

Performance Appraisal System and Employee Motivation in International Non-Governmental Organizations in Nepal

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Abstract

Background: Strong organizations must maintain vital activities and help others survive. All non-profit organizations (NPOs) aim to increase customers' social well-being. These organizations have been under pressure to enhance management, efficiency, effectiveness, and accountability recently. A performance evaluation system is essential to internal monitoring and control in non-governmental organizations due to a diversified and linked workforce that works toward several layers of organization-specified objectives at different levels.

Objectives: This study aims to explore the performance appraisal system of International Non-Governmental Organizations in Nepal. Additionally, it is to analyze the effect of the performance appraisal system on employee motivation in these organizations in Nepal.

Methods: The study adopted a mix-method. Data were collected using a structured questionnaire of 300 employees, with 212 responses from six INGOs operating in Nepal and 5 HR managers of the INGOs. The performance appraisal system considered components, i.e., performance appraisal purpose, performance appraisal standard, feedback on performance appraisal, reliability of ratings, and rather assurance on employee motivation.

Findings: The results determined that performance appraisal purpose, reliability of ratings, and rater assurance significantly affect employee motivation. In contrast, feedback on performance appraisal and performance appraisal standards did not significantly impact employee motivation.

Conclusions: An organization's fair and accurate performance appraisal system helps employees feel unbiased and motivates them toward work. Employees should receive performance appraisals to verify that the authorities have reviewed their work. It inspires them.

Keywords: Employee motivation, INGOs in Nepal, non-governmental organizations, performance appraisal system,

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Introduction

A strong organization must guarantee that relevant activity is continued while aiding organizations in surviving (Al-Jedaia & Mehrez, 2020). All non-profit organizations (NPOs) strive to add social value to the lives of their clients/beneficiaries (Moura et al., 2022). These organizations have been under pressure recently to enhance management, efficiency, effectiveness, and accountability. Non-profit organizations, according to DeVaro, Maxwell, and Morita (2017), have a social mission that produces intrinsic motivation in their employees, and they are motivated more by their acts than by rewards. Workers at non-profit companies are motivated by the same ideals and incentives as employees in for-profit businesses, but these factors are applied differently (Schepers et al. 2005). Non-profit organizations (NPOs) are inherently more intricate, labor expensive, and dynamically intertwined with their external environment than other types of organizations. A performance assessment system, when implemented properly, may give employees with clear expectations and goals, frequent feedback on their performance, and chances for professional growth. Employee engagement and motivation may be increased if they believe their contributions are recognized and they get the support they need to learn and advance in their positions.

A performance appraisal system is a vital aspect of internal monitoring and control in Non-Governmental Organizations owing to a diversified and linked workforce that work towards several layers of objectives defined by the organization at different levels (Shinwari & Rahimi, 2018). A performance appraisal system is frequently cited as a vital component for increasing employee motivation (Selvarajan & Cloninger, 2009). A sound performance appraisal system contributes to improved employee commitment through direct influence on employees' work outcomes (Biswakarma, 2017). A well-structured performance appraisal system promotes a compelling connection between managers and subordinates. In turn, it aids in the identification of organizational strengths and weaknesses that are logically related to the organization's strategic objectives (Armstrong, 2009).

Conversely, if a performance appraisal system is poorly designed or implemented, it can have the opposite effect and demotivate employees. It is important for NPOs to consider the unique challenges and needs of their international operations when designing and implementing a performance appraisal system, and to ensure that it is fair, transparent, and aligned with the organization's mission and values. An effective performance management process aids strategic decision-making by providing consistent, trustworthy, and valid data (Idowu, 2017). The view of Foot and Hook (2011) and Coens and Jenkins (2000) has observed that an effective performance appraisal system should possess the form of purpose, standardization, communication feedback, rating accuracy (reliability and validity), rater assurance recognition of differences and honesty. Non-governmental organizations that promote social causes or specialized groups need an effective performance appraisal system to measure goal achievement and keep staff at their best by assessing their training and development needs (Vadde, 2017). Performance appraisal systems enhance profits. Performance appraisals can inspire workers to

attain strategic goals (Bulto & Markos, 2017).

However, a performance appraisal system that lacks defined objectives is unreliable and is not believed by workers may have significant consequences such as poor employee motivation and unhappiness, which leads to decreased staff productivity (Tuytens & Devos, 2012). According to Jabeen (2011) and Mehta (2014), stated that a performance assessment system can either encourage or demotivate people depending on its impartiality and accuracy.

Performance appraisal is one of the most widely studied topics in management worldwide. Justin and Joy (2022) concludes in studies periods 2000 to 2020 the PM literature's emphasis shifted from traditional historical evaluations conducted once or twice a year to forward-looking, feedback-enriched PM systems. They conclude that the area of research focused to reactions to PM system, factors that influence PM system, quality of rating sources, evaluating the PM system and types of the PM system. There are few studies like Rijal (2014), Biswakarma (2017), Pandey (2020), and Dangol (2021) that assess the effectiveness of the performance appraisal system in Nepal. However, there has been limited research on the performance appraisal system and its relationship to motivation in international non-governmental and non-profit organizations.

Therefore, this study aims to explore the performance appraisal system of international Non-Governmental Organizations in Nepal. Additionally, it is to analyze the effect of the performance appraisal system on employee motivation in these organizations in Nepal, which are known for their reasonable workplace assurance and benefits.

Review of Literature

There are three models that have been proposed to describe the process that leads to performance reviews (Barends et al., 2017). These theories are alluded to as the Social Comparison Theory (Festinger, 1954), the Equity Theory (Adams, 1965), and the Feedback Intervention Theory (Kluger & DeNisi, 1996). The social comparison theory argues that humans form their sense of self-worth based on how they measure up to those around them. It suggests that people have a tendency to judge their own success based on how they stack up to others (Patel, 2018). Festinger (1954) claims that people are worried about their overall performance as well as how they compare to the performance of their contemporaries. According to this theory, individuals have a strong drive to improve their performance if they are presented with comparable information that is unfavorable or of a poor quality. Considering the feedback intervention hypothesis, Kluger and DeNisi (1996) provided an explanation as to why feedback is not always useful in terms of increasing following performance. It is hypothesized that people are driven to improve their performance when they are shown that there is a gap between what they want to accomplish and the feedback they have received.

As a function of this, performance evaluations are based on the assumption that informing workers about the gap between their expectations and their actual achievements would motivate them to do better (Barends et al., 2017). According to the equity theory, employees of a company compare themselves to one another in terms of the inputs and outputs they produce

(Walster et al., 1978). Adams (1965) advocated for there to be a fair balance that needed to be achieved between the inputs that employees made and the outputs that they generated. When high performers observe that low performers receive lower assessment ratings and, as a result, lesser rewards, they have the impression that a fair balance is being established, which motivates them to keep doing a work that is of a high quality. On the other hand, employees who perform below expectations make greater efforts to achieve a higher level (Barends et al., 2017).

The theories stressed the relationship between motivation and performance appraisal from the standpoint of expectation and goal setting. According to Kreitner and Kinicki (2007), assumes that individuals are driven to act in ways that lead to valued and desired results. According to this theory, an employee will be motivated if they feel that improved performance would result in a more favorable performance review, which will assist them in achieving their own goals. Similarly, Locke (1968), employees are driven to perform for an organization when they are given explicit and quantifiable objectives to attain. Motivational theory focuses mostly on the necessity of creating goals for employees (David et al., 2007). According to Coetsee (2003), employees with the greatest performance are goal-oriented.

According to Grote (2002), performance appraisal is a formal management technique used to evaluate the quality of an employee's performance. A performance appraisal is a formal communication opportunity between management and an employee to review the individual's past performance and recommend areas for improvement (Karol, 1996). Standardization, communication feedback, rating dependability, and rater precision should characterize an effective performance evaluation system (Coens & Jenkins, 2000). Similarly, motivation is any aspect that motivates a person's behavior to continue progressing. Motivation is defined by Bartol and Martin (1998) as a force that reinforces behavior, offers direction, and energizes the inclination to be persistent. In contrast, Luthans (2020) defines motivation as a combination of physiological or psychological deficiencies and wants, impulses, and rewards.

Motivation is, in general, a naturally occurring impulse or energy that provides a signal of direction and perseverance that demonstrates parity in all areas of aim (Farooqi & Shaheen, 2014). Several studies e.g., Hauwaert et al. (2022) explain how formalization may improve management effectiveness. Confirm autonomous work motivation affects enabling performance assessment systems and managing performance. The purpose of employee performance reviews is a key component of what motivates employees because it reminds them of how important performance reviews are (Aydin & Tiryaki, 2018). But research shows that the reason for performance reviews doesn't make a big difference in how motivated employees are.

Performance Appraisal Purpose on Employee Motivation: Idowu (2017) showed that a performance appraisal that is tied to the organization's goals makes employees less reluctant and encourages them to do improved work for the organization. A good performance review system brings employees and the organization together by aligning their goals with the overall mission of the organization (Mainali, 2010). In a similar way, Subekti's (2021) study suggested that the employee's performance appraisal system affected both job satisfaction and

job motivation. Alsuwaidi et al. (2020) looked at a full analysis of performance appraisal and employee motivation and put it all together in a way that was easy to understand. They did this to find out what effect the performance appraisal system has on employees' motivation.

Okoth and Florah (2019) conclude that fairness in performance evaluation, performance appraisal feedback, performance incentives, and setting performance goals had a positive and significant effect on teacher motivation in a sub-county in Kenya. Idowu (2017) needs to look into how well the performance review system works and how it affects how motivated employees are. He found that employees were happier and more motivated when they were evaluated in more than one way. Kim and Park (2017) said that South Korean employees of non-government organizations could be more motivated and engaged if the performance appraisal system was used in the right way. Chaponda (2014) wrote about how the performance appraisal system helps employees at NGOs do their jobs better and stay motivated. Al-Jedaia and Mehrez (2020), on the other hand, found that performance evaluation criteria and leadership did not have a big impact on employee motivation in the government sector in Qatar. Therefore, the following hypothesis has been identified.

Hypothesis 1: *There is an effect of performance appraisal purpose on employee motivation in non-governmental organizations.*

Effect of Performance Appraisal Standard on Employee Motivation: In research on NGOs in Yemen, Al-Baidhani and Alsaqqaf (2022) found that there is performance appraisal, that there is a performance appraisal procedure, and that the fairness of the performance appraisal process has a highly substantial beneficial impact on job satisfaction. Bulto and Markos's (2017) study explains that if the performance assessment standards are adequately defined and conveyed to employees, then employees become aware of what is to be anticipated from performance appraisal in the firm. The employees gain a sense of safety as a result of this, which in turn helps to boost their motivation. However, Al-Jedaia and Mehrez (2020) found that performance assessment criteria do not have a substantial influence on employee motivation or work satisfaction in firms that are part of the public sector. Their findings were based on research conducted in the United States. As of this, the following hypothesis has been determined.

Hypothesis 2: *There is an effect of performance appraisal standards on employee motivation in non-governmental organizations.*

Effect of Feedback on Performance on Employee Motivation: Several studies on feedback and motivation show a relationship between providing employees with performance assessment feedback or ongoing feedback and increasing their level of motivation. Study conducted by Lee (2017) on federal employees, the motivating impact was shown to be greater for those individuals who view performance appraisal as fair and are content with post-assessment feedback. According to Megira (2017)'s findings, continual feedback, provided it is relevant to employees, offers employees an indicator of how they may develop themselves personally as well as professionally. As a result, the level of motivation they feel can be significantly

altered by the feedback they get. Researchers Bulto and Markos (2017) came to the conclusion that continuous feedback on performance assessment does not have an influence on employee motivation and, in certain situations, can potentially demotivate employees based on their findings from research performed in middle income developing nations. As a consequence of this, the following theory has been established.

Hypothesis 3: *There is an effect of feedback on performance appraisal on employee motivation in non-governmental organizations.*

Effect of Reliability of Ratings on Employee Motivation: Dierdorff and Surface (2007) and Ellinger (2014) findings emphasized feedback and ratings of performance to make the performance appraisal effective. Malik and Alsum (2013) concluded that it is much more crucial in developing nations to ensure the dependability of performance assessment ratings in order to create employees' faith in the system. Dangol (2021) concluded that providing employees with accurate evaluations has a significant part in increasing their levels of motivation within Nepalese service organizations. Accurate and reliable ratings help firm personnel enhance their performance. A reliable rating shows employees that they have promotion and professional progress possibilities, which motivates them. As a consequence of this, the following theory has been established.

Hypothesis 4: *There is a significant effect of reliability of ratings on employee motivation in non-governmental organizations.*

Effect of Rater Assurance on Employee Motivation: Barbieri et al. (2023) studied Italian PA systems for senior civil servants and found that the framework accurately represents the variation in performance appraisal system design, highlighting the importance of multi-source feedback and face-to-face rater-ratee interactions in rating *discriminability*. According to Bulto and Markos (2017), employees are more likely to do their jobs in an effective manner if their supervisor is devoid of bias and offers support to them, which helps enhance both the employees' performance and their rankings within the company. As a consequence of this, the level of rater assurance has a substantial bearing on the level of incentive felt by workers. In order for employees to be motivated by the performance assessment system that is utilized in a business, they need to have the perception that the raters and the ratee itself are not prejudiced against them (Dangol, 2021). As a consequence of this, the following hypothesis has been determined.

Hypothesis 5: *There is an effect of rater assurance on employee motivation in non-governmental organizations.*

The above literature mentions that the effect of positive employee motivations can be contributed by critical and effective performance appraisal process. There are limited literature focusing to the INGOs in respect of their performance appraisal system and its impact on the employee motivation. However, in general, Mayer and Davis (1999) findings that if performance appraisal is effective, then it can play a significant role in developing trust of employees on organizational systems and be motivated. Employees can be given performance reviews so that

they are aware that everything they have done has been documented and reviewed through by the appropriate authorities. They will be motivated to offer more to the organization as a result of it.

Materials and Methods

The research utilized a mixed-method approach. Employee questionnaires were sent to International Non-Governmental Organizations. Three to five visits ensured data collection. HR manager the key informant interviews provided primary qualitative data. Three in-person interviews and two Zoom interviews were done. These five organizations are based in Kathmandu and have headquarters abroad and work in rural regions with local partners in Kathmandu. Semi-structured interviews lasted 60–120 minutes. Interview notes were written. This study includes qualitative data from two community and rural development organizations and one each in health and sanitation, child welfare, and women empowerment. The results have been segregated thematically and triangulated with findings of quantitative analysis.

Based on the theoretical model for the study, the questionnaire for an effective Performance Appraisal System was developed by adopting the study of Aydin and Tiryaki (2018) and Bulto and Markos (2017) with modifications to fit the study requirements. To measure employee motivation, 10 items out of 20 items designed by Jahagirdar (2012) were adopted for this study. Performance Appraisal Purpose (PAP) have 5 items adopted from Aydin and Tiryaki (2018); Performance Appraisal Standard (PAsT) have 5 items from Bulto and Markos (2017); Feedback on PA (PAF) have 5 items from Aydin and Tiryaki (2018); Reliability of Ratings (RR) have 5 items from Bulto and Markos (2017); Rater Assurance (RA) have 4 items from Bulto and Markos (2017) and Employee Motivation (EM) have 10 items from Jahagirdar (2012). Items were scaled on a 5-point Likert scale that ranges from strongly disagree – 1 to strongly agree – 5. The study. All the items have a reliability of more than 0.7.

Since 1990, 50360 organizations have been registered with the Social Welfare Council (SWC) in Nepal. There are 211 INGOs working under an agreement with the Social Welfare Council (SWC) in Nepal in 7 distinct sectors, i.e., community and rural development, child welfare, women's services, health and sanitation, earthquake recovery, education and literacy, and agriculture and enterprise (SWC, 2021). This study covered organizations pertaining to 5 out of 7 of the mentioned sectors purposefully. Among them, 2 worked in community and rural development and 1 each in health and sanitation, education and literacy, child welfare, and women's services. Since organizations with more than 5 years of existence have a chance of having a well-formed PAS, 6 organizations fulfilling the criteria were selected. To justify the sample size, G*Power v3.1.9.7 was used with medium effect size $f^2 = 0.15$ (Cohen (1992)'s minimum acceptable range of 0.02), Power = 0.95, and 5 predictors and a minimum sample 89 sample size was determined. Predicting minimal sample size before data collection and analysis is typically preferred to calculating afterward (Gerard et al., 1998).

A total of 300 employees from these six organizations (50 each) were selected, and structured questionnaires were distributed to them. Convenience sampling was applied for sample

selection in terms of the employees within these organizations. Out of these, 212 responses were received, i.e., a response rate of 70.67%. During EDA, four of these responses were identified as outliers, and finally, 208 responses were utilized for this study.

Out of 208 respondents, 51% were male, and 49% were female, which means that the study can be generalized to both gender groups and is not biased toward singular demography. In terms of age, the highest number of respondents were aged 31–35 years old, with 30.3%. This is further supported by the demography of years of service provided, with only 8.2 per cent of respondents having worked for less than a year. Additionally, the respondents were composed of 31.7% managers and 32.7% officers who are most responsible for carrying out appraisals as well as have been subjected to appraisals. Furthermore, most of the respondents, i.e., 38 per cent, are affiliated with organizations that work towards community and rural development, and the remaining sectors have a representation of 14 – 17 per cent each. This can be a reflection of how most of the non-governmental organizations working in the region focus on the development of rural communities.

The research balanced both gender groups and is not skewed towards a single demographic, as shown by the fact that 51% of 208 respondents were male and 49% were female. The age group of 31 to 35 years old had the highest percentage of responders (30.3%). This is backed up by the fact that just 8.2% of respondents had worked for less than a year. Furthermore, 31.7% of the respondents were managers, and 32.7% were officers who were carrying out appraisals. Furthermore, the majority of respondents (38%) are linked to the community and rural development sectors, with the other sectors accounting for 14–17% of the total. This may be due to the fact that the majority of non-governmental organizations in the area are focused on rural community development.

The first step of data analysis undertaken was identify outliers and test normality. PLS-SEM path analysis followed inner and outer model evaluation. Measurement Model assessment analyzed convergent and discriminant validity. The explanatory power of independent variables on employee motivation was measured using R^2 . IBM SPSS v26 and SmartPLS v4.0 helped researchers analyze data. The qualitative data was analyzed in thematic approach.

To ensure that outliers are not deceived, data normality must be checked before quantitative analysis (George, 2011). Before testing the measurement model and inner path model in two stages, the data was normalized. The data failed to achieve univariate and multivariate normality. SPSS v26 measured skewness and kurtosis. The results show a range of values exceeding from -1 to +1, indicating a deviation from normality. The test revealed that the variable distribution was not normal (Bruin, 2006). Mardia's multivariate skewness and kurtosis shows exceeding the threshold of +3 skewness and +20 (Kline, 2016) is not normal data.

Likewise, cross-sectional data may cause common technique variance in the research. SPSS v26 performed the Harman single-factor test to determine the CMV. Multiple factors with eigenvalues below one were found. The overall variance retrieved by one component is 36.985%, eliminating typical method bias. It's below 50% (Podsakoff et al., 2003).

Results and Discussion

Performance Appraisal System and Employee Motivation in Nepal

All non-governmental organizations under study conduct regular performance reviews, which 99 percent of respondents agree with. 52.9 percent of responders are evaluated annually, while 23.6 percent are evaluated quarterly and semiannually. 43.8% of employees in the investigated firms use 360-degree assessment. Personnel Assessment Forms evaluate 28.4% of workers. Employees in one company know that their performance review approach is Performance and Competency Evaluation (PACE).

Likewise, 6.7% of employees are new or don't think PAS is significant, thus they don't know what appraisal system tool the company utilizes, and 6.7% of employees are new or don't think PAS is significant, thus they don't know what appraisal system tool the company utilizes. Respondents (96.6%) believe they receive regular performance evaluation, whereas 3.4% may have felt left out of constructive criticism according to their appraisal. Similarly, 10.1% of respondents believe that performance evaluation does not influence training programs, while the remainder believe that PA does. Alongside, 59.1% of respondents believe that the organization adapts its activities and goal sets based on performance appraisal results, which would help employees become more competent.

Performance appraisal with purpose had a mean score of 3.93 (SD = 0.58), indicating that most employees believe they have a purposeful PAS, which is essential for success. The performance appraisal standard obtained a mean score of 3.91 (SD = 0.57), indicating that employees think their company's appraisal system is standardized and clear about what it measures. Employees agreed that performance appraisal feedback was reflective with a mean response of 3.79 (SD=0.52). Respondents' assessments are slightly dependable, with a mean of 3.73 (SD = 0.55). Rater Assurance had a mean response of 3.73 (SD = 0.30), indicating that respondents slightly agree that their raters/supervisors are not prejudiced in performance evaluations. Finally, non-governmental employees had a mean of 3.86 (SD = 0.55), indicating fair motivation.

The survey revealed that the majority of respondents had a favorable opinion of the PAS applied by their organization. This may be due to the fact that these organization's PAS is modeled after the guidelines of global authorities that regulate organizations like this one. It is possible that the respondents' positive attitude towards the PAS and its performance within the organization is due to the respondents' positive attitude towards the PAS and its performance.

The results also revealed a mean response of 3.73 (SD = 0.55), which signifies that workers of non-profit organizations in the area are well-motivated towards their jobs, which may be attributed to the nature of employment, which is the uplift of society as a whole, or the financial advantages they obtain by being attached to international agencies.

Performance Appraisal Purpose correlated positively with Employee Motivation (0.567, $p < 0.01$). Purposive performance appraisal motivates employees. The performance appraisal standard is moderately positively correlated with employee motivation (0.490, $p < 0.01$). It showed that standardized appraisal systems motivate employees. Performance appraisal

feedback and employee motivation are associated (0.516, $p < 0.01$). Better assessment feedback motivates employees. Rating reliability and employee motivation in non-profit firms were moderately correlated (0.487, $p < 0.01$). Higher rater assurance is associated with employee motivation (0.585, $p < 0.01$).

Table 1

Descriptive and Correlational Analysis

Variable	Mean	Std. Dev.	Skewness		Kurtosis		Correlation						
			Skewness	Std. Error	Kurtosis	Std. Error	PAP	PASt	PAF	RR	RA	EM	
Performance Appraisal Purpose (PAP)	3.93	0.58	-0.662	0.17	2.419	0.34	1						
Performance Appraisal Standard (PASt)	3.91	0.57	-0.778	0.17	4.034	0.34	.533**	1					
Feedback on Performance Appraisal (PAF)	3.79	0.52	-0.551	0.17	2.512	0.34	.571**	.575**	1				
Reliability of Ratings (RR)	3.73	0.55	-0.353	0.17	2.185	0.34	.507**	.552**	.618**	1			
Rater Assurance (RA)	3.72	0.6	-0.171	0.17	3.283	0.34	.442**	.457**	.422**	.422**	1		
Employee Motivation (EM)	3.86	0.55	-0.426	0.17	3.902	0.34	.567**	.490**	.516**	.487**	.585**	1	

** Correlation is significant at the 0.01 level (2-tailed).

Organizations prefer different appraisal tools. The study showed that community and rural development non-governmental organization staff are rated by 360-degree appraisal (33.8%) and PACE (33.8%). A 360-degree review gave child welfare and women's services personnel 69 and 72.7 percent, respectively. The bulk of health and sanitation staff, 50%, are evaluated with PA forms or service evaluation forms. Global supervisors rated in this way. A 10% of employees in the same sector were ignorant of the method. Thus, PAS tools used by the largest non-governmental contributors varied. Organizational controls caused these discrepancies. The country's office administered and oversaw appraisals in several organizations, which governed their personnel and feedback procedures. In firms where global HQs did final ratings and target assessments, the national office just recorded the data, simpler performance appraisal techniques were used.

Table 2

Cross Tabulation - Major Sector vs PAS Tool Used

PAS Tool/ Major Sector	360 Degree Appraisal	Balanced Score-card	PA Forms	Observation Basis	PACE	I am not sure	Total
Community and Rural Development	26	2	16	2	26	5	77
	33.80%	2.60%	20.80%	2.60%	33.80%	6.50%	100.00%
Health and Sanitation	8	2	15	2	0	3	30
	26.70%	6.70%	50.00%	6.70%	0.00%	10.00%	100.00%
Education and Literacy	12	0	14	7	0	2	35
	34.30%	0.00%	40.00%	20.00%	0.00%	5.70%	100.00%

Child Wel- fare	20	0	7	0	0	2	29
	69.00%	0.00%	24.10%	0.00%	0.00%	6.90%	100.00%
Women Services	24	0	6	1	0	2	33
	72.70%	0.00%	18.20%	3.00%	0.00%	6.10%	100.00%
Total	90	4	58	12	26	14	204
	44.10%	2.00%	28.40%	5.90%	12.70%	6.90%	100.00%

Measurement Model Assessment

Measurement model assessment examined convergence and discriminant validity. Composite reliability and AVE were tested for convergent validity. Fornell-(1981) Larcker's criterion, cross-loading analysis, and the Heterotrait-Monotrait Ratio validated discriminant validity (Henseler et al., 2014). Cronbach's alpha assessed latent variable items' internal consistency. In social science research, all variables have alpha values above 0.70, indicating good construct dependability. The constructs were reliable since all latent variables had rho values greater than 0.7. (Dijkstra & Henseler, 2015). Composite reliability exceeded 0.7, proving reliability (Henseler et al., 2014). Fornell and Larcker (1981) defined convergent validity as a notion explaining more than half of its indicators' variation. Thus, latent variable convergent validity appears acceptable. For discriminant validity, the Fornell-Larcker criterion (Fornell & Larcker, 1981) and HTMT (Henseler et al., 2015) were met, indicating divergent validity (Fornell & Larcker, 1981). The HTMT also has a 0.85 threshold (Henseler et al., 2015). All pairwise HTMT0.90 ratios are smaller than 0.90. The model was discriminately valid (Henseler et al., 2014).

Reliability rating item RR5 and employee motivation item EM7 were dropped from the study due to cross-loading. EM2, EM3, EM4, EM6, PAF3, and RR2 had built loadings < 0.7. Since AVE was above 50%, loading levels were considered. Loading between 0.4 and 0.7 is acceptable if CR and AVE cross the threshold (Hair et al., 2017). Tables 3, 4, and 5 provide the measurement model assessment. The appendix contains cross-loading.

Table 3

Reliability and Validity Measures of the Constructs

Latent Variables	Cronbach's Alpha	rho_c	Composite Reliability	Average Variance Ex-tracted (AVE)
PAF	0.764	0.770	0.84	0.513
PAP	0.822	0.830	0.875	0.584
PAS _t	0.801	0.803	0.862	0.556
RA	0.832	0.835	0.888	0.666
RR	0.757	0.764	0.846	0.579
EM	0.876	0.882	0.901	0.505

Note: PAP = Performance Appraisal Purpose, PAS_t = Performance Appraisal Standard, PAF= Feedback on Performance Appraisal, RR = Reliability of Rater, RA = Rater Assurance and EM = Employee Motivation

Table 4

Fornell-larker Criterion

Variables	EM	PAF	PAP	PASt	RA	RR
EM	0.711					
PAF	0.63	0.716				
PAP	0.623	0.616	0.764			
PASt	0.616	0.677	0.574	0.745		
RA	0.691	0.551	0.524	0.592	0.816	
RR	0.683	0.677	0.564	0.674	0.634	0.761

Note: PAP = Performance Appraisal Purpose, PASt = Performance Appraisal Standard, PAF = Feedback on Performance Appraisal, RR = Reliability of Rater, RA = Rater Assurance and EM = Employee Motivation

Table 5

Heterotrait - Monotrait ratio (htmt)

Variables	EM	PAF	PAP	PASt	RA	RR
EM						
PAF	0.756					
PAP	0.72	0.772				
PASt	0.727	0.852	0.709			
RA	0.804	0.686	0.628	0.727		
RR	0.835	0.887	0.717	0.854	0.794	

Structural Model -Model Fit and Path Analysis

To determine the goodness of fit of the current model, the Standardized Root Mean Square Residual (SRMR) introduced by Henseler et al. (2014) was used. In a conservative setting, Hu and Bentler (1999) considered a value of less than 0.08 to show a good fit for the model. Table 7 shows that the value of SRMR was less than 0.08, and hence goodness of fit can be verified for the model employed for the study. Next, the coefficients of determination R² values were calculated to analyze the amount of explained variance of the endogenous construct in the study model. It was noticed that the value of R² was 0.631, which implies that Performance Appraisal Purpose, Performance Appraisal Standard, Feedback on Performance Appraisal, Reliability of Ratings, and Rater Assurance jointly explain 63.1 per cent of the variation in employee motivation. R² values of 0.25, 0.50, and 0.75 for the target construct, respectively, are regarded poor, medium, and substantial (Hair et al., 2017).

To determine the path coefficient significance was assessed using bootstrapping technique with 10000 resampled (Hair et al., 2021), using BCa bootstrap confidence intervals for significance testing, the respective weights were significant, and the sample mean lies between CI of 2.5 % to 97.5 % for both of the constructs.

The results of the PLS structural model show three significant effects, presented in table 8 that is the p-value of Performance Appraisal Purpose (p<0.01), Reliability of Ratings (p<0.05), and Rater Assurance (p<0.01) have shown a significant effect on employee motivation. The results indicate that Rater Assurance has a greater effect on employee motivation (Beta 0.332, p<0.01), followed by the reliability of the rater (Beta 0.232, p<0.01) and performance appraisal purpose (Beta 0.208, p<0.01). Therefore, the result supports H1, H4, and H5. That means the non-

governmental organizations in Nepal primarily focus on rater assurance, reliability of raters, and performance appraisal purposes, which helps them to enhance their employees' motivation. However, the p-values of performance appraisal standards and feedback on appraisal were more than 0.05 significant level, which suggests that there is no significant impact of performance appraisal standards and feedback on appraisal on employee motivation in non-governmental organizations in Nepal. Therefore, the result failed to support H2 and H3.

Table 6

SRMR index

Model	Original Sample (O)	Sample Mean (M)	95%	99%
Saturated Model	0.069	0.053	0.061	0.071
Estimated Model	0.069	0.053	0.061	0.071

Table 7

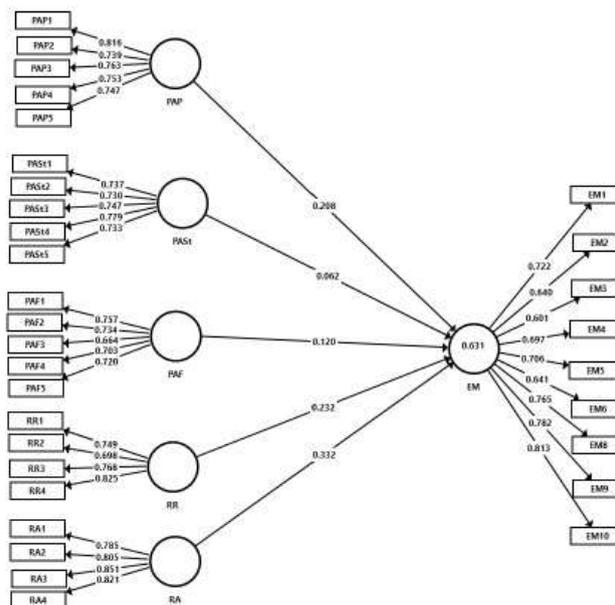
SEM path analysis

Hypothesis	Path	β	SD	T value	Confidence Interval 95%		p Values	Supported
					2.50%	97.50%		
Hypothesis 1	PAP -> EM	0.208	0.070	2.957	0.055	0.335	0.003	Yes
Hypothesis 2	PASt -> EM	0.062	0.079	0.782	-0.093	0.215	0.434	No
Hypothesis 3	PAF -> EM	0.120	0.076	1.577	-0.033	0.266	0.115	No
Hypothesis 4	RR -> EM	0.232	0.091	2.552	0.055	0.407	0.011	Yes
Hypothesis 5	RA -> EM	0.332	0.083	4.006	0.178	0.496	0.000	Yes

Note: PAP = Performance Appraisal Purpose, PASt = Performance Appraisal Standard, PAF = Feedback on Performance Appraisal, RR = Reliability of Rater, RA = Rater Assurance and EM = Employee Motivation

Figure 2.

Structural Model of the Study



Qualitative Data Analysis- Thematic

Common HR Practices in INGOs: Non-profit organizations in Nepal, specifically INGOs

work with individuals at three distinct levels. There are international members who provide the guidelines to work and monitor the progress, national level employees who monitor and evaluate the programs in the field and local partners through whom most of the activities are carried out.

"Have an orientation software where new employees are informed about policies and practices of the organizations and old employees are notified about the modifications" -Key informant_1

"Global HQs provide a guideline annually on people management policies, we provide suggestions and recommendations when it is felt that it does not encompass necessary aspects" -Key informant_2

"Fully support and provide an inclusive employment opportunity for all who have potential to expand skills and knowledge"-Key informant_3

"Adopt a philosophy of non-discrimination and provide an inclusive workplace environment free from harassment where everyone is treated with dignity"-Key informant_4

"HR manual has been developed by HQs which is customized and incorporates laws and regulations of Nepal and passed down to us to follow"-Key informant_5

All organizations under study received an HR handbook or guideline from global HQs or donor agencies, streamlining the HR process. These documents meet worldwide standards but are customized to Nepal's labor laws and regulations. The organizations studied prioritize diversity and inclusion because they fight social injustice. Managers highlight that all employees are equal and receive 24-hour conflict management help. Yet, managers stated their methods are less flexible and need a lot more due process. Nonetheless, these firms' HR experts communicate and exchange experiences using AIN platforms.

Goal Setting: When it comes to goal setting for employees, the organizations differ in their chain of thought.

"Discuss among executives and program managers to come up with country level goals and take approval of those from our international partners"-Key informant_1

"Country strategy paper prepared every 4 years with committee of local, national and international representatives and modifications are made yearly as per continuous feedbacks"-Key informant_2

"Strategic goals of organization are robust however individual goals are set by employee in coordination with their line managers"-Key informant_3

"Follow an annual performance cycle where objective canvas is created where employees set individual goals – professional and personal which correlate to global vision of the organization"-Key informant_4

"An annual plan is created at global HQ which is sent to us and plans and policies are developed accordingly"-Key informant_5

Organizations have an annual performance cycle to set goals and objectives, but how they communicate them to staff varies. Few firms have a rigorous strategy where the global

Headquarters sets annual targets, which are handed on to the country office, and the higher ups decide how to meet those goals using their present resources and staff. In some firms, the national office prioritizes the following year and works with workers at all levels to set strategic goals, which they then send to global HQs to include into their global purpose.

Lastly, some firms have a complicated goal-setting procedure where the global organization sends out an objective canvas with the overarching aim and all employees create their goals based on it. Achievement and learning objectives are encouraged for professional growth.

PA Techniques Adopted: Most of the organizations under study utilize a form of 360-degree evaluation to evaluate employee performance.

"Focus on evaluation of competency of employees and their performance standards through PACE" -Key informant_1

"Follow Develop to Learn system which evaluates employee's performance goals as well as learning and career growth in a yearly basis" -Key informant_2

Organisations' performance evaluation systems are called Develop to Perform (DTP) or Performance and Competency Evaluation (PACE). These systems emphasize organizational performance goals and personal learning and growth goals for career advancement. Most businesses use Oracle to gather and sort data for these evaluations. Employees view such assessments as ongoing, yet they are done periodically and rated annually.

"Quarterly check ins from peers, supervisors and subordinates. Three peers are selected by the ratees themselves as part of transparency in the performance improvement plan" --Key informant_3

"360 Degree feedback taken quarterly, a deep correction conversation semiannually and ratings provided on a yearly basis. Results released but reviewers are kept secret" --Key informant_4

There is disagreement on the openness of raters in firms that use 360-degree appraisal methods. To eliminate conflicts or bad faith among employees, an organization keeps peer reviews confidential, and managers are appointed to select the reviewers for the year. In some organizations, however, the ratees are given the ability to choose who would assess them, and their replies are made public. This is carried out to provide employees a sense of ownership while maintaining the integrity of unbiased viewpoints.

"Forms filled by the employees themselves which are crosschecked and rated by us and sent to HQs for feedback and suggestions on a yearly basis" --Key informant_5

In contrast to the aforementioned method, other organizations use PA forms that are simpler nevertheless followed in organizations with stringent international headquarters goals and emphasis on staff goal attainment. These forms are completed by employees or supervisors and sent to management for performance evaluation. HR managers indicated that such methods make employees view assessment as a duty and increase administrative stress to HR professionals to force them to perform them.

Discussion

This study examined how performance appraisals affect employee motivation in Nepalese

non-governmental organizations. The sample size was 300, and 208 responded. The survey included firm assistants and managers with more than a year of experience. Maslow's theory of wants—basic necessities, safety, esteem, love, and self-actualization—drives Nepalese INGO workers, according to the study. Non-governmental personnel are moderately motivated. This research reveals that employees have their own expectations or aims, while companies have their own goals, and motivation is related to employee expectations.

The finding of present study emphasized on a comprehensive PAS that helps the organization provide advice and support for employees, fosters supervisor-subordinate contact, identifies performance gaps, and helps build development plans. The study findings support Hauwaert et al. (2022) demonstrate how formalization improves managerial effectiveness. Confirm autonomous work motivation influences performance management and performance assessment systems. This finding was similar to the findings of Rijal (2014), who discovered that employees of non-governmental organizations in Nepal have a relatively higher level of motivation, which can be attributed to international affiliations and the opportunity to work with people from various backgrounds and ideologies from around the world.

The study found that, if effective, a PAS can help the company and its workers accomplish long-term goals. This study shows that employee ownership and willing engagement are the most crucial elements of a PAS. PAS should make employees feel that they can progress and reach new career heights. Similarly, Campos et al. (2010) stated that the performance appraisal systems of NGOs in developing nations, with a focus on Brazil, are more successful and consequential than other contemporary service sector organizations. This assumption is based on the presence of more regulated and impartial international procedures established in these organizations that are not accessible in domestic organizations.

The findings of this study were identical in terms of the effectiveness of the performance rating system as the state in Campos et al. (2010). The respondents were generally satisfied with all aspects of the performance appraisal system's effectiveness, with the conclusion that the inclusion of globally standardized guidelines with localization based on employee needs, as well as employee awareness of the procedures, makes the appraisal much more effective. The study found that reflecting components of the performance appraisal system; namely, performance appraisal purpose, performance appraisal standard, feedback on performance appraisal, reliability of rating, and rater assurance, were correlated with employee motivation. Additionally, PA Purpose, Reliability, or Ratings and Rater Assurance all predicted potential for employee motivation as well. The study found that the performance appraisal system leads to improvement in intrinsic rewards and feelings of achievement. Improvement in motivation can be observed. According to Pandey's (2020) research, objective alignment, right appraisal process, effective performance, promoting communication, and employee satisfaction with performance appraisal all have a positive and high impactful link. The significant connection had reaffirmed the findings of Dierdorff and Surface (2007) and Ellinger (2014), Barbieri et al. (2023), Dangol (2021), Bulto and Markos (2017) and Megira (2017) that the development

of a well-designed performance appraisal system has a chance to improve the motivation of employees towards work. This study supports the emphasized explanation of Lee (2017), that Ensure the success of PHRM, public organizations should try their best to improve the fairness and accuracy of performance appraisal.

Pradhan (2020) argued that performance appraisal systems had a strong impact on organizational performance in terms of commitment and motivation in the Nepalese business sector. Present study confirmed the finding of performance appraisal systems and motivation in non-governmental making organizations in Nepal. These results can be observed as an affirmation of a study by Schepers et al. (2005) stating that employees of non-governmental organizations are driven by the same values as employees in profit-making organizations. Aydin and Tiryaki (2018) found using SEM that performance assessment criteria/standards and performance appraisal feedback influenced employee motivation in Turkey. Present study suggests that performance appraisal criteria and feedback do not motivate employees. This may be related to the country-specific and cultural context and how Turkish and Nepalese employees perceive feedback. Turkish companies may encourage good feedback.

Nevertheless, the findings in the present study indicated that continuous feedback could cause displeasure in employees due to our societal context, with the emergence of feelings of business and bad faith among peers. This is further supported by Bulto and Markos' (2017) study in Ethiopia, which found continuous feedback could cause demotivation in employees, which leads to the conclusion that this may be an issue in developing countries. Likewise, the study of Megira (2017) indicated that a trained appraiser and the fairness of the appraisal tool have considerable influence on employee motivation, which is in accordance with the present study. However, Megira (2017) found that employee participation, even though positively related, had no significant impact on the motivation of employees. The current study did not include employee participation as one of the dimensions in the model. However, there was a consensus in the qualitative narration that employee participation is one of the most important factors in an effective performance appraisal system and has an impact on employee motivation. The difference may be observed owing to the depth of employee participation throughout the performance appraisal process. A study in Ethiopia viewed employee participation as staff taking part in the goal setting and form filling procedures as part of their regular job. Whereas this research characterized employee participation as a sense of ownership in the employees, they have a role in making the assessment process successful, and it gives forth the best outcomes to enhance their performance.

This study supports the findings of Mehta (2014) that, practically, employees are motivated by the rewards they receive, and if the rewards are satisfying, then the appraisal only becomes additional work that the employees perform and has minimal effect on motivating them. Even though employees of INGOs in Nepal are well rewarded and have the opportunity for advancements, the findings showed that an effective performance appraisal system could play an important role in the improvement of employee motivation. The study found that employees

would become motivated by assessment if they saw its benefits. This study replicates Chaponda (2014) using comparable demographic data in overlapping organizations. In Nairobi-based INGOs, Chaponda (2014) found that performance reviews motivate employees if they are purposeful and fair. This shows that transnational organizations share perceptions with employees, possibly due to orientation and development procedures.

Conclusion and Recommendations

At INGOs, performance assessment systems motivate personnel. This can be mentioned that the performance appraisal system can be returned to each employee so that the employee is aware of what has been done has been documented and assessed by the authorities so that the employee can feel motivated and become more enthusiastic about their work. An effective evaluation system that stresses engagement and goal setting is one component that can help individuals and organizations reach their goals. In order to acquire the appropriate motivated attitude and behaviors to achieve organizational goals in the long run, organizations should place a primary focus on the reactions and levels of satisfaction that employees have with regard to performance evaluation systems.

Non-governmental organizations as a sector are relevant for study owing to their function and relevance in the Nepalese social structure. These organizations strive to produce social upliftment in regions where government organizations may be deficient or require help to access and organize resources. Because of the nature of non-profit organizations and the socio-economic scenario of Nepal, these organizations are around. Hence, being organizations of significance in the context of developing nations like Nepal gives useful information to evaluate the attitudes of employees in non-profit organizations about their forms and elements of performing their tasks. It can be concluded that employees have a favorable perspective towards the effectiveness of the appraisal system followed in their organization and also that the employees have a decent level of motivation towards employment.

Similarly, in international non-governmental organizations, the assessment tools are created as per organizational objectives, which connect globally to local activities in the organization, making them purposeful and connected with the goals established for the individual workers as well. This synergy implies that employees consider the PAS meaningful for the tasks they conduct and maybe a good indicator of accomplishment and personal growth. This might explain why the research indicated a strong influence of purposive performance appraisal on employee motivation.

Therefore, in developing a performance appraisal system in an organization, the indicators must fit with the organizational as well as individual objectives. The organization must assure its personnel that the performance appraisal ratings appropriately evaluate their strengths and flaws and guide them towards improving their performance. Transparency of raters and feedback is necessary to guarantee the impression of unbiasedness in the appraisal and offer workers trust that the appraisal generates concrete outcomes. However, transparency of raters can sometimes cause conflict situations in an organization which has to be minimized by creating awareness

in employees regarding the importance of appraisal and also training supervisors to smoothly articulate the results of the appraisal in a way that the employee is not offended. Finally, the performance appraisal system has to be implemented in an overall performance management system of the organization that continually functions to monitor employee performance not only in terms of goal achievement but also in terms of learning and career progression.

The findings of the study recommend that organizations operating in all sectors should have a performance appraisal system that works towards target attainment as well as competency development in personnel. This would help the company in succession planning and the personnel to lay out their career objectives and vision for professional life. The study further indicates that contemporary organizations should be more focused on performance management of workers, which comprises performance planning, coaching evaluation, feedback and incentive system. This might generate significant outcomes for the general grooming of personnel in the firm.

Organizations should put a major focus on how to establish an atmosphere where workers do not consider performance appraisal as a