

The Effect of Performance Appraisal on Job Satisfaction and Organizational Commitment of Select Insurance Employees

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Purpose – *The purpose of this research paper is to investigate the effect and impact of performance appraisals conducted for employees in the Insurance Sector on job satisfaction and organizational commitment.*

Design/Methodology/Approach – *The sample size consists of 273 employees of insurance companies. SPSS version 22 was used to perform regression analysis on the obtained data.*

Findings – *The findings supported the hypothesis that performance appraisal does have a significant positive impact on both job satisfaction and organizational commitment. The findings also supported the hypothesis that performance appraisal positively influences employee satisfaction and commitment to their job and organization.*

Research Limitations – *The limited and selected sample of the research and the research context limit the scope to which the conclusions of this study may be generalized.*

Practical Implications – *The organization must take measures to communicate and develop the existing models used in performance appraisals in order to boost productivity and motivation.*

Originality/Value – *This study indicates the need to redefine the usage of performance appraisal and its relevance in the organization, understanding its influence on employees' performance and their level of job satisfaction and commitment towards the organization in an industry with a huge proportion of workers.*

Keywords: *Performance Appraisal, Job Satisfaction, Organizational Commitment, Insurance*

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Abstract

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Introduction

The organization has to measure employees' efficiency as a key component of the business environment. The insurance sector has been considered one of the growing financial services throughout the world (Mathur et Paul, 2014). The usage of the right performance appraisal, which is convenient to the environment, improves job satisfaction and shows an indirect impact on organizational commitment (Fu & Deshpande, 2013). The employees in an organization using a perfect performance appraisal system having different methods get motivated automatically. The performance appraisal system increases employee productivity in relation to the organization's expectations. When employees are satisfied with their jobs, their commitment to the work increases, as does their productivity (Deepa et al., 2014).

The performance appraisal process not only focuses on monetary outcomes but also on non-monetary too. The appraisals, which are non-monetary, do not have an effective influence on the job satisfaction of employees. The employees who are available to experience scoring high for those appraisals which do not have monetary outcomes reduce a person's job satisfaction. The appraisals related to tangible consequences such as a bonus or a pay raise are very important in which the organization has to design the appraisal system to focus on the employees' job satisfaction (Kampkotter, 2017). Organizations usually state that investing in Performance Appraisal is time-consuming and dissatisfying. These problems have arisen with the usage of traditional methods that focus on past performance rather not on the future. There are many drawbacks in using traditional methods of performance appraisal, which have been solved by replacing them with modern or new-age methods of performance appraisal. With the usage of technology and other software, measuring one's performance is neither hard nor time-consuming (Mayank, 2020). In the past few years, there has been an increase in the number of jobs in the insurance sector, so the managers have to update their performance appraisal methods for better and more effective performance evaluation (Kalkavan, 2014).

Both managers and employees should be involved in the performance appraisal process. Typically,

the employees are avoided in the process, and the performance feedback is also not provided. This makes them lose the opportunity to improve their performance (Iqbal et al., 2015). A healthy work environment in an insurance company increases productivity and better relations with colleagues. The required amount of workload and incentive could help construct a positive job satisfaction and the work environment (Awan et Tahir, 2015). As a result of privatization, the companies were forced to have immense competition in their business generation. This decreases job satisfaction as there is an increase in the work pressure on individuals. A manager has to measure job satisfaction as a tool for calculating employee retention. The employees would like to learn about their surroundings and improve their skills according to the changes happening around them to stay active in the competition (Singh et al., 2012). For the past few years, the insurance sector has been facing challenges in growth. In the human aspect, these arise as attrition, job stress, and employee engagement are low, as well as lower levels of trust and understanding. The application of social exchange theory in which the employees are valued and rewarded for their contribution, which is also valuable, results in developing organizational commitment. This theory displays the relation between perception and employee well-being. Employee well-being is defined by work-life balance and job satisfaction (Garg et al., 2017). Insurance companies are also facing issues in becoming more efficient, creative, flexible, and productive to generate intangible output for the organization. With the usage of the right resources, the organizations could have a well-planned strategy that meets the wants and needs of their employees, who are mostly under pressure, also keeping the experienced employees to make them work in a superior job (Siddiqi & Tangem, 2018). The employees' commitment to the job increases and results in increased productivity. This increases sales and decreases employee turnover, also decreasing absenteeism. Many methods could be used for employee retention depending on their performance, satisfaction, and commitment, such as a Supervision System, Transparency in Evaluation, Training, and Development, Compensation, Orientation, and other tools and techniques. If not improved, it might lead to a recession (Risal, 2018).

