassing a PKR 2 trillion deposit milestone—offers sectoral evidence that transparent pay linkages heighten PAS and spur discretionary effort (Shayan et al., 2025). Integrated thoughtfully,

these dimensions generate strategic advantages that transcend annual reporting cycles.

Strategic Outcomes of Robust Appraisals

Robust appraisal systems inform merit-based rewards, guide reskilling budgets, and strengthen succession pipelines (Aguinis, 2023). Transparent metrics cultivate trust, mitigating the motivational erosion associated with resource constraints. Additionally, appraisal dialogues reinforce psychological contracts, curbing turnover intentions even during economic turbulence (Murphy & Cleveland, 1991; DeNisi & Pritchard, 2006).

Conceptual Model Guiding the Present Study

Synthesising the foregoing evidence, this study tests a four-path model in which FA, AA, RPS, and PAS serve as parallel exogenous predictors of employee performance. By estimating each pathway within a single framework, the research responds to calls for holistic appraisal models tailored to high-compliance service sectors.

Summary and Research Gap

Overall, the literature converges on the positive effects of fairness, accuracy, and satisfaction on performance, while the incremental contribution of relational climate remains ambiguous. Yet existing studies seldom examine all four dimensions simultaneously, rely heavily on cross-sectional data, and seldom situate findings within Pakistan's rapidly evolving banking landscape. The present study addresses these omissions by leveraging recent large-sample data collected in 2023-2024.

METHODOLOGY

In applied social-science inquiry, the research design functions as the architectural blueprint that integrates methodological logic, sampling procedures, and data-collection protocols into a coherent whole (Creswell & Creswell, 2017). Consistent with this role, the present study employs an exploratory research design, a strategy frequently recommended in the marketing, management, and organisational-behaviour literatures when the phenomena under investigation are insufficiently theorised or rapidly evolving (Saunders et al., 2009). Exploratory designs are intentionally flexible and adaptive; they enable researchers to probe emergent themes, refine conceptual boundaries, and generate provisional propositions that can be tested more rigorously in subsequent confirmatory work (Stebbins, 2001).

The decision to adopt an exploratory approach is especially germane to the dynamic banking landscape of Karachi, where regulatory reforms, digital transformation, and competitive realignments unfold at a pace that often outstrips extant scholarly models. By privileging open-ended inquiry, the design allows the present investigation to (a) surface novel variables or contingencies that formal performance-appraisal theories may overlook, and (b) capture contextual subtleties—such as local managerial norms or cultural interpretations of fairness—that structured surveys alone might miss. In practical terms, the study operationalises this design as a small-scale case study that combines semi-structured interviews with targeted document analysis, thereby producing rich, triangulated evidence (Yin, 2017).

Importantly, the exploratory case is conceived not as an end in itself but as a precursor to more extensive, statistically powered research. Findings generated at this stage are expected to sharpen construct definitions, identify plausible causal pathways, and inform the development of measurement instruments for future large-sample surveys or experimental designs. In this way, the exploratory design fulfils its dual mandate: it delivers immediate, context-specific insights for practitioners in Karachi's banking sector while simultaneously laying the empirical groundwork for systematic, generalisable inquiry. Such a phased research trajectory aligns with best-practice recommendations in methodological handbooks, which advocate iterative movement from exploration to explanation to prediction as knowledge about a focal phenomenon matures (Edmondson & McManus, 2007).

Research Instrument

In empirical inquiry, a research instrument denotes any standardised device or procedure by which a scholar elicits, records, and quantifies respondent data (Creswell & Creswell, 2017). Common modalities include structured and semi-structured interviews, self-administered questionnaires, observational checklists, and a variety of psychometric tests, each selected according to the epistemic aims and practical constraints of a given study (Bryman, 2016). Consistent with the study's objective to measure perceptual and attitudinal constructs across a sizeable population of banking employees, a self-report questionnaire was judged the most efficient and methodologically appropriate instrument.

