

A STUDY ON PERFORMANCE APPRAISAL AND ITS EFFECTIVENESS AT PRICOL LIMITED

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ABSTRACT:

This study is undertaken at Pricol Ltd. to examine the performance appraisal system and its effectiveness among employees in the organization. Performance appraisal plays a vital role in evaluating employee performance, identifying strengths and weaknesses, and supporting career development. The main objective of the study is to understand employees' perception of the appraisal system and to analyze its effectiveness in improving performance, motivation, and job satisfaction. The study focuses on various aspects such as fairness of the appraisal process, clarity of evaluation criteria, feedback mechanism, career growth opportunities, and reward systems. Primary data for the study was collected from employees through a structured questionnaire, and a total of 143 respondents were considered for analysis. The study provides valuable suggestions to enhance the effectiveness of the appraisal system and strengthen employee satisfaction and organizational productivity.

KEYWORDS:

Performance Appraisal; Appraisal Effectiveness; Employee Performance; Employee Satisfaction; Organizational Performance; Feedback Mechanism; Career Development; Motivation; Promotion and Rewards; Training and Development.

INTRODUCTION:

In today's highly competitive business environment, human resource management plays a crucial role in achieving organizational success. Among various HR practices, performance appraisal is considered one of the most important tools for evaluating employee performance and enhancing organizational productivity. Performance appraisal refers to the systematic assessment of an employee's job performance, skills, achievements, and potential for future growth within the organization.

An effective performance appraisal system helps organizations measure employee contributions, provide constructive feedback, identify training and development needs, and support decisions related to promotions, rewards, and career advancement. It also serves as a motivational tool by recognizing employee efforts and encouraging better performance.

At Pricol Ltd, performance appraisal plays a significant role in aligning employee goals with organizational objectives. As a leading manufacturing organization, the company depends on employee efficiency, productivity, and continuous improvement to maintain its competitive position in the market. Therefore, understanding the effectiveness of the appraisal system is essential to ensure fairness, transparency, and employee satisfaction.

This study focuses on analyzing employees' perception of the performance appraisal system at Pricol Ltd and evaluating its effectiveness in improving performance, motivation, and career growth. The study also identifies areas for improvement to strengthen the overall appraisal process and enhance organizational effectiveness.

OBJECTIVE:

Primary Objective

- To analyze the effectiveness of the performance appraisal system at Pricol Ltd and its impact on employee performance and satisfaction.

Secondary Objectives

- To study the performance appraisal system and its effectiveness in the organization.
- To assess employees' awareness and understanding of the appraisal process.
- To analyze the impact of appraisal and feedback on employee motivation and performance.
- To identify employee perceptions, challenges, and improvement suggestions.

NEED OF THE STUDY:

Improving Employee Performance: Understanding employees' perception of the performance appraisal system helps identify strengths and weaknesses in the existing process, which can improve employee productivity and overall organizational performance.

Enhancing Employee Satisfaction: An effective appraisal system contributes to employee motivation, job satisfaction, and morale. Studying its effectiveness helps the organization identify areas where employees may feel dissatisfied and take corrective actions.

Supporting Career Development: The study helps in assessing whether the appraisal system effectively identifies employee strengths, training needs, and career growth opportunities, thereby supporting long-term professional development.

SCOPE FOR THE STUDY:

The study on the performance appraisal system at Pricol Limited focuses on understanding employees' perception of the existing appraisal process in terms of fairness, transparency, feedback, recognition, and its impact on job performance. It examines the factors influencing employee satisfaction with the appraisal system and the role it plays in motivation, promotions, rewards, and career development. The research is limited to employees working in selected departments of Pricol Limited, enabling the study to capture valuable insights into employee opinions, performance evaluation practices, and satisfaction levels with the current system. It also explores how the appraisal system contributes to improving employee productivity and overall organizational effectiveness. The findings of this study are intended to help the company strengthen its performance management practices, improve employee engagement, and enhance workforce productivity.

REVIEW OF LITERATURE:

Aishah Alkhyeli and H. Hazmilah (2025), in their study titled "Performance Appraisal Effectiveness in Modern Organisations: A Systematic Review of Outcomes, Moderators, and Contextual Factors," presented a comprehensive review of 30 empirical studies published between 2000 and 2025. The study examined the role of performance appraisal systems in influencing important employee outcomes such as job satisfaction, employee motivation, organizational commitment, performance improvement, and turnover intentions. The authors found that a fair, transparent, and well-structured appraisal system positively contributes to employee morale and organizational effectiveness. The review also highlighted that factors such as organizational culture, appraisal fairness, and feedback quality act as important moderators in determining the success of the appraisal process.

