

STAFF APPRAISAL AND PERFORMANCE OF COMMERCIAL BANKS IN UGANDA A
CASE STUDY OF CENTENARY BANK, KABALE BRANCH

BY

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A RESEARCH REPORT SUBMITTED TO THE FACULTY OF ECONOMICS
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Declaration

I, **TW ASIMA CLAIRE** declare that this report is my own original work and that it has not been presented to any other institution or University for a similar or any other degree award.

Signature .. ~ Date.....

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Approval

This is to confirm that this research report by **TWAS IMA CLAIRE** entitled 'appraisal of staff and the performance of Commercial Banks in Uganda, using the case study of Centenary Bank, Kabale Branch' is under my supervision and is now ready for submission to Kabale University with my approval.

Signature: _____ Date: _____

MR. KANSIIME ALEX

UNIVERSITY SUPERVISOR

Dedication

This dissertation is dedicated to my lovely Parents for their tireless efforts they have invested in ever since I started this research by financing it and on top of that by motivating me in different ways, they have surely made me a courageous and hardworking lady not forgetting my dear friend s who have reflected the need of never giving up in my life in different unconditional ways. May Almighty God bless them abundantly.

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Abstract

The study was about examining appraisal of staff and the performance of Commercial Banks in Uganda, using the case of Centenary Bank, Kabale Branch. Chapter one provided the necessary background, statement of the problem, purpose of the study, objectives of the study, research questions, significance of the study area and scope of the study. Chapter two covered a written discussion of related literature search. As per the study and reflected the objectives of the research with regard to the impact of book keeping practices on the performance of small business enterprises in Kabale Municipality. While reviewing, the research mainly focused on Appraising staff which was the independent variable whereas performance was the dependent variable. Under the independent variable (Appraising staff) the study focused on, Performance standards, and discussing results with employees (feedback). While the dependent variable (performance) focused on customer satisfaction, accountability, efficiency and effectiveness. Chapter three dealt with the methods. and tools the researcher used in data collection and analysis. It described the research design that was used by the researcher, data sources and collection tools, processing, analyzing and the challenges that the researcher faced. Chapter four focused on the analysis and report of the results of the study. The main issues covered are demographics of the respondents and data presentation in terms of tables and charts to address the objectives of the study. Chapter five provided the discussion of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objective of the study.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The study will cover staff appraisal and performance of commercial banks. This chapter provides the necessary background, statement of the problem, purpose of the study, objectives of the study, research questions, significance of the study area and scope of the study.

1.2 Background to the study

The study examines the appraising of staff and Performance of commercial banks in Uganda, using the case of Centenary Bank, Kabale Branch. Appraising of staff in organizations is important because employees are encouraged to work hard and fulfill their responsibilities, thus contributing to the overall performance of the organization. In many organizations, appraisals are used to help determine reward outcomes by identifying employees who should get the majority of available merit such as pay increases, bonuses and

promotions (Fanuel, 2004).

The banking industry in Uganda is growing at the highest rate with more financial institutions coming in (o play that have endeavored to absorb a significant number of employees' the majority of whom are fresh and young graduates. Centenary Bank, Kabale Branch faces high competition and personnel remain the key institution's resource to handle such competition through strategic staff appraising. Despite the importance of Appraising of staff, Centenary Bank, Kabale Branch's efforts to emphasize these remains significantly low.

Performance appraisal is a formal system of periodic review and evaluation of an individual's job performance. When it is properly done, performance appraisal provides feedback to employees that will improve their performance and thus organizations also benefit by ensuring that employees' effort and ability make a contribution to organizational success (Prowse and Prowse, 2009).

Staff appraisal has been practiced by numerous organizations since centuries. Though the performance appraisal system has been debated by many, it is viewed that performance appraisal is an inseparable part of organizational life (Sudarshan 2009). Appraising staff is a process that contributes to the effective management of individuals (Chiang 2010), and teams to achieve high levels of organizational performance (Armstrong, et al, 2005). Shrestha, et al, (2007), opine that Performance appraisal is a broad concept that

covers quite a number of activities that is connected to evaluate employees and improve their capability, skill, abilities through training and adequate rewards.

According to Sudarshan (2009) appraisal is the evaluation of worth, quality or merit, so performance appraisal of staff means the evaluation of their performance during a certain period of time. In the organizational context, performance appraisal is a systematic evaluation of personnel by supervisors or others with their performance.

Appraising staff can be defined as the process whereby current performance in a job is observed and discussed for the purpose of adding to that level of performance (Kent, 2015). It refers to the comparison of actual performance against targets set for the employee or against expected employee output. Performance appraisal represents a central function of human resource management and has remained an important topic of investigation among organizational researchers. Performance management incorporates the review of past performance and the setting of objectives for the future (Sudarshan, 2009).

According to Nyaoga, (2010), Performance refers to an inter- related process which ensures that activities and people in local authority contribute as effectively as possible to the authority. Further, all activities and objectives are systematically reviewed in a way which enables a local authority to learn and thereby improve its service to the community (Migiro and Taderera 2010).

Performance refers to the degree of accomplishment of the tasks that make up an employee's job it reflects. Many Americans corporations have become very result oriented and more emphasis is being placed on measuring performance (Godrick, 2016).

According to Urang, (2009), Organizational Performance is the concept of how effective an organization is in achieving its goals. Every employee in a company contributes to organizational effectiveness. Taking into account skills, experience, motivation and rank some employees play a bigger role than others. These are the people who contribute to the development of organization mainly with their knowledge.

Commercial banks as the most important functionary of the financial system play a dynamic role in the economic development of a country through mobilization of savings and allocation of credit to productive sectors. However, directed and inefficient credit allocation by the commercial banks in various economic

sectors without adequate credit appraisal, appraising of staff and monitoring ultimately led to widespread loan delinquency and deteriorating health of the entire financial system(Fanuel, 2014).