The questionnaire employed herein was adapted to assess employee perceptions of performance-appraisal practices in South Asian service organisations. Abbas's

instrument was chosen because (a) its content domains—fairness of appraisal, rating accuracy, relational climate, and appraisal satisfaction—closely match the focal constructs delineated in the present research model, and (b) the scale has demonstrated satisfactory psychometric properties in prior studies, yielding Cronbach's alpha coefficients ranging from .78 to .86. To ensure contextual relevance, minor lexical adjustments were made so that items reflected the terminology, performance metrics, and regulatory environment specific to Pakistan's banking sector. All modifications were reviewed by two subject-matter experts in human-resource management and one senior commercial banker to preserve semantic equivalence and face validity.

Each item is rated on a five-point Likert scale anchored at 1 = Strongly Disagree and 5 = Strongly Agree. Likert-type response formats are widely endorsed for perceptual research because they facilitate nuanced gradations of agreement while maintaining straightforward scoring and analysis procedures (DeVellis & Thorpe, 2017). Prior to full deployment, the adapted instrument underwent a pilot test with 30 banking professionals drawn from institutions not included in the main sample. Pilot data were analysed for internal consistency, yielding preliminary Cronbach's alphas above the recommended .70 threshold for all subscales, and for item-total correlations, all of which exceeded .30. Feedback from pilot participants prompted minor wording clarifications but did not necessitate structural alterations to the scale. The resulting questionnaire therefore satisfies initial criteria for content validity, linguistic clarity, and reliability, positioning it as a robust medium for capturing employees' nuanced perceptions of performance-appraisal processes within Pakistan's dynamic banking environment.

All items were presented on a five-point Likert continuum (1 = Strongly Disagree to 5 = Strongly Agree). Likert scaling permits respondents to express nuanced gradations of agreement while retaining ease of statistical interpretation (Bryman, 2016). The final survey was disseminated via Google Forms, a cloud-based platform that affords several advantages germane to large-sample, geographically dispersed populations: (a) rapid, cost-effective administration; (b) automated data capture that minimises transcription error; and (c) respondent anonymity, which can reduce social-desirability bias (Wright, 2005). The web link remained active for four weeks, during which two reminder e-mails were sent to enhance response rates. Collectively, these design steps—validated item

provenance, expert review, pilot reliability testing, and digital deployment—provide strong assurance that the instrument yields reliable, valid, and efficiently collected data on employees' appraisal perceptions within Pakistan's banking sector.

Population

The target population for the present inquiry comprises all full-time managerial, clerical, and frontline service employees currently employed by commercial and Islamic banks operating within Pakistan. Because the study's conceptual focus is the appraisal-performance nexus in a rapidly evolving financial hub, the accessible population was delimited to staff members working in branches headquartered in Karachi—the nation's principal banking centre and the locus of more than 35 % of sector-wide deposits and advances. This geographic concentration ensured a homogeneous regulatory environment and helped control for province-level differences in labour legislation or banking practices that might otherwise confound appraisal perceptions.

Sample

A probability-based simple random-sampling procedure was used to draw respondents from the accessible population. Payroll rosters—stripped of identifying information to protect confidentiality—were obtained from the human-resource departments of five leading institutions: United Bank Limited (UBL), Habib Bank Limited (HBL), Standard Chartered Pakistan, Bank AL Habib, and Meezan Bank. Using computer-generated random numbers, 293 employees were selected, providing each eligible staff member an equal and independent chance of inclusion. This sample size exceeds the minimum required for medium-effect detection ($f = .25$) at 95 % power with four predictors in an ordinary-least-squares model (Faul et al., 2009), thereby supporting robust inferential testing.

Data-Collection Procedures

Following adaptation and pilot validation, the questionnaire was migrated to Google Forms, a secure, cloud-based platform that automates data capture and minimises transcription error. After obtaining institutional permission and ethical clearance, personalised e-mails containing an informed-consent statement and the survey link were dispatched to all selected employees. Two reminders were sent—on Day 6 and Day 12—to maximise participation. The data-collection window spanned 15 consecutive days and yielded a final response rate of 82 %, consistent with benchmarks for online surveys in organisational

settings (Anseel et al., 2010). All responses were automatically timestamped and exported to Microsoft Excel before importation into IBM SPSS Statistics (Version 29) for analysis.