Akram, Irfana and Malik, Fizzah (2013), in their study on "Effectiveness of Appraisal System on Employee's Performance," focused on evaluating how performance appraisal systems influence employee performance in organizations. The study analyzed employees' perceptions regarding the appraisal process and its impact on work efficiency and motivation. The findings revealed that most employees considered the appraisal system in their organizations to be satisfactory and beneficial for performance evaluation. However, the study also emphasized that employees preferred a fair grievance or appeal mechanism to address dissatisfaction with appraisal outcomes. The research concluded that an effective appraisal system significantly improves employee productivity and trust in management.

Moulder (2001) stated that performance appraisals are highly valuable in defining employee expectations and measuring the extent to which those expectations are achieved. According to the author, appraisals help employees clearly understand their areas of success and identify aspects where improvement is required. The study further emphasized that appraisal systems are useful in goal setting, performance monitoring, and improving communication between supervisors and employees. By

providing regular feedback, performance appraisals strengthen coordination within teams and promote continuous improvement in the workplace.

Angelo S. DeNisi and Robert D. Pritchard (2006) defined performance appraisal as a formal and systematic organizational process that is generally conducted once or twice a year. The study explained that appraisal systems are based on clearly defined performance dimensions, evaluation criteria, and measurable standards. Employees are assessed using quantitative scores that reflect their level of job performance, and these scores are usually communicated to them. The authors highlighted that performance appraisal serves as an important tool for employee development, performance feedback, promotions, and compensation decisions, making it a key component of performance management.

RESEARCH METHODOLOGY:

PRIMARY DATA:

Primary data is the data is collected from the respondent for the first time, it is original in nature. For the purpose of collection of primary data, a well-structured questionnaire was framed and filled by the respondents. The questionnaire comprises of close ended as well as open ended questions. In close ended questions, checklist questions and multiple-choice questions are used.

SECONDARY DATA:

Secondary data are collected from books, magazines, web sites etc, and both open ended & close-ended questions are incorporated in the questionnaire for the collection of data.

STATISTICAL TOOLS:

The following statistical tools are used in the study

- Percentage Analysis
- Chi – square test
- ANOVA

PERCENTAGE ANALYSIS

Percentage refers to a special kind of ratio in making comparison between two or more data and to describe relationships. Percentage can also be used to compare the relative terms in the distribution of two or more sources of data.

$$\text{Percentage of Respondents} = \frac{\text{Number of Respondents}}{\text{Total no. of respondents}} \times 100$$

FREQUENCY OF PERFORMANCE APPRAISALS

Frequency of Appraisal	No. of Respondents	Percentage (%)
Quarterly	20	14.08
Half yearly	34	23.94
Annually	58	40.85
Not sure	30	21.13
Total	142	100

INTERPRETATION

From the above table, it is understood that the majority of the respondents reported that performance appraisals are conducted annually (40.85%), followed by half yearly (23.94%), not sure (21.13%), and quarterly (14.08%).

This indicates that annual appraisal is the most common appraisal frequency followed in the organization.

CHI SQUARE TEST

The chi square test is an important test among the several tests of significance developed by satisfaction. Chi-square, symbolically written χ^2 is a statistical measure used in the contexts of sampling analysis for comparing a variance to a theoretical variance. It can also be used to make comparison between theoretical population and actual data when categories as used. By comparing a calculated value with the table value of χ^2 for degrees of freedom at given level of significance. We may either accept or reject the null hypothesis. If the calculated value of χ^2 is less than the value, the null hypothesis is accepted, but if the calculate value is equal or greater than table, value the hypothesis is rejected.

The formula for Chi-Square test is:

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

O = Observed Frequency

E = Expected frequency

Department and awareness of performance appraisal system

H0: There is no significant relationship between the two categories that are Department and awareness of performance appraisal system towards Pricol ltd.

H1: There is a significant relationship between the two categories that are Department and awareness of performance appraisal system towards Pricol ltd.