The focus of this research is to explore how new methods of performance appraisal affect individuals' job satisfaction and commitment to the organization. This could be an applicable research question as there is a lack of communication, poor rating methods, and different forms of bias are identified, which showed a decrease in job satisfaction and poor productivity of employees having not much organizational commitment to their work.

Literature Review

Theoretical background and Hypothesis development

Performance Appraisal

Performance appraisal is described as the process of assessing employees in order to determine how well they do their work in accordance with performance standards (Dessler, 2000). In recent years, performance appraisal has been utilized to motivate employees and recognize the need for improvement in the workplace. Performance appraisal is considered a continuous process, and no standard can be maintained, yet this can be viewed as – planning the way of evaluating the performance of employees and, in turn, improving their performance depending on the evaluation conducted (Kaynak, 2003).

Performance appraisal and Job Satisfaction

Job satisfaction is defined by Locke (1969) as "The pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values". Employees being satisfied with their work will lead them to feel a part of the organization and will be committed to their work. Financially and/or non-financially, performance management and feedback will motivate employees in a very positive manner.

The role of the supervisor is the main performer in the Performance Appraisal because they are generally the appraisers, and the effectiveness of performance appraisal is determined by the level of faith that the employer and employee have in each other. In addition to this the study also agrees that the design and instruments used for performance appraisals are important, but one should also focus on the level of competence of a supervisor who will

implement the appraisal systems (Abdelhadi et al., 2015).

The employees' inner motivation and satisfaction greatly depend on the effectiveness of an appraisal of performance, say reports and studies. A report examined how workplace culture facilitates the effectiveness of the performance appraisal process in improving self-performance and staff retention. Performance appraisals that are regarded to be more precise will be treated more favourably by employees, perhaps leading to increased satisfaction with the appraisal system (Harrington & Lee 2015). If an effective workplace atmosphere functions as a mediator in the way that we propose, the assessment process and its effectiveness will allow for a better performance report completed by oneself, more job satisfaction, and greater employee retention. The outcome of the employees gets reduced by a negative workplace, and in the same way, positive workplace culture will reinforce the relationships between the organization's individuals' job performance and commitment (Cravens et al., 2015). There have been earlier ways of explaining the strong association between career advancement and success, participation of employees in the work, feedback and acceptance of the positive or negative feedback in the appraisal, and setting goals positively affecting employees' job satisfaction. (Linna et al., 2012). These studies also indicate the relationship of employees' job satisfaction with organizational commitment. When employees are sure about the way the appraisal is measured and is conducted in a non-biased way and for the betterment and development of the employees, the employees will become more satisfied and committed to their job and the organization, which will surge the overall organization productivity too (Fakhimi & Raisy, 2013). Some more researchers say that successful performance appraisal will most probably lead to increased job satisfaction (Jawahar, 2006) and organizational commitment of the employees (Kuvaas, 2006). A report says giving constructive feedback will positively enhance career performances and opportunities, which will impact employee satisfaction (Sommer & Kulkarni, 2012). Employee's participation in performance appraisal systems and even the feedback (as noted earlier) play a very great impact on employees' job satisfaction and therefore becomes a critical part

when it comes to designing perfect performance appraisal systems for any organization (Cawley et al. 1998; Selvarajan & Cloninger, 2012). The rising emphasis on academic performance underlines the relevance of performance management systems (PMSs) throughout institutions, with the success of PMSs being strongly (negatively) correlated with job satisfaction and academic retention (job-related stress). As a result, the purpose of this study is to contribute to the performance management research by giving a detailed understanding of how university administration can improve the performance of PMSs, as measured by work-related attitudes and the resulting effect on organizational performance, by focusing on particular characteristics of the performance appraisal system (Pop-Vasileva, 2011). Performance assessments, salesperson organizational commitment, and job happiness all have linkages. (Pettijohn, 2001)

According to some academics, there is a link between job satisfaction and the appraisal process. According to Lau and Sholihin (2005), the relationship between non-financial mechanisms of performance evaluation and job satisfaction is mediated by fairness in performance evaluation methods and faith in supervisors. The findings indicate that if dependents perceive the performance appraisal to be fair and their superior authority to be credible seems to be reliable that the effectiveness of the systems is enhanced. A report also suggests that there is no direct impact on performance appraisal and job satisfaction. Rather, there are other internal and external dimensions that affect these variables relatively differently (Agarwal & Mehta, 2014). A longitudinal study was carried out to investigate the effects of performance appraisal responses on work satisfaction (Jawahar, 2005). The research was also done on federal employees to ascertain their perceptions of their performance evaluation systems as well as the impact on job satisfaction. Other elements influencing employee satisfaction are examined to be the perception of supervisors and the level of feedback mechanism provided by them. There was an analysis of four major proportions of performance appraisal systems which are timeliness, feedback, goal settings, and procedures with overall satisfaction (Blau, 1999). Reports have studied the outcome of appraisal over job attitudes (Levy and Williams, 1998). According to studies, employees'

opinions of being treated fairly are substantially related to job satisfaction (Colquitt et al. 2001). Employees may regard accurate appraisals as reliable (O'Reilly & Anderson, 1980), and as a result, they may have positive evaluations of the evaluation system (Tziner et al., 2002).

A crucial character is performed by justice perceptions of the performance appraisal in changing the attitudes of staff. Satisfaction with the appraisal process is the missing part between applied human resource practices and the attitudes and abilities that influence employee performance, suggests a finding (Shrivastava & Purang, 2016). There is a strong impact of appraisals with unanticipated rewards on job satisfaction suggests that appraisal systems would not need to be changed for specific employees with unpredictable personalities (Kampkotter, 2017). A high-quality performance appraisal aims to boost an employee's job satisfaction in a company. A low degree of job satisfaction may result from a poor performance appraisal process, where employees believe that their value to the firm is insignificant. It is not appreciated that the maximum amount as their output supports their limited capacity as compared to what a corporation expects from the workers (Wahjono et al., 2016). It was also statistically found that there is an impression of the performance appraisal evaluation method (PAE) on motivation and job performance. Although organizations from different sectors might use various methods to gauge their employees' performance, overall results have indicated that there was an impression of how the workers were evaluated on their performance (Jedaia et Mehrez, 2020). Therefore, the hypothesis proposed is

H1: Performance Appraisal significantly impacts the job satisfaction of the employees.

Performance Appraisal and Organizational Commitment

Organizational commitment is the workers' psychological attachment to the organization and their active engagement in performing their work. This organizational commitment helps improve the skills of both employees and the organization, which results in an improvement in their productivity. Employees are said to be loyal to the organization when they are completely involved in their work and

commit to greater improvement of their productivity and career. This shows that organizational commitment leads to productivity.

The three parameters contribute to organizational commitment (Maxwell & Steele, 2003):

- a) One has to accept and have a strong belief in the values and goals created and followed by the organization.
- b) One should have the willingness to apply their maximum effort in support of the organization.
- c) One has to have an aspiration to have consistent organizational belongingness.

Organizational commitment is classified into different segments those are affective, normative, and continuance (Meyer & Allen, 1997)

Affective commitment: It is the content of individuals with the organization and satisfaction with their involvement in performing tasks in the organization (Bergman, 2006). The dedication of the workers towards the organization determines affective commitment.

Normative commitment: Normative commitment defines employees' value towards the organization. The employees give importance to the organization in such a way that they have to stay in the organization (Dawley et al., 2005). The work environment and ethics make the employees stay in the organization, which increases employee loyalty and influences their commitment (Clugston, 2000).

Continuance commitment: The employees sense that they have to stay in the organization, which could be the costs they face if they think of departing from the organization. They are no alternatives for a job shift, and they do not want to change the organization as they prefer to work there (Clugston, 2000). The employees having affective commitment want to stay because they want to work in the organization. Those having continuance commitment always need to stay in the organization as they have no choice. The other has a normative commitment to stay in the organization because they have to (Kaplan & Kaplan, 2018).

Organizational commitment is behaviour that reflects employees' loyalty toward the organization. Work performance has a strong and favourable connection with organizational commitment (Eliyana, 2019). Employees that perform well tend to have a strong organizational commitment, which is among the most crucial mindsets to have. Employees who are more dedicated to the organization outperform those who are less committed. The organization's performance appraisal system and the methods they use determine their commitment or willingness to work in the organization. They perform to achieve success and strive to be part of achieving the organization's goals and missions (Jafri & Lhamo, 2013). The organizational commitment which is affective, normative, and continuance, either combined or independently influences employees' performance. Employees with a higher level of commitment are considered to be highly performable and motivated at their peak levels of performance. As a result, the performance appraisal system must be designed in such a way that it measures employee performance and its impact on organizational commitment. (Berberoglu, 2015). From this, we can derive that the employees who had been apprised effectively according to their performance with the usage of the right performance appraisal get motivated instantly without much effort from the management. Once the employees find that they are satisfied with the job they perform, they are committed to the work until they find that their productivity has increased (Deepa et al., 2014).

The employees are evaluated by their supervisors, who are mostly Line Managers. Their contribution is vital in applying the performance appraisal standards. They communicate this procedure to the employees under them. The influence of line managers in implementing performance appraisal influences employees' commitment. The value of these line managers in implementing HRM practices in the organization for performance-related outcomes is high. The employees' experience with the performance appraisal methods by the line manager's way of communicating those standards to the employees is examined in the organization. (Farndale & Kelliher, 2013). The HRM practices give a better commitment to the employees towards the organization and may positively affect their attitudes and behaviour. Organizational commitment solely

depends on the performance appraisal system used by the organization. This occurs due to how the performance appraisal evaluation when it gets affected by the procedures of development followed by the organization (Kadiresan et al., 2015). Performance Appraisal with HRM expertise drives employee insights toward organizational commitment in many methods.

The salary adjustment decisions made by the organization influence the employees are seen as result-oriented (how much the organization is paying the employees) instead of procedure-oriented (how those payment decisions are decided), which could affect altering those decisions made through perceived procedural justice. The other is promotional decisions which are firmly related to the belief that employees have distributive and procedural justice. The effects of practising administrative performance appraisal, which are salary adjustments, performance standards, and promotional decisions, are huge on the employees' work attitudes and behaviours. With the extensive usage of the practices, the employee's views of organizational justice strengthen and increase the amount of organizational commitment (Cheng, 2014). The fair performance appraisal systems that are usually informative, transparent, and participatory, which involve employees, can create positive organizational commitment so that they remain in the same organization for a long time. This is called organizational longevity. When the performance standards of the employees fall below the average, the management makes them develop the required skills and helps them grow. This includes providing training sessions, consultations, or job changes depending on their performance. When the employees feel that the organization is putting effort into them, they too contribute more to the company. The organizations devote most of their time and money to growth by identifying the need for training which are well-timed and useful in considering feedback. The organizational contribution of the employees to their personal development could have led to the employees' passion for the organization (Ahuja et al., 2018).

Appropriate organizational commitment is vital since it demonstrates the employees' commitment to stay with the organization. The efficiency of an organization is difficult to achieve if employees' views

toward the organization are negatively impacted. (Cesario, 2017). The organization has two types of employees, i) Knowledge workers (who are acquired with most of the technical skills and experience in the field of work) and ii) Talent workers (who have high potential to grow and have special skills). The requirements are different for them. Knowledge workers are motivated by the monetary appraisal, and the Talent workers' requirements are different. They need appreciation, and the organization must identify their contribution. The organizational commitment of talented workers has to be high. This creates an impact on the organizational climate and the management performance appraisal system. The organization has to improve its standards of evaluating its employees. The recognition of talented workers and continuous appreciation will increase the commitment level towards the organization (Nagi, 2020). Thus, we expect the employees' performance appraisal will have a significant impact on their organizational commitment and present the following hypothesis:

H2: Performance Appraisal has a significant impact on the organizational commitment of the employees.

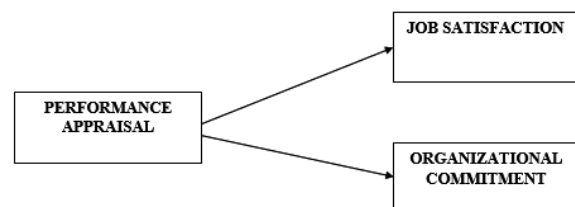


Figure 1: Conceptual framework

Methodology

Sample and Procedures

The data which was collected for the research was using a structured questionnaire through an organized online survey. The sample consists of 273 respondents. The target population and sample consist of employees working in various companies in Insurance Sector. SPSS Version 22 was used to run a regression to assess the research hypothesis.

Measures

Job Satisfaction consists of 3 items that were evaluated using a five-point Likert Scale (1= Mostly

false; 5 = Mostly true). Those were "I frequently think about leaving my job; I feel comfortable with the way I perform every day in my role; I am very much satisfied with my job." The respondents with high scores imply higher job satisfaction. (Deshpande, 2013). The reliability of the Job satisfaction scale is .83.

The *Organizational Commitment* scale is estimated on a 5-point scale (5 – Strongly Agree; 1 – Strongly Disagree) using nine items which are of three different dimensions. The first is the affective commitment which includes three items. The sample items such as "It is a pleasure and happy to contribute most of my time to this organization. I do not feel a strong sense of belonging to my organization." The second dimension has a normative commitment, which includes three items of which "I have no commitment to stay with my current employer; Even if it benefits me, I feel it would be wrong in leaving the organization," were used. The third dimension used for the research was a continuance commitment that was measured with three items. The items in the sample were, "It would be very hard for me to leave my organization right now, even if I wanted to, and there is a scarcity of alternatives for me which is one of the few I am not willing to leave this organization." The nine items were allowed to be combined to generate an index of the entire organizational commitment. The items were evaluated based on a 5 – point (5 = Strongly Agree; 1 = Strongly Disagree) Likert Scale (Deshpande, 2013). The reliability of the Organizational Commitment scale is .83.

Performance Appraisal is measured on different aspects such as Satisfaction, Fairness, and Purpose the scale, which includes nine items, was examined on a seven-point scale. (1 = Strongly Disagree, 7 = Strongly Agree) (Brown, 2013). The items include "I had an idea of how good I was performing provided with my appraisal review. The fairness measure, consisting of 3 items, was rated on a five-point scale. (1 = Not all True, 5 = Very True). The items include "The performance appraisal review accurately reflected how well I performed. I felt the performance reviews were handled fairly at my company". The scale containing three items defining purpose was assessed on the five-point scale (1 = not frequently, 5 = Very Frequently). The items include "The appraisal

system provides an opportunity for career planning." The reliability of the Job satisfaction scale is .82.

Data Analysis and Interpretation

Table 1 *Demographic Characteristics of the Participants*

Variables	Frequency	%
Gender		
Male	202	74.0
Female	71	26.0
Age		
21-25 Years	34	12.5
26-30 Years	42	15.4
31-35 Years	16	5.9
36-40 Years	132	48.4
Above 40 Years	49	17.9
Educational Qualification		
UG	185	67.8
PG	88	32.2
Marital Status		
Married	215	78.8
Unmarried	58	21.2
Work Experience		
1-5 Years	55	20.1
6-10 Years	131	48.0
11-15 Years	56	20.5
Above 15 Years	31	11.4
Insurance		
Life Insurance	158	57.9
Non-Life Insurance	115	42.1

Note: n=273

The sample characteristics are given in a detailed summary in Table 1. The responses were limited to 273 who work in different companies in the industry. The respondents' gender comprises both Male (n=202) and Female (n=71). The respondents were maximum in the age group of 36-40 (n=132) and the other age groups were 21-25 (n=34), 26-30 (n=42), 31-35 (n=16) and above 40 years (n=49). The respondents are a majority of undergraduates (n=185) and others with post-graduation (n=88). The sample's marital status consists of married (n=215) and unmarried (n=58). The majority of respondents belong to the group with 6-10 years of experience (n=131) in the industry, followed by candidates with 11-15 years of experience (n=56), then with 1-5 years of experience (n=55) and above 15 years (n=31). As

the respondents belong to the Insurance industry, they are categorized into Life Insurance (n=158) and Non-Life Insurance (n=115).

Table 2

Correlation of Performance Appraisal, Organizational Commitment, and Job Satisfaction

	JS	OC	PA	AOC	NOC	COC
JS	1					
OC	.315**	1				
PA	.250**	.510**	1			
AOC	.246**	.588**	.439**	1		
NOC	.199**	.545**	.294**	.118	1	
COC	.205**	.815**	.326**	.229**	.130*	1

* $p < 0.005$, ** $p < 0.001$; PA: Performance Appraisal; OC: Organizational Commitment; JS: Job satisfaction; AOC: Affective organizational commitment; NOC: Normative organizational commitment; COC: continuance commitment

Table 2 presents the correlation of predictor variable Performance Appraisal for outcome variables Job Satisfaction and Organizational Commitment. Organizational commitment, affective commitment, normative commitment, and continuance commitment are characteristics that are correlated with performance appraisal. Table 2 shows a positive relationship between PA (Performance Appraisal) and JS (Job Satisfaction) of 0.250 (1% significance level). Similarly, the correlation between PA (Performance Appraisal) and OC (Organizational Commitment) is 0.510 (1% significance level). The three elements of organizational commitment were also favourably correlated to performance appraisals and job satisfaction. The independent variable performance appraisal is also positively correlated with items of organizational commitment: affective commitment, normative commitment, and continuance commitment. The predictor variable has been positively correlated with outcome variables significantly. The conclusions cannot be made only with the correlation as it is irrelevant to determine the influence of performance appraisal on job satisfaction and organizational commitment also, which is highly influenced by the independent variable. Moving forward, a regression analysis is to

be conducted to determine the impact of a predictor variable on outcome variables.

Table 3

Regression Coefficient of Performance Appraisal and Organizational Commitment

Variable	B	β	t	SE
(Constant)	2.156			.166
PA1	-.030	-.090	-1.466	.020
PA2	.013	.045	.801	.016
PA3	.038*	.138	2.197	.017
PA4	.145**	.329	6.280	.023
PA5	.038	.096	1.574	.024
PA6	.000	-.001	.015	.021
PA7	.033	.089	1.361	.024
PA8	.045*	.125	2.302	.020
PA9	.078*	.214	3.274	.024
R ²	.37			

* $p < 0.005$, ** $p < 0.001$; PA: Performance Appraisal

The results of regression analysis between Performance Appraisal and Organizational Commitment are presented in Table 3. It shows the effect of performance evaluation on organizational commitment R^2 is the value of 0.37, displays that the predictor variable, performance appraisal explained 37% of the variance in the outcome variable with $F(9,263) = \beta = 17.246$, $p < 0.001$. This impact can be defined as a positive influence of Performance Appraisal on Organizational Commitment. Also, from findings, PA3 p-value (0.029) is less than 0.05, PA4 p-value (0.000) is less than 0.01, PA8 p-value (0.02) is less than 0.05 and at last PA9 p-value (0.001) is less than 0.05.

Table 4

Regression Coefficient of Performance Appraisal and Job Satisfaction

Variable	B	β	t	SE
(Constant)	2.354			.240
PA1	-.001	-.003	-.038	.029
PA2	.019	.055	.847	.023
PA3	.053*	.155	2.140	.025

PA4	.167**	.304	5.032	.033
PA5	.071*	.144	2.039	.035
PA6	-.016	-.038	-.539	.030
PA7	-.083	-.181	-2.387	.035
PA8	.033	.073	1.168	.028
PA9	-.011	-.023	-.310	.034
R²	.16			

* $p < 0.005$, ** $p < 0.001$; PA: Performance Appraisal

Table 4 shows the findings of the regression analysis between Performance Appraisal and Job Satisfaction. It shows the influence of performance appraisal on Job Satisfaction. The R^2 value of 0.16 displays that the predictor variable, performance appraisal, explained 16% of the variance in the outcome variable with $F(9,263) = 5.658$, $p < 0.05$. This involvement can be defined as a significant effect of Performance Appraisal on Job Satisfaction as well as findings, PA3 p-value (0.033) is less than 0.05, PA4 p-value (0.000) is less than 0.01, and PA5 p-value (0.042) is less than 0.005.

Table 5

Regression Coefficient of Performance Appraisal and Affective organizational commitment

Variable	B	β	t	SE
(Constant)	.201			.201
PA1	.025	.092	1.440	.025
PA2	.019*	.124	2.116	.019
PA3	.021	.069	1.053	.021
PA4	.028**	.337	6.158	.028
PA5	.029	.055	.863	.029
PA6	.025	-.133	-2.098	.025
PA7	.029	-.094	-1.376	.029
PA8	.024*	.172	3.041	.024
PA9	.029	.037	.537	.029
R²	.31			

* $p < 0.005$, ** $p < 0.001$, PA: Performance Appraisal

Table 5 shows the results of the regression analysis between Performance Appraisal and Affective Organizational Commitment. It demonstrates the effect of performance appraisal on Affective Organizational Commitment. The R^2 value of 0.31 displays that the predictor variable, performance

appraisal, explained 31% of the variance in the outcome variable with $F(9,263) = 13.237$, $p < 0.01$. This impact can be defined as a positive influence of Performance Appraisal on Affective Commitment, and also from findings, PA2 p-value (0.035) is less than 0.05, and PA4 p-value (0.000) is less than 0.01, and PA8 p-value (0.003) is less than 0.05.

Table 6

Regression Coefficient of Performance Appraisal and Normative Organizational Commitment

Variable	B	β	t	SE
(Constant)	2.159			.228
PA1	-.048	-.118	-1.733	.028
PA2	.004	.013	.209	.022
PA3	.043	.126	1.801	.024
PA4	.096*	.178	3.049	.032
PA5	.088*	.181	2.660	.033
PA6	.106**	.248	3.697	.029
PA7	.006	.013	.173	.033
PA8	-.072	-.162	-2.690	.027
PA9	.168**	.376	5.174	.033
R²	.22			

* $p < 0.005$, ** $p < 0.001$, PA: Performance Appraisal

Table 6 shows the results of the regression analysis between Performance Appraisal and Normative Organizational Commitment. It demonstrates the effect of performance appraisal on Normative Organizational Commitment. The R^2 value of 0.22 displays that the predictor variable, performance appraisal, explained 22% of the variance in the outcome variable with $F(9,263) = 8.406$, $p < 0.001$. This effect can be defined as a significant positive impact of Performance Appraisal on Normative Commitment as well as findings, PA4 p-value (0.003) is less than 0.05, PA5 p-value (0.008) is less than 0.05, PA6 p-value (0.000) is less than 0.05 and PA9 p-value (0.000) is less than 0.01.

Table 7

Regression Coefficient of Performance Appraisal and Continuance of organizational commitment

Variable	B	β	t	SE
(Constant)	2.145			.380
PA1	-.076	-.114	-1.641	.046
PA2	-.007	-.012	-.192	.036

PA3	.049	.088	1.243	.040
PA4	.166*	.187	3.156	.053
PA5	.001	.001	.010	.055
PA6	-.054	-.078	-1.133	.048
PA7	.133*	.179	2.408	.055
PA8	.136*	.186	3.030	.045
PA9	.049	.067	.903	.054
R²	.19			

* $p < 0.005$, ** $p < 0.001$, PA: Performance Appraisal

Table 6 shows the results of the regression analysis between the Performance Appraisal and the Continuance Organizational Commitment. It demonstrates the effect of performance appraisal on the Continuance Organizational Commitment. The R^2 value of 0.19 displays that the predictor variable, performance appraisal, explained 19% of the variance in the outcome variable with $F(9,263) = 7.068$, $p < 0.001$. This effect can be defined as a significant positive impact of Performance Appraisal on Continuance Commitment as well as findings, PA4 p-value (0.002) is less than 0.05, PA7 p-value (0.017) is less than 0.05, PA8 p-value (0.003) is less than 0.05.

Discussion and Implications

This research helps to improve understanding of the influence of performance appraisal and its methods for measuring job satisfaction and organizational commitment among employees in the insurance industry. These two are seen as crucial factors in influencing an employee's duration in the organization. The hypothesis that these variables are influenced by performance appraisal and methods has been discussed and raised in the literature several times. This proves that it is not only a case of performance appraisal systems being the primary determinant, but other aspects in an organization may also influence job satisfaction and organizational commitment.

This research lends support to a number of other studies and a transparent study of the impact of performance appraisal systems on job satisfaction and organizational commitment employing an expert method and input from Insurance company employees. The resulting values can be termed into two aspects for performance appraisal: job satisfaction and organizational commitment. Affective commitment, normative commitment,

and continuance commitment are the three types of organizational commitment. The analysis has revealed that performance appraisal methods have influenced the two main factors.

The findings reveal that performance appraisal has a good relationship with employees' job satisfaction, which is consistent with expectations following *H1*. Studies have revealed that rater's bias during performance appraisal could be affecting employees' job satisfaction. These inaccuracies are raised from political motives which are intentional and not the inability of the rater. Organizations with a fostering healthy trust climate among the employees are less likely to be influenced by any political motive (Poon, 2004). Organizations that have integrated high-efficiency appraisal are more sufficient to convince their employees in various job roles and assist the HR department in determining whether these practices are worth the cost. (Mahdiah Darehzereshki, 2013). From Table 3 on the regression analysis between Performance Appraisal and Job Satisfaction, out of 9 variables used to determine the influence of performance appraisal, 3 variables, "*I am satisfied with the ratings that I received from my supervisor* (PA 3), *The performance appraisal review accurately reflected how well I performed.* (PA 4), and *I felt the performance reviews were handed fairly at my company* (PA 5)" have shown significant impact on the outcome variable, Job Satisfaction as a whole. The t values of the variables are PA 3 = 2.140, PA 4 = 5.032, and PA 5 = 2.039 is greater than the threshold value of 1.96. The coefficient results indicate a positive impact on Job Satisfaction. The reason behind the results may be an increase in job satisfaction by the employees due to the new age practices in performance appraisal adopted by their organizations.

Aharon Tziner and Kevin R. Murphy (1999) have argued that views of performance appraisal can influence the standard and uses of ratings. The organizational commitment was influenced by the honesty shown by the improvement done for ratings and is used fairly by organizations. As such, the raters shall also be rewarded for their fair ratings and for providing feedback to the employees. The given literature supports *H2* of this study that performance appraisal influenced employees' organizational commitment. Table 3 shows the regression analysis

of 9 factors between Performance Appraisal and Job Satisfaction used to determine the influence of performance appraisal 4 variables, *"I am satisfied with the ratings that I received from my supervisor (PA 3). The performance appraisal review accurately reflected how well I performed. (PA 4), It provides in recognition of activities performed by me in the organization (PA 8), It helps me to know the areas in which I should improve, (PA 9)"* have shown significant impact on the outcome variable, Job Satisfaction as a whole. The t values of the variables are PA 3 = 2.197, PA 4 = 6.280, PA 8 = 2.302, PA 9 = 3.274 is greater than the threshold value of 1.96, the coefficient results indicate a positive impact on Organizational Commitment. Yet when divided further into subscales, affective, normative, and continuance commitments are less influenced by performance appraisal.

For Affective Commitment, from table 5, out of the 9 variables of performance appraisal 3 have shown significance. *"I understood the performance appraisal rating system (PA 2). The performance appraisal review accurately reflected how well I performed (PA 4). It provides in recognition of activities performed by me in the organization (PA 8)"* the t values of these variables are PA 2 = 2.116, PA 4 = 6.158, PA 8 = 3.041 greater than 1.96, we accept that these variables show a positive impact on Affective Commitment.

Whereas for Normative Commitment from table 6 out of the 9 variables of performance appraisal 4 have shown significance. *"The performance appraisal review accurately reflected how well I performed. (PA 4), I felt the performance reviews were handed fairly at my company (PA 5), and I did not feel my performance review was free from bias (PA 6). It helps me to know the areas in which I should improve (PA 9)"* The t values of the variables are PA 4 = 3.049, PA 5 = 2.660, PA 6 = 3.697, PA 9 = 5.174 is greater than the threshold value of 1.96, the coefficient results indicate a positive impact on Normative Commitment.

Table 7, which shows regression analysis of performance appraisal and continuance commitment out of 8 variables of performance appraisal 3 has shown significance with the outcome variable. *"The performance appraisal review accurately reflected how well I performed. (PA 4), The appraisal system*

provides the opportunity for career planning (PA 7), It provides in recognition of activities performed by me in the organization (PA 8)" The t values of the variables are PA 4 = 3.156, PA 7 = 2.408, PA 8 = 3.030 is greater than the threshold value of 1.96, the coefficient results indicate a positive impact on Continuance Commitment.

The study looked at employee performance appraisal, organizational commitment, job satisfaction and Indian insurance companies. Supervisors or managers can use the observation to implement effective strategies or methods to redesign their performance appraisal resulting in increased job satisfaction and organizational commitment.

Much prior research has shown that performance appraisal does have a significant relationship with job satisfaction, so the organizations must place a greater emphasis on establishing fair and unbiased appraisals, increasing satisfaction levels of employees in performing their jobs. Increased job satisfaction, in turn, will increase the employees' willingness to work better.

The study also focuses on organizational commitment with further divided into subclasses which get influenced by performance appraisal. The company can aim to increase commitment towards the organization by maintaining the quality of performance appraisals and easy-to-understand methods. Following ethical practices will increase the morale of employees and might increase their level of commitment to the organization. This study provides management researchers to extend the scope of their research by the findings observed.

Conclusion

The study was conducted to find the relationship between performance appraisal on job satisfaction and organizational commitment among employees in the insurance sector. Employees in insurance firms would like to know their performance status on a regular basis, as well as the criteria or methods used to assess it. Employees not aware of their performance appraisals will lead to dissatisfaction and a decrease in levels of commitment.

It is also recommended that the Human Resources department design performance appraisals with

proper planning and methods. The variables which were influencing job satisfaction and organizational commitment might show a negative influence on them, so those have to be addressed and resolved. Improving the appraisal system in the organizations or the process of a performance review is done to be updated. The elements that have a positive influence on job satisfaction and organizational commitment must be maintained and improved in order to satisfy future objectives.

Sommer and Kulkarni (2012) have recommended that the supervisors use the method of providing constructive feedback, which in turn increases the level of job satisfaction. Previous research also suggests that when employees' performance is considered proper for an appraisal, they, in turn, get motivated to work more. The entire performance appraisal system will assist both the organization and the employees in boosting their amount of performance in completing their work, hence increasing organizational commitment. When individuals are comfortable with their jobs, they are more likely to be engaged in their work.

The research aimed to ascertain the impact of performance appraisal on job satisfaction and organizational commitment. However, the findings revealed that only a subset of performance appraisal variables had a direct influence on the outcome variables. The future direction of the study could address these issues by adding more variables which could be the factors affecting employees' job satisfaction and commitment. Also, future research can aim to examine these subjects in different industries.

This paper has proved the positive influence of performance appraisal on criteria such as organizational commitment and job satisfaction. This study also suggests that organizations develop and design relevant strategies to address the issues and improve organizational commitment. In this research, one of the findings observed is companies involve higher age groups and communicate most of the performance appraisal system to them. If the communication was healthy for all the age groups, the results would have been more positive. Therefore, future research needs to examine and cover all the

age groups aiming at their level of satisfaction and commitment to their organization.

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