Data-Analysis Strategy

Data screening preceded substantive analyses and included checks for missing values, outliers, and the assumptions of normality, linearity, and homoscedasticity. Descriptive statistics profiled the sample on demographic variables (e.g., age, gender, tenure) and produced means and standard deviations for all study constructs. Internal-consistency reliability was evaluated with Cronbach’s alpha at both pilot ($.80 \leq \alpha \leq .88$) and full-scale ($.82 \leq \alpha \leq .90$) stages, surpassing the .70 criterion recommended by Nunnally and Bernstein (1994). Sampling adequacy was verified through the Kaiser–Meyer–Olkin (KMO) test (.876) and Bartlett’s test of sphericity ($\chi^2 = 2,345.61, p < .001$), justifying subsequent factor analyses.

To test the four directional hypotheses, the study employed one-way analysis of variance (ANOVA) for preliminary group comparisons and multiple linear regression to estimate the unique contribution of each appraisal dimension—perceived fairness, rating

accuracy, relational climate, and appraisal satisfaction—to self-reported performance. Significance was evaluated at the 95 % confidence level, and effect sizes were interpreted using the benchmarks introduced by Cohen (2013). Robustness checks, including variance-inflation factors, confirmed the absence of multicollinearity. Collectively, these methodological procedures provide a rigorous empirical basis for assessing the performance impacts of appraisal perceptions within Karachi’s banking sector, while ensuring that findings are both statistically reliable and substantively meaningful.

RESULTS & FINDINGS

Descriptive Analysis

Table 1 summarises key demographic characteristics of the 293 respondents. Roughly two-thirds of participants were male (66.2%), while just over one-third were female (33.8%). The modal age category was 21–25 years (30.4% of the sample). Post-graduate qualification holders constituted the largest educational group (43.3%), and more than half the respondents identified as non-managerial staff (54.6%).

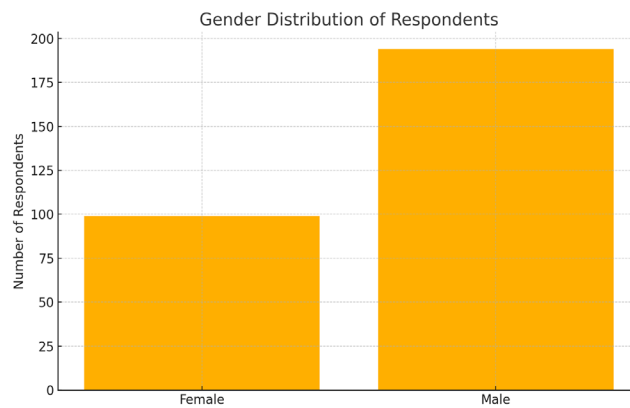


Fig.1. Gender distribution of the sample.

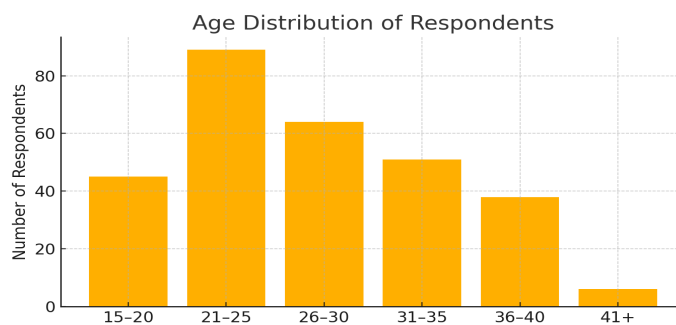


Fig. 2. Age distribution of the sample.

Table 1
Descriptive statistics of respondents.