Row Labels	No	Yes	Grand Total
Finance	3	23	26
HR		44	44
Others	9	15	24
Production	2	21	23
Quality	2	23	25
Grand Total	16	126	142

Calculated χ^2 value = 22.53

Degree of freedom = 4

p-value = 0.000157378

INTERPRETATION

Since the calculated χ^2 value (22.54) is **greater** than the table value (9.488), it is concluded that there is a significant association between the department of the respondents and their awareness of the appraisal system. Hence, the Null hypothesis is rejected and the Alternative hypothesis is accepted.

ANOVA

A statistical analysis tool that separates the total variability found within a data set into two components: random and systematic factors. The random factors do not have any statistical influence on the given data set, while the systematic factors do. The ANOVA test is used to determine the impact independent variables have on the dependent variable in a regression analysis.

Difference in Mean Scores Between

Experience of Respondents & Feedback Received After Appraisal

H0: There is no significant difference in the mean scores of respondents based on their work experience with respect to feedback received after appraisal.

H1: There is significant difference in the mean scores of respondents based on their work experience with respect to feedback received after appraisal.

Experience	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.026	3	3.009	2.410	0.070
Within Groups	172.305	138	1.249		
Total	181.331	141			

INTERPRETATION

The above table shows that the P value (0.070) is greater than 0.05. Therefore, there is no significant difference in the mean scores of respondents based on their work experience with respect to feedback received after appraisal. Hence, the null hypothesis is accepted. It is inferred that experience does not significantly influence the feedback received after appraisal.

FINDINGS

- Majority 31% of the respondents belong to the HR department.
- Maximum 35.9% of the respondents have been working in the organization for less than 1 year.
- Most 88.7% of the respondents are aware of the performance appraisal system.
- Majority 33.8% of the respondents understand the appraisal process very well.

- Majority 34.5% of the respondents feel neutral regarding whether the objectives of the appraisal system are clearly communicated.
- Maximum 43.7% of the respondents stated that performance appraisals are conducted annually.
- Majority 35.9% of the respondents gave a neutral response regarding the fairness and lack of bias in the appraisal process.
- Majority 31.7% of the respondents strongly agree that they receive sufficient feedback after appraisal.
- Majority 33.1% of the respondents strongly agree that the appraisal system motivates them to perform better.
- Maximum 31% of the respondents rated the overall effectiveness of the appraisal system as neutral.
- The majority 33.1% of the respondents faced no major issues as a challenge in the appraisal system.
- The majority 26.1% of the respondents suggested a digital appraisal system as an improvement.

SUGGESTION

Based on the findings of the study on performance appraisal and its effectiveness at Pricol Ltd, the following suggestions are made:

- The company may strengthen the communication of appraisal objectives, as a considerable number of employees expressed a neutral opinion regarding clarity in the appraisal system.
- Since many respondents rated the overall effectiveness as neutral, the organization should focus on improving the transparency and fairness of the appraisal process.
- The feedback mechanism can be further enhanced by providing structured and timely post-appraisal feedback sessions to help employees understand their strengths and areas for improvement.
- As a majority of employees suggested a digital appraisal system, the company may implement an automated and technology-driven appraisal platform to improve accuracy, accessibility, and transparency.
- The appraisal process should include clear performance criteria and measurable targets to reduce ambiguity and employee uncertainty.
- Regular training programs may be provided for supervisors and evaluators to ensure fair, unbiased, and consistent evaluations.
- Since many employees are relatively new to the organization, orientation and awareness sessions on the appraisal system may improve their understanding and confidence.
- The company may conduct appraisal reviews more frequently, such as half-yearly or quarterly, to improve employee motivation and continuous performance monitoring.

- Employee concerns and grievances related to appraisal may be addressed through a formal appeal or review mechanism.

CONCLUSION

The study concludes that performance appraisal is an important management tool for evaluating employee performance and improving organizational productivity. At Pricol Ltd, the performance appraisal system helps the management assess employee contribution, identify strengths and weaknesses, and support career development. The findings show that employees generally consider the appraisal process useful for recognizing their work and encouraging better performance. A fair and transparent appraisal system also improves employee motivation, job satisfaction, and commitment toward the organization. However, the effectiveness of performance appraisal depends on clear communication, timely feedback, and unbiased evaluation.

The study reveals that regular appraisal reviews and constructive feedback can help employees improve their performance and achieve organizational goals. In a competitive business environment, Pricol Ltd can further enhance the effectiveness of its appraisal system by focusing on transparency, employee involvement, and continuous improvement. Overall, the performance appraisal system at Pricol Ltd plays a significant role in employee development and organizational success.

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