In Uganda, the Banking Sector is composed of the Central Bank of Uganda as the regulatory authority and the regulated Commercial Banks, Non-Bank Financial Institutions, and Forex Bureaus. As at December 2014, Uganda had 44 licensed commercial banks (CBU, 2014). Out of the 44 institutions, 31 are locally owned and 13 are foreign-owned. Over the last few years, the Banking sector in Uganda has continued to grow in assets, deposits, profitability, and product offering. The growth has been mainly attributed to the industry's wild branch network expansion strategy both in Uganda and in the East African community region, the automation of a large number of services, and a move towards emphasis on the complex customer needs rather than traditional "off-the-self" banking products (CBU, 2012).

The primary objective of appraising staff is to improve the efficiency of the bank by attempting to mobilize the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including performance standards influencing efficiency and effectiveness, performance measurement and accountability, and how employee feedback influences customer satisfaction. This study focused on performance standards influencing efficiency and effectiveness, performance measurement and accountability, and how employee feedback influences customer satisfaction.

Centenary Bank is one of the Commercial Banks licensed by the Bank of Uganda, the Central Bank, and the national banking regulator. The Bank is a large financial services provider with many branches one of them being Kabale Branch in Uganda. It is primarily involved in the promotion of development through loans to rural farmers, processors of agricultural produce, small manufacturers, small traders, importers, and exporters. While engaged in all areas of commercial banking, Centenary Bank has a significant portion of its portfolio in the microfinance arena in an attempt to meet the needs of the many individuals and business entities with limited means that the bank serves.

The introduction of appraisal schemes in Centenary Bank was an effort that was meant to motivate, stimulate and ignite the individual performance of staff in each of its branches so as to enable the bank to be competitive (Centenary Bank's annual report, 2014). On the contrary, the appraisal schemes were viewed by many of the staff in Centenary Bank as a mechanism of introduction of rate pay according to the way they had been categorized. In the end, the appraisal results and reports (2014-2016) indicate that most

staff became less committed and motivated and this has endangered good work habits in Centenary Bank which has affected the performance of the Bank.

According to Centenary Bank's rolling strategic plan for the year 2015, the following are the objectives of appraising staff;

1.3 Statement of the Problem

According to Centenary Bank Performance Review Report (2014), Centenary Bank, Kabale Branch conducts appraising staff periodically; however, little attention is directed to improving the human capital, which is the anchor of every organizational success story. Improving manpower requires that staff appraisal becomes an essential tool to assess the individual employee and should be based on consistent feedback such that an appropriate reward system could be ascribed or measured for correction to be put in place. The inadequate staff appraisal system in Centenary Bank, Kabale Branch, unfortunately, makes an assessment of individual employees extremely difficult and in that vein, most organizational targets are not periodically achieved hence lack of direction and low productivity(Centenary Bank Performance Review Report,2014). In this regard, therefore, if these problems like failure to meet the organizational goals persist for a longer period without being solved, dissatisfaction will spread among the employees and their motivation towards hard work will stagger. This in turn will definitely continue to slow down Centenary Bank, Kabale Branch's endeavor of achieving its intended goals and objectives as individual contribution is not detected. This was what prompted the researcher to investigate how appraising staff has affected the performance of Centenary Bank.

1.4 Purpose of the Study

The purpose of the study was to examine the appraising of staff and the performance of Commercial Banks in Uganda, using the case of Centenary Bank, Kabale Branch.

1.5 Objectives of the study

This study was guided by the following objectives;

- i. To analyze the staff appraisal methods in commercial Banks a case study of Centenary bank, Kabale branch.
- ii. To establish performance levels in commercial banks a case study of Centenary bank,Kabale branch
- iii. To establish the contribution of staff appraisal to the performance of commercial banks a case study of Centenary bank, Kabale branch.

1.6 Research Questions

The researcher mapped out vital research questions which needed to be answered. They included the following:

- i. What are the staff appraisal methods used in commercial Banks, a case study of Centenary bank, Kabale branch?
- ii. What are the performance levels in commercial banks a case study of Centenary bank, Kabale branch?
111. What is the contribution of staff appraisal to the performance of commercial banks a case study of Centenary bank, Kabale branch?

1.7 Scope of the study

The scope of the study included; content scope, geographical scope and time scope as explained below;

1.7.1 Content scope

The study concentrated on assessing how appraising staff affects the performance of Commercial Banks. Appraising staff was the independent variable whereas performance was the dependent variable. Under the independent variable (Appraising staff) the study focused on, Performance standards, and discussing results with employees (feedback). While the dependent variable (performance) focused on customer satisfaction, accountability, efficiency and effectiveness.

1.7.2 Geographical Scope

The study was carried out from Centenary Bank; Kabale Branch with in Kabale municipality. Kabale municipality is located in Kabale district South Western Uganda.

1.7.3 Time Scope

The study considered the period of five years from 2016-2021. This period was considered appropriate because despite the implementation of staff appraising policy at Centenary Bank; Kabale Branch.

1.8 Significance of the study

The study is expected to be significant to the different stakeholders including; the Bank's management, future researchers and government organizations in the following ways;

Management of Centenary Bank;

This shall help the management of Centenary Bank, Kabale Branch to realign itself, as far as performance appraisal was concerned so as to get the best out of it.

Commercial banks in Uganda;

The study shall be of practical significance to other commercial banks in that it can be used as a basis of comparison for reviewing their current approaches to appraising staff so as to attract and retain staff.

Staff of Centenary Bank

This study shall help staff to understand and appreciate the performance appraisal system and the relevance of an objective, systematic and effective performance appraisal.

Academics: The study findings will improve on the current existing body of knowledge regarding appraising of staff and performance of commercial banks.