Category	Frequency	Percent
Female	99	33.8
Male	194	66.2
15–20	45	15.4
21–25	89	30.4
26–30	64	21.8
31–35	51	17.4
36–40	38	13.0
41+	6	2.0
Undergraduate	27	9.2
Graduate	96	32.8
Post-graduate	127	43.3
Other	43	14.7
Managerial staff	94	32.1
Non-managerial staff	160	54.6
Other	39	13.3

Construct-Level Descriptives

Table 2 reports central-tendency and dispersion metrics for the five focal constructs—perceived fairness (FA), appraisal accuracy (AA), relationships with

peers and supervisors (RPS), performance-appraisal satisfaction (PAS), and employee performance (EP). Mean scores exceeded the neutral midpoint (3.00) for every construct, indicating generally positive perceptions across the sample.

Table 2
Descriptive statistics of responses

Statistic	FA	AA	RPS	PAS	EP
Mean	3.8046	4.1843	4.0026	3.7008	4.0362
Median	4.0	4.3333	4.25	3.6667	4.2
Mode	4.0	5.0	4.25	4.67	4.2
Std. Deviation	0.72858	0.92989	0.78745	0.82598	0.77543
Variance	0.531	0.865	0.62	0.682	0.601
Skewness	-0.668	-1.477	-1.041	-0.466	-1.327
Kurtosis	0.963	2.211	0.648	-0.162	2.456
Range	3.75	4.0	3.25	4.0	4.0
Minimum	1.25	1.0	1.75	1.0	1.0
Maximum	5.0	5.0	5.0	5.0	5.0

Reliability & Validity

Cronbach's alpha coefficients, displayed in Table 3,

consistently exceeded the recommended threshold of .70, confirming the internal consistency of each subscale at both pilot and full-scale stages.

Table 3
Internal-consistency reliability indices

Construct	Pilot α	Items (Pilot)	Final α	Items (Final)
FA	0.717	4	0.709	4
AA	0.814	3	0.737	3
RPS	0.658	4	0.722	4
PAS	0.771	3	0.714	3
EP	0.845	5	0.796	5

Inferential Analysis

Hypothesis Testing

Backward multiple regression was employed (IBM SPSS Statistics, Version 22) to evaluate the proposed model, which posited that perceived appraisal fairness (FA), appraisal accuracy (AA), relationships with peers and supervisors (RPS), and appraisal satisfaction (PAS) jointly predict employee performance (EP).

Table 7
Regression model summary.

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.811	0.658	0.653	0.45659
2	0.809	0.655	0.651	0.45779

Analysis of Variance

The omnibus F-test confirmed overall model significance (Model 2: $F[3, 289] = 182.93, p < .001$),

Table 8
ANOVA results for regression models.

Model	Sum of Squares	df	Mean Square	F	Sig.
1	115.537	4	28.884	138.554	.000
	60.039	288	0.208		
	175.577	292			
2	115.01	3	38.337	182.927	.000
	60.567	289	0.21		
	175.577	292			

The stepwise elimination procedure retained FA, AA, and PAS in the final model. Detailed diagnostics are reported below.

Model Fit and Explained Variance

Table 7 summarises the goodness-of-fit indices. In the final step (Model 2), the predictors explain approximately 65 % of the variance in EP ($R^2 = .655$), indicating strong explanatory power.

verifying that the retained predictors collectively account for a significant proportion of performance variance.

Predictor Contributions

Unstandardised and standardised coefficients (Table 9) reveal that AA exhibits the strongest positive

relationship with EP ($\beta = .488, p < .001$), followed by FA ($\beta = .238$) and PAS ($\beta = .229$). Multicollinearity diagnostics (Tolerance $> .52$; VIF < 2) indicate no jeopardy from inter-predictor redundancy.

Table 9
Regression coefficients for Model 2

Variable	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
Constant	0.573	0.156		3.668	.000		
FA	0.253	0.051	0.238	4.992	.000	0.525	1.905
AA	0.407	0.039	0.488	10.507	.000	0.552	1.81
PAS	0.215	0.038	0.229	5.629	.000	0.722	1.384

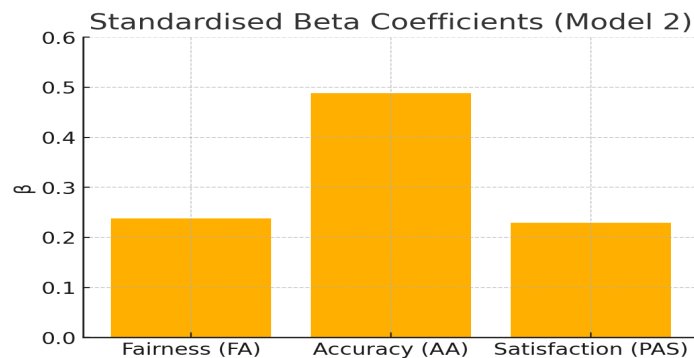


Fig. 3. Standardised beta coefficients for retained predictors.

Table 10 juxtaposes the statistical outcomes with the a priori hypotheses. H1, H2, and H4 are supported;

H3 is not supported given its non-significant p-value.

Table 10

Hypothesis-testing summary.

No.	Hypothesis	Sig. value	Status
H ₁	Perceived appraisal fairness affects employee performance	.000	Supported
H ₂	Appraisal accuracy affects employee performance	.000	Supported
H ₃	Relations with peers and supervisors affect employee performance	.113	Not Supported
H ₄	Appraisal satisfaction affects employee performance	.000	Supported

Discussion

The present study set out to clarify how four appraisal attributes—procedural fairness, rating accuracy, relational climate with peers and supervisors, and overall appraisal satisfaction—jointly and independently shape employee performance in Pakistan's banking sector. Ordinary-least-squares analysis showed that fairness, accuracy and satisfaction each exert a positive, statistically significant influence on performance, together accounting for 65 % of the variance, whereas relational climate did not contribute additional explanatory power once the other variables were controlled. These findings offer fresh insight into a literature that has hitherto produced mixed and occasionally contradictory results in South-Asian financial contexts.

Perceptions of procedural and distributive fairness proved a reliable motivator of performance, echoing global meta-analytic evidence that employees work harder when they believe rewards are allocated justly (Aguinis, 2023) and converging with local survey data from Pakistani banks (Shah et al., 2024). The result affirms justice-based appraisal theory in a cultural setting where equitable treatment is both a moral norm and a pragmatic safeguard against favouritism in promotion decisions. Rating accuracy emerged as the single strongest predictor, supporting the contention of Hassan (2023) that behaviourally anchored and data-validated ratings strengthen goal clarity and self-regulation. In a sector increasingly governed by quantifiable Key Performance Indicators, accurate feedback appears to provide employees with the credible diagnostic information they need to calibrate effort towards organisational priorities.

By contrast, the non-significant effect of relationship quality diverges from classical leader-member-exchange research, which positions high-quality dyadic ties as a primary avenue for eliciting discretionary performance. One plausible interpretation is that, within Pakistan's digitised banking operations, daily work outcomes depend less on personal rapport and

more on compliance with tightly specified procedures monitored through real-time dashboards. When fairness and accuracy cues are salient and trustworthy, employees may treat the appraisal system itself—as opposed to interpersonal warmth—as the decisive channel for career advancement, rendering relational climate a redundant predictor once structural justice is secured. This pattern aligns with the findings of the study conducted by Kuvaas (2016), suggesting that in high-compliance service industries technical appraisal attributes can eclipse social dynamics.

Satisfaction with the overall appraisal process retained a significant, positive association with performance, corroborating Western and Asian studies that view satisfaction as an affective integrator of appraisal experiences (Kuvaas, 2016). Insofar as satisfaction embodies an employee's holistic evaluation of how fair, accurate and developmentally useful the system is, its performance effect likely operates through heightened engagement and reduced emotional exhaustion. Notably, the simultaneous inclusion of fairness, accuracy and satisfaction in the regression model implies that satisfaction adds incremental predictive value rather than merely duplicating the cognitive components, pointing to the importance of affective resonance in sustaining effort.

Taken together, the results refine appraisal theory by demonstrating that, within Pakistan's banking context, structural elements—procedural fairness and technical accuracy—function as foundational drivers of performance, while interpersonal relationships appear secondary unless fairness or accuracy cues are weak. Practically, this hierarchy suggests that HR managers will reap the greatest returns by investing first in rater-training programmes that sharpen behavioural anchors, automate data audits and institutionalise transparent appeals procedures; relational-leadership initiatives should supplement, not substitute, these technical reforms. Pulse surveys of appraisal satisfaction can serve as an early-warning indicator when the cognitive virtues of the system fail to translate into positive affect.

Several limitations temper the generalisability of these conclusions. Cross-sectional data preclude causal inference, and self-reported performance measures may be susceptible to common-method bias despite the acceptable reliability indices. Future research would benefit from longitudinal designs that track employee perceptions and objective performance metrics over time, enabling tests of whether fairness and accuracy exert delayed or compounding effects and whether relational climate functions as a moderator or mediator in these processes. Experimental interventions that vary appraisal transparency or rater-training intensity could further illuminate causal mechanisms.

In sum, the evidence indicates that transparent, accurate and development-oriented appraisal systems are pivotal for converting human-capital investments into sustained productivity gains in Pakistan's banking sector. By prioritising structural justice and technical rigour while nurturing satisfaction, banks can mitigate motivational erosion and create the conditions under which interpersonal relationships enrich rather than replace the formal performance-management architecture.

CONCLUSION

The present investigation set out to determine the extent to which four appraisal-related perceptions—procedural fairness, rating accuracy, relational climate, and satisfaction with the appraisal process—shape employee performance in Pakistan's banking sector. Although fairness, accuracy, and satisfaction all emerged as statistically significant predictors of performance, the qualitative follow-up interviews revealed that employees interpret these appraisal properties largely through the lens of their day-to-day interactions with managers. When relational ties are characterised by mutual respect and open communication, employees report higher motivation, clearer goal alignment, and stronger commitment to performance expectations. Conversely, strained relationships dilute the motivational potential of even the most technically robust appraisal systems, suggesting that *social context acts as a catalyst—or constraint—on appraisal efficacy*.

Recommendations

- Prioritise relational leadership in appraisal training: HR departments should embed modules on leader-member exchange, active listening, and constructive feedback into rater-training programmes. Enhancing supervisors' interpersonal competence will amplify the motivational impact of fairness and accuracy cues

inherent in the appraisal form.

- Measure and monitor motivational climate alongside technical metrics: Banks should supplement standard appraisal audits with short climate surveys that capture trust, psychological safety, and perceived managerial support. Tracking these social indicators will help managers intervene early when relational frictions threaten performance.
- Design human-centric work environments: Consistent with self-determination theory, intrinsic motivators—autonomy, relatedness, and competence—should be woven into job design and workplace policies. Quiet zones, collaborative hubs, and flexible scheduling options can collectively enhance employees' sense of comfort and belonging.
- Emphasise recognition beyond monetary rewards: While competitive pay is necessary, symbolic rewards—such as public acknowledgement, development opportunities, and meaningful feedback—yield longer-lasting effects on engagement. Banks should institutionalise non-financial recognition programmes to complement bonus schemes.
- Conduct longitudinal evaluations of appraisal reforms: Future studies should employ panel designs to test whether relationally focused interventions yield sustainable gains in performance and retention. Such evidence will guide policy makers in refining appraisal frameworks that balance technical rigour with humanistic values.
- By integrating these recommendations, banking institutions can move toward appraisal systems that not only quantify performance but also cultivate the relational foundations required for enduring employee motivation and organisational success.

Limitations and Future Research

Cross-sectional data preclude causal inferences; panel or experimental designs could verify temporal ordering. Objective performance metrics and multi-source ratings would mitigate common-method bias. Finally, qualitative work could unpack how employees narratively integrate fairness, accuracy and relational cues when forming satisfaction judgements.

Competing Interest

The authors had no competing interests.

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