Researcher: The study if well accomplished will facilitate the researcher's academic accreditation with a degree in Business Administration.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contained the research findings of various authors and publications on aspects of the current study. The first section is a literature survey; the second section focuses on a literature review covering studies carried out outside Uganda and their findings in relation to the current study variables.

2.2 The concept of appraising staff

Appraising staff is a process of identifying, observing, measuring, and developing human performance in organizations. The concept of appraising staff has attracted the attention of both academicians and practitioners. The process is also viewed as making an important contribution to effective human resource management as it is closely interlinked to organizational performance (Lunenburg, 2012).

Appraising staff is a management tool that helps management in its drive towards optimizing performance, primarily individual performance and therefore, organization performance now and in the future (Law, 2007).

Lee (2005) defines appraising staff as a process of assessing the performance and progress of an employee or of a group of employees on a given job and his potential for future development. He further argues that performance appraisal consists of all formal procedures used in work organizations to evaluate the personalities, contributions and potentials of employees. It is always important for managers and supervisors to get the best performance from their workforce in terms of levels of production and quality of output (Emami, 2011).

In order to achieve this, certain systems or programs such as performance appraisal need to be put in place. The success or failure of performance appraisal programs depends on the philosophy underlying it, its connection with the business goal, the attributes and skills of those responsible for its administration. According to Law, (2007), performance appraisal means evaluating employees' current and past performance relative to his or her performance standards.

According to Lunenburg, (2012), appraising staff regularly records an assessment of an employee's performance, potential and developmental needs. This also means that appraisal is an opportunity to take an overall view of work contents, loads and volumes, to look back on what has been achieved during the

reporting period and agreed objectives for the next. This definition clearly shows that in appraising employee performance the employee does get feedback about his or her past performance but indicates that in performance appraisal there is the opportunity to assess various aspects of an employee's work performance by looking back at how they have performed in the past and then by looking forward to agree on future objectives or workload.

2.2.3 Staff Performance appraisal process

Staff Performance appraisal system varies from one organization to another. For a performance appraisal scheme to be workable, it should follow a process. Cropanzano, (2009), have identified six steps that need to be followed when using an appraisal system.

2.2.4 Methods of staff appraisal in commercial banks

According to Lunenburg, (2012), appraisal methods can be broadly classified as (i) measuring (graphic rating scale, mixed-standard scale, forced-choice method, essay method) (ii) behavior (critical incident method, behavioral checklist, behaviorally anchored rating scale-BARS) and results. On the other hand, Emami, (2011) groups appraisal methods under the following headings; (a) absolute standard (essay method, the critical incident method, adjectives rating scale, behavioral anchored rating scale-BARS), (b) relative standards (group order ranking, individual ranking, and paired comparison) and (c) objectives.

2.3 Concept of Commercial banks

The term commercial bank refers to a financial institution that accepts deposits, offers checking account services, makes various loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses (Emami,2011).

A **commercial bank** is a financial institution that accepts deposits from the public and gives loans for the purposes of consumption and investment to make a profit.

It can also refer to a bank, or a division of a large bank, which deals with corporations or large/middle-sized businesses to differentiate it from a retail bank and an investment bank. Commercial banks include private sector banks and public sector banks (Gumush,2012).

Centenary Bank is a commercial micro bank operating with over 28 branches country wide. Jacobson, (1999) and Carlton et. al., (2001) assert that the bank is one of the leading providers of microfinance services in rural Uganda. The major problem facing the bank has been identified as failure to manage loan default (Centenary Bank Annual Reports, 2005, 2006, 2007). The management of the bank depends on

incentives to repay on time; instant arrears information and delinquency tracking; immediate action to enforce repayment; and rigorous recovery in case of defaulting to achieve loan repayment (Annual Report, 2005).

2.3.1 Role of Commercial banks

The general role of commercial banks is to provide financial services to the general public and business, ensuring economic and social stability and sustainable growth of the economy. In this respect, credit creation is the most significant function of commercial banks. While sanctioning a loan to a customer, they do not provide cash to the borrower. Instead, they open a deposit account from which the borrower can withdraw. In other words, while sanctioning a loan, they automatically create deposits (Armstrong, M. (2009).

Primary function

Commercial banks accept various types of deposits from the public especially from its clients, including saving account deposits, recurring account deposits, and fixed deposits. These deposits are returned whenever the customer demands it or after a certain time period.

Commercial banks provide loans and advances of various forms, Such as overdraft facility, cash credit, bill discounting, money at call, etc. They also give demand and term loans to all types of clients against proper security. They also act as trustees for wills of their customers etc.

The function of credit creation is generated on the basis of credit and payment intermediary. Commercial banks use the deposits they absorb to make loans. On the basis of check circulation and transfer settlement, the loans are converted into derivative deposits. To a certain extent, the derivative funds of several times the original deposits are increased, which greatly improves the driving force of commercial banks to serve the economic development

2.3.2 Performance levels in commercial banks

According to Kaplan and Norton (2015), organizational performance means the transformation of inputs into outputs for achieving certain outcomes. With regard to its content, performance informs about the relation between minimal and effective cost (economy), between effective cost and realized output (efficiency) and between output and achieved outcome (effectiveness). Sales performance can be explained

as all the activities or investment carried out in the firm in the given period of time. It can be measured by total amount of revenue collected for the goods sold. Growth revenue is defined as total amount of money collected by the company for the goods they sold in a specific time and this amount is calculated before any expenses are subtracted. Effectiveness of the organization depends on the three basic performance determinants which include; efficiency and process reliability; human resource and relations and innovation and adaptation to environment (Joseph and Dai, 2009).

Taskmn (2011) analyzed the macroeconomic and bank specific determinants of bank performance in Turkish banking industry for 1995-2009 period. Performance factors used in this study were return on assets, return on equity and net interest margin. Findings obtained from the study shown that bank performance is mostly affected by bank-specific factors, but macroeconomic factors do not have statistically significant effects on the performance. 2001 crisis lived in Turkey has negative effect on the performance of the banking system.

Tan and Floros (2012) evaluated the determinants of bank profitability in China using the data of 101 banks in the years 2003-2009 by means of two step generalized methods of moments (GMM) estimators. Empirical results exhibited that there is a positive relationship between bank profitability, cost efficiency, banking sector development, stock market development and inflation in China. The authors reported that low profitability can be explained by higher volume of non-traditional activity and higher taxation and confirmed that there is a competitive environment in the Chinese banking industry.

Safarli and Gumush (2012) in their paper used CAMELS performance rating system and panel data analysis for examining the relationship between performance of Azerbaijan banking system and macroeconomic factors in the period of 2003-2008. Their empirical results indicated that performance of banks decreased from 2005 to 2008, and inflation and GDP are negative related with performance of banking system.

Thagunna and Poudel (2013) developed a performance model for measuring relative efficiency and potential improvement capabilities of Nepali Banks. They used data envelopment analysis (DEA) in period of 2007-08 and 2010-11. They found that both the ownership type and the asset size of a bank do not affect its efficiency.

Obeidat et al (2013) analyzed the most important internal and external variables that contributed toward the profitability of the Islamic banks in Jordan over the period 1997- 2006 employing robust for various regression models. Findings obtained from the study shown that the most important internal determinants

of profitability are total deposit, cost of deposits, total expenditures, Mudaraba loans and restricted investment deposits, the main external determinants are the money supply and market share.

Baltacı (2014) investigated the relationship between the profitability of Turkish banks in the sector and macro-economic variables using the sectorial data of 31 banks in period of 2001-2011. As a result of his analysis, a positive relationship between bank profitability, inflation and indicators of crisis has been found.

The methodology examines performance in four areas: cost analysis in terms of procurement is the most traditionally used performance indicator, which includes assessments of measures such as operating costs and return on investment, customer analysis looks at customer satisfaction and retention; internal analysis looks at production and innovation, measuring performance in terms of maximizing profit from current products and following indicators for future productivity; and finally, learning and growth analysis explores the effectiveness of management in terms of measures of employee satisfaction and retention and information system performance (Joseph and Dai, 2009). As a structure, balanced scorecard methodology breaks broad goals down successively into vision, strategies, tactical activities, and metrics.

2.4 Contribution of staff appraisal to the performance of commercial banks

According to Lunenburg, (2012), appraising staff regularly records an assessment of an employee's performance, potential and developmental needs. This also means that appraisal is an opportunity to take an overall view of work contents, loads and volumes, to look back on what has been achieved during the reporting period and agreed objectives for the next. This definition clearly shows that in appraising employee performance the employee does get feedback about his or her past performance but indicates that in performance appraisal there is the opportunity to assess various aspects of an employee's work performance by looking back at how they have performed in the past and then by looking forward to agree on future objectives or workload.

Organizational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. The inability of organization to install an effective performance appraisal strategy has hindered them from achieving competitive advantage which they require more now than ever before (Armstrong, 2009). Appraisal processes are not systematic and regular and often characterized by personal influences occasioned by organizations preoccupation to use confidential appraisal system which hinders objectivity and fairness. Often organizations ignore management by objectives, critical incidents to personal prejudices (Law, 2007). This is retrogressive as it

affects the overall performance of the individual. 360 degrees' appraisal method whereby superiors appraise their subordinates, subordinates appraise their superior and the appraise himself or herself and the average of all the appraisal taken to arrive at the final appraisal outcome should now be considered by organizations (Chiang, 2010).

According to Danielle, and Buckley (2005), people who feel good about themselves are the ones who produce good results" and good results are an outcome of people' performance. The manager is responsible for developing people's skills, to provide them with specific feedback so they can produce the best possible result. In today's changing world, top down management is too slow. To attain the greatest possible outcome, immediate, quick and clear feedback from the manager is the winning ingredient. To become a manager who gives this kind of feedback, there are three secrets the manager needs to understand and follow when supporting the people to achieve better performance (Godrick Bulitia (2006).

Staff appraisals are one of the most important requirements for successful business and human resource policy (Kressler, 2003). Rewarding and promoting effective performance m organizations, as well as identifying ineffective performers for developmental programmes or other personnel actions are essential to effective human resource management (Pulakos, 2004). The ability to conduct performance appraisals relies on the ability to assess an employee's performance m a fair and accurate manner. Evaluating employee performance is a difficult task. Once the supervisor understands the nature of the job and the sources of information, the information needs to be collected in a systematic way, provided as feedback, and integrated into the organization's performance management process for use in making compensation, job placement, and training decisions and assignments (London, 2003).

There is an increasing use being made of the performance appraisal process (Millward et al., 2000; Nankervis and Compton, 2006; Wiese and Buckley, 1998) generally motivated by an organizational desire to affect employee behaviors and attitudes and, ultimately, performance (Aguinis, 2009; Gardner, 2008; Shields, 2007). This occurs as a consequence of the establishment of goals at the beginning of the evaluation cycle which provide employees with clear performance targets, the monitoring of performance during the evaluation cycle (which can be used to assist poor performers) and

the reinforcement provided for good performance through the provision of rewards, usually in the form of higher pay (Brown & Hyatt, 2010). This process is seen to encourage employee performance in subsequent performance cycles (Heneman and Werner, 2005; Mani, 2002).

The linkage between performance appraisal and employee performance has been established by several studies. A body of empirical research suggests that performance appraisals do result in increases in employee performance and productivity (Rodgers and Hunter, 2011; Schay, 2010; Taylor and Pierce, 2014). These improvements are seen to derive from the greater employee identification with and commitment to, the objectives of the organisation. Work efforts are directed to activities that will be of benefit to the organisation. Poor performing employees are identified during the evaluation cycle and given feedback on how to improve. They might also undertake some developmental activities (for example, training) in order to rectify performance deficiencies. Employees are motivated to work at a higher level by the offer of financial incentives that are contingent on their performance, and these financial incentives are important in encouraging the retention of high-performing employees (Brown & Hyatt, 2010). When these positive outcomes are not generated, it is often concluded that the fault lies with the low quality of the performance appraisal process (Blau, 2011; Roberts, 2010).

2.5 Conclusion

Generally, the above literature exhibits several knowledge gaps and several questions are not adequately answered by already existing literature and studies like whether appraisal of staff has contributed to the performance of Centenary bank, Kabale branch. Where attempts are made, it is limited by time and geographic scope. However primary data will be used to examine the role of appraising staff on the performance of commercial banks in Uganda; a case of Centenary Bank, Kabale branch.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presented the methodology used in conducting the study. It reflects the study research design, population of the study, sampling, data collection methods and instruments, data analysis, ethical issues and limitations of the study.

3.2 Research design

This study used a case study research design using a descriptive and analytical method. The quantitative approach was used to quantify incidences in order to describe current conditions and to assess appraisal of staff using information gained from the questionnaires. The qualitative approach was used to explain the events and describe findings using interview guide and documentary analysis. All this enabled the researcher to gain in-depth information that was used to find solutions for the research questions of the study.

3.3 Study Population

This study targeted Centenary bank staff. All the selected employees filled the questionnaires adequately. Eighty (80) respondents were selected as target population for this study.

3.4 Sample size

A sample of 66 respondents was conceived to participate in the study. The sample size for the current study was selected based on the criteria set according to Mpoga (2000) as shown below:

$n=N$

$(1+N)$

Where n = the required sample size

N = the study population

e = the level of significant co-efficient

$n= 80$

$1+80(0.05)$

$80(0.0025)$

$n= 80$

1.2

$n=66$

3.5 Data type and sources

The study used both primary and secondary data sources as explained below;

3.5.1 Primary sources

Primary data was obtained directly from the target sample respondents. It included first-hand information given by the respondent. This type of data was important because it was directly applicable to the research problem at hand and largely offered better control over data accuracy (Mugenda and Mugenda 2009).

3.5.2 Secondary sources

Secondary data is the data that has been already collected and readily available from other sources. Such data was cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all. The secondary data was got from business reports and newspapers. Secondary data was used because access time was relatively short.

3.6 Data collection methods

This study employed the following methods in the collection of data namely; interviewing method, questioning method and document review as explained;

3.6.1 Interviewing method

Interviewing method was the verbal conversation between two people with the objective of collecting relevant information for the purpose of research. Structured and open-ended interviews were carried out. This method of data collection was used because it gave an opportunity to probe and obtain detailed information on an issue. Key respondents (managers, loan officers and banking officers) were interviewed to provide insight into events.

3.6.2 Documentary review method

Existing records often provided insights into a setting and/or group of people that cannot be observed or noted in another way. The document review method included reviewing existing literature, publications of other researchers, text books, journals and other correspondences, reports and minutes, Papers presented in seminars and workshops will be reviewed to back up primary data. This method was used to gather secondary data to supplement primary data

3.6.3 Questioning method

A questionnaire is a set of questions for gathering information from individuals/ respondents. Questionnaires were administered by mail, telephone. The questioning method was used to gather data about knowledge, beliefs, attitudes, and behaviors.

3.7 Data collection instruments

These are the fact finding strategies. The instruments of data collection the researcher used included; self-administered questionnaire, interview guide and document review checklist as explained below;

3.7.1 Interview guide

An interview guide helped the researcher to conduct formal interviews with respondents. This gave the respondents opportunity to provide elaborate answers to questions and also seek for clarification on some questions that are not clear. Some of the questions that were asked with questionnaires were also asked in the interview guide. This enabled the researcher to triangulate the data collected. Kothari, (2004) revealed that the responses got from the interview were spontaneous in that the respondent has no chance of consulting anybody else before answering.

3.7.2 Self-Administered Questionnaire

The use of this method justified data collection because it was thought to avoid the researcher's bias and it encouraged open responses to sensitive questions. Kothari, (2004) believes that this method is cheap to administer, convenient to use in a short time and respondents can answer questions in their own time which observes the subjects' freedom. It was on the basis of this that the researcher adopted the use of this method. Appropriate questionnaires were designed and self-administered on respondents who were purposively. This was done so as to catch up with the time frame for the study, as well as ensure a 100% response tum out.

3.8 Procedure of Data Collection

The researcher obtained an introductory letter from the department of Economics and Management Science. She will then visited Centenary bank, Kabale branch and sought permission from the administration to allow her to conduct the study. After granting her permission, the researcher personally administered the questionnaires to the identified respondents. The respondents were briefed about the importance of the study and were assured of the aspect confidentiality of the information they provided. The researcher also got the consent of the respondents prior to participating in the study. Later, the respondents were guided on how to fill the questionnaire. They were also requested to exercise objectivity in their responses in the questionnaire. The respondents were given sufficient time to fill the questionnaire

and thereafter the researcher collected the questionnaires. Later, the researcher conducted the interviews on the selected individuals, the key informants, after getting their consent too.

3.9 Data processing and analysis

Data has no clear meaning unless it is analyzed and interpreted. Data analysis therefore gave raw data meaning and implications. Data was collected to check for accuracy, reliability, consistency and completeness of completed questionnaires. Data was edited in the office after field work before coding. This was done to identify the errors in the completed questionnaires. Such errors were inevitable. Unfilled and incomplete questionnaires were dropped at this stage and only completed questionnaires were retained for data analysis. Also, data that was got from various documents was carefully read and compared with the responses from respondents in the questionnaires and interview guide to ensure completeness and accuracy which was done before coding and capturing into the computer system for analysis.

Data Analysis

The data collected from the field using questionnaires, interview schedules, and observation checklist was analyzed using both descriptive statistics and inferential statistics (correlation, regression and coefficients); Percentage were obtained from the frequency tables by use of computer packages like micro soft Excel.

3.10 Limitations of the study

The validity of the study faced some threats borne out of the following situations;

Intervening or confounding variables would may be beyond the researcher's control such as honesty of the respondents and personal bias. To minimize such conditions, the researcher requested the respondents to be as honest as possible and to be impartial unbiased for answering the questionnaires.

The research environment had no standard control where extraneous variables influenced on data gathered these delayed final report presentation. Instrumentation was another limitation of this study.

The research tools used in this study were researcher-made. However, validity and reliability tests was done to arrive at a reasonable measuring tool.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND PRESENTATION OF FINDINGS

4.0 INTRODUCTION

This chapter presents the findings and discussion of the study for the data obtained from the field. This was done with aim of providing answers to the research questions and interpretation of each of these findings in light of the research objectives. Tables, frequencies, and other statistical tools were used to help with the analysis and interpretation of findings.

Response rate

The study population was 66 but only 64 respondents participated and 2 did not participate in the study project and the total number of respondents who were sampled was 64(98%) in total and they all responded positively.

4.1 Bio data of the respondents.

4.1.1 Age of respondents.

Table 4.1: Age Bracket of the Respondents

Respondents were requested to reflect their age brackets and their responses are as summarized in the table below.

Years	Frequency	Percentage
20-29 years	24	37.5
30-39 years	26	40.6
40-49 years	12	18.8
50-59 years	2	3.1
Above 60 years	0	0
Total	64	100

Source: Field Data, 2022

The study findings in table 4.1 above indicate that 24 (37.5%) were aged 20 to 29 years, 26 (40.6%) were aged 30 to 39 years, 12 (18.8%) were aged 40 to 49 years, and 2 (3.1%) were aged 50 to 59 years.

iv.

Accordingly, the majority that is 26 (78.1%) were aged 30 to 39years. This implies that the branch engages mainly youthful staff.

4.1.2 Gender of respondents.

Respondents were requested to reflect their gender and their responses are as summarized in the table below.

Table4.2: Gender of the Respondents

Gender	Frequency	Percent	Valid Percent
Male	28	43.8	43.8
Female	36	56.3	56.3
Total	64	100.0	100.0

Source: Field Data, 2022

The study findings in table 4.2 reveal that 28 (43.8%) of the respondents were males and 36(56.3%) were females. Therefore, the majority of the respondents were females which implied that the branch employed more females than males. However, both male and female respondents availed valuable data for this study.

4.1.3 Marital status of respondents.

Respondents were requested to reflect on their marital status and their responses are as summarized in the table below.

Table 4.3: Current Marital Status of the Respondents

Marital Status	Frequency	Percent
Married	28	43.8
Single	26	40.6
Divorced	6	9.4
Widowed	4	6.3
Total	64	100.0

Source: Field Data, 2022

The results in table 4.3 above reveal that 28 (43.8%) of the respondents were married, 26 (40.6%) were single, 6 (9.4%) were divorced, and 6 (6.3%) were widowed. From the study, majority (43.8%) of the respondents were married followed by those who were single (40.6%). This implies that the branch employed more married followed by single and less divorced and widowed whom they expect to be less productive due to their personal problems.

4.1.4 Highest education level attained.

Respondents were requested to reflect their highest education levels attained and their responses are as summarized in the table below.

Table 4.4: Highest Education Level attained.

Level of Education	Frequency	Percentage
Certificate	4	6.3
Bachelors	39	60.9
Masters	15	23.4
Post graduate diploma	6	9.4
Total	64	100

Source: Field Data, 2022

The results in the table 4.4 above reveal that 4 (6.3%) had attained certificates, 39 (60.9%) had attained bachelor, 15 (23.4%) had attained Master's, and 6 (9.4%) had attained Postgraduate Diplomas and other higher qualifications. This implies that, the majority of the staff employed have a bachelor's education level followed by a Masters 'Degree since the work is technical.

4.1.5 Duration of service at Centenary Bank, Kabale Branch

Respondents were requested to reflect their length of service at Centenary, Kabale Branch and their responses are as summarized in the table below

Table 4.5: Duration in Service with Centenary Bank

Years in service	Frequency	Percentage
Less than 1 year	12	18.8
1-5 years	38	59.4

5-10 years	10	15.6
10 and above	4	6.3
Total	64	100

Source: Field Data, 2022

The study findings from table 4.6 above show that, 12 (18.8%) had served for less than 01 year, 38 (59.4%) had served for 01 to 05 years, 10 (15.6%) had served for 05 to 10 years and 4 (6.3%) had served for 10 years and above. This implies that majority (59.4%) of the respondents had served in the bank for 01 to 5 years followed by 5 to 10 years (15.6%). One of the respondents said "employees that exceed 10 years are considered experienced and they are always taken to the Main branch for managerial positions". Therefore, this leaves the branch with minority staff with length of service above 10 years. In conclusion, respondents or personnel characteristics of respondents are very significant in expressing and giving the responses about their age, sex, education, level of administration, and others as have been presented, analyzed and interpreted in this section.

4.2 Staff appraisal methods in Centenary bank

Respondents were asked about staff appraisal methods used in Centenary bank and the following was revealed by the respondents as shown in the table below.

Staff appraisal methods	Frequency	Percentage
Self-evaluation	13	20.3
Management by objective	20	31.3
Rating scale	15	23.4
360- degree staff appraisal	6	9.4
Behavioral checklist	10	15.6
Total	64	100

Source: Field Data, 2022

From the table above 13(20.3%) cited self-evaluation as one of the staff appraisal methods used at Centenary bank, Kabale branch, 20(31.3%) mentioned management by objective as one of the appraisal methods, 15(23.4%) talked of rating scale, 6(9.4%) cited 360-degree staff appraisal while 10(15.6%) talked of behavioral checklist as one of the staff appraisal methods. This implies that Centenary bank has different

staff appraisal methods and this has made it to be among the successful commercial banks in Uganda due to its competitive advantage brought about by the staff appraisal methods being applied.

4.3: Performance levels at Centenary bank

Respondents were asked about the performance levels in Centenary bank and the following views were mentioned.

Table 4.7: Showing Performance levels in Centenary bank

Performance levels	Frequency	Percentage
Profitability	24	37.5
Competitiveness	18	28.1
Flexibility	12	18.8
Resource utilization	10	15.6
Total	64	100

Source: Field Data, 2022

From the table above 24(37.5%) of the respondents cited profitability as one of the measures of performance levels being observed at Centenary bank while 18(28.1%) mentioned competitiveness and 12(18.8%) talked of flexibility as one of the performance levels whereas 10(15.6%) said that one of the performance levels is resource utilization. This implies that performance levels are determined by different factors as discussed above

4.4: Contribution of staff appraisal to the performance of Centenary bank.

Respondents were asked about the contribution of staff appraisal to the performance of the Centenary bank and the following views were given as shown in the table below.

Table 4.8: Showing Contribution of staff appraisal to the performance of Centenary bank

Contribution	Frequency	Percent
Provide adequate staff appraisal to each person on his or her performance	13	20.3
Serve as a basis for modifying or changing behavior toward more effective working habits	15	23.4

Provide data to managers with which they may judge future job assignments	13	20.3
Affects employee's behavior and attitude	11	17.2
Increases employee performance and productivity	12	18.8
Total	64	100

Source: FieldData,2022

From the table above 13(20.3%) of the respondents said that staff appraisal provides adequate staff appraisal to each person on his or her performance,15(23.4%) mentioned that it serves as a basis for modifying or changing behavior toward more effective working habits,13(20.3%) said that it provides data to managers with which they may ge future job assignments while 11(17.2%) mentioned that staff appraisal affects employee's behavior and attitude whereas 12(18.8%) of the respondents said that increases employee performance and productivity. This implies that appraising staff as a tool helps management in its drive towards optimizing individuals' both present and future performances in an organization.

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATION OF THE FINDINGS 5.0

Introduction

This chapter focuses on the discussion, conclusions, and recommendations that can be drawn from the discussion of findings presented in chapter four. The study examined the appraising of staff and the performance of Commercial Banks in Uganda, using the case of Centenary Bank, Kabale Branch

5.1 Discussion of findings

The following is the thematic summary of the findings;

5.1.1 Staff appraisal methods in Centenary bank

The appraising staff as a process helps to identify, observe, measure and develop human performance in the bank. Appraising staff is known as a tool that helps management in its drive towards optimizing individuals' both present and future performances in an organization.

From the findings, it is shown that there are different staff appraisal methods mentioned by respondents used at Centenary bank and these were Self-evaluation, Management by objective, Rating Scale, 360-degree staff appraisal, and Behavioral checklist and this is in agreement with Lunenburg, (2012) who said that appraisal methods can be broadly classified as measuring (graphic rating scale, mixed-standard scale, forced-choice method, essay method), behavior (critical incident method, behavioral checklist, behaviorally anchored rating scale-BARS) and results. On the other hand. In addition, Emami, (2011) also groups appraisal methods under the following headings; absolute standard (essay method, the critical incident method, adjectives rating scale, behaviorally anchored rating scale-BARS), relative standards (group order ranking, individual ranking, and paired comparison) and objectives.

5.1.2: Performance levels at Centenary bank

Employees are more satisfied with their work which has driven them to perform better and ensure effectiveness in accountability for their work. The senior staff is able to evaluate the quality of work done by ensuring accountability for every resource invested like finances and human resources. The management often fails to get clear criteria to measure the performance of individual staff which makes its evaluation hard to segregate successes and weaknesses but

instead over generalizes a situation meaning that all employees are equally evaluated hence obtaining biased results.

From the findings, most of the respondents mentioned performance level as Profitability and this agrees with Floros, (2012) who evaluated the determinants of bank profitability in China using the data of 101 banks in the years 2003-2009 by means of two step generalized methods of moments (GMM) estimators. Empirical results exhibited that there is a positive relationship between bank profitability, cost efficiency, banking sector development, stock market development and inflation in China. The authors reported that low profitability can be explained by higher volume of non-traditional activity and higher taxation and confirmed that there is a competitive environment in the Chinese banking industry

5.1.3 Contribution of staff appraisal to the performance of commercial banks

The management and supervisors at Centenary bank assess the various information from their secret reports, open appraisals and suggestion box for making a preliminary assessment of every staff. Staff appraisal was one of the most prevalent interventions in the field of organizational behavior management in Centenary Bank and its a highly popular invention in the domain of applied behavior analysis.

Also effective staff appraisal was critical to the success of each employee, team and company. It motivated employees to improve their job performance by enhancing ability, encouraging effort, and acknowledging results. If included in a managerial strategy and given consistently, effective staff appraisal could reduce employee mistakes, enhance performance and increase efficiency within the workplace. Staff appraisal helps one to get the information critical for enabling better task execution in the future.

The staff appraisal is critical of the way one works at the branch, the clientele, tactical and strategies are then devised to motivate staff. The bank manager gets time on routine basis usually after closure and on weekend or on call and discuss with individual employees about their work/job performance. There is little time to fully discuss their jobs, but because regardless of the time to fully discuss their jobs, but because regardless of the time, the manager would at least not mince but address the employees about their strengths and weaknesses going by the staff appraisal obtained in the daily, weekly and monthly reports.

Therefore, indeed the employees who took staff appraisal as a way of unsettling them at their current jobs, now take it as a means of learning their mistakes, improving their work ethics and best service delivery, and consequently they just wait for it to come because it is more of a certainty than uncertainty. And staff appraisal gives the surest way to address customer concerns and by this, employees can give customers better information on credit issues, status of their accounts and the financial health as well as packages offered by the bank.

5.2 Conclusion

The following is the conclusion of the findings;

The study found out that the bank has good and admirable performance standards brought about by the technically proficient staff who have admirable skills in accounting, management, loans management, credit creation, auditing, supervision and other banking skills. This has made the bank a top-performance competitor in Uganda. Centenary Bank has well-established means for better human resource management including motivating the workers to perform well, the technical expertise to generate proper accounting information, manage customers' needs effectively and efficiently.

There is an established high-performance standard that has influenced and continues to influence the efficiency and effectiveness in her work methodology. The human resources in the bank have well-nourished skill levels, and coupled with close and well-intentioned supervision; they carry out their duties with efficiency and accuracy. So the accounting information generated is vital for the proper performance of the bank at the individual, departmental and branch levels. The bank has good and admirable performance standards brought about by the technically proficient staff who have admirable skills in accounting, management, loans management, credit creation, auditing, supervision and other banking skills.

The study revealed that the management of the bank ensures that performance aims at ensuring that individual staff and departments attain the performance targets. The study on performance measurement and accountability in Centenary Bank, Kabale Branch is thus valid because it relates to performance and accountability. The management ensure that the staff do their work and on appraisal, the individual staff have to account for their work, upon which successfully evaluated, the staff are appraised positively and may be rewarded for the good work done. Performance measurement at the bank is dependent upon the quality and determination of the

management and the human resources under their span of control to ensure that tasks are performed to their accomplishment. The management are keen on supervising the performance of the staff in order to ensure that the bank is able to measure up to the required performance. This ensures accountability in the system because the harder the work the more the profitability and development of the bank.

According to the study, the management encourages employee Staff appraisal and Customer satisfaction which influences the performance of Centenary Bank. The employees are critically examined and their performance monitored and evaluated so that extensive staff appraisal is given that can ensure that they are rightly performing and enable to advance their skill and ability to perform. There is staff appraisal in all departments and general bank duties are crucial ingredients on table to enhance decision making for example when it's important to reform credit management experts in the department are consulted in line with policy and prevailing conditions to streamline performance.

The management ensures that they discuss performance with members of staff about their performance, so in case any issues arise, they are discussed in order to streamline service delivery to the customers. It was revealed that the manager finds time immediately any issue of concern arises and communicates with the concerned person/ staff so that they can streamline work. This concerns staff in the credit/ loans department, banking, tax management, support staff, information and communications, technology and public relations. The staff appraisal delivered is either from explicit or implicit sources, and it is always seen as the concern of the manager to keep their branch clean and well-performing.

5.3 Recommendation of findings

The study on appraising of staff and performance of Centenary Bank, Kabale Branch has been thoroughly exhausted, and as such the following are the recommendations;

There should be improvement of performance standards through recruiting the most proficiency staff, and training the existing staff on regular basis so that they become more compliant in order to ensure efficient and effective appraisal of staff regularly in order to ensure records on individual employee performance is boosted. This will also ensure that appraisal is regularly done to enable the staff improve their performance.

There should be a strengthening of performance measurement indicators like time of service, the number of clients handled, the number of customers recruited and other performance enhancement measures which can enhance accountability in Centenary Bank and other banks. The managers and supervisors should be adequately trained in order to enable the management provide meaningful staff appraisal to subordinates.

Efforts should be aimed at effectively providing staff appraisal to individual employees and all staff about their strengths and weaknesses so that where they need to improve and where they need to maintain they maintain in order to achieve better performance, and this may be reinforced through coaching performance when the employees and the manager work together to ensure a good job is done and results are achieved in the most tenable time.

5.4 Areas for further study

The following are areas of further study;

- ▶ An assessment of appraisal planning and organizational performance in commercial banks in Uganda
- ▶ Performance appraisal and ensuring job security in the banking sector in Uganda
- ▶ Appraisal management and organizational sustainability of the banking sector in Uganda

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4. What position do you hold in Centenary bank?

- a) Top Management
- b) Middle management
- c) Lower management
- d) Others (specify)

SECTION B: STAFF APPRAISAL METHODS IN COMMERCIAL BANKS

5. The staff appraisal methods in Centenary bank are: (Tick the appropriate Response)

- I. Self-evaluation
- II. Management by objective
- III. Rating Scale
- IV. 360-degree feed back
- V. Behavioral checklist

In your own view, mention other methods of staff appraisal at Centenary Bank?

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SECTION C: PERFORMANCE LEVELS IN CENTENARY BANK

6. The performance levels in Centenary bank are: (Tick the appropriate Response)

- I. Profitability
- II. Competitiveness
- III. Flexibility
- IV. Resource utilization

In your view, what are other performance levels in centenary bank?

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SECTION D: CONTRIBUTION OF STAFF APPRAISAL TO THE PERFORMANCE OF CENTENARY BANK.

7. The contribution of staff appraisal to the performance of Centenary is: (Tick the appropriate Response)

- 1. Provide adequate feedback to each person on his or her performance
- 11. Serve as a basis for modifying or changing behavior toward more effective working habits
- m. Provide data to managers with which they may judge future job assignments
- iv. Affects employee's behavior and attitude
- v. Increases employee performance and productivity

In your own view, mention some of the contributions of staff appraisal to the performance of Centenary Bank?

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Thank you very much

APPENDICES

Appendix B: INTERVIEW GUIDE

1. How long have you worked with Centenary bank?
2. What position do you hold in Centenary bank?
3. In your opinion are some of the methods of staff appraisal at Centenary Bank??
4. What are some of the performance levels in Centenary bank?
5. In your view, mention some of the contributions of staff appraisal to the performance of Centenary Bank?

Thank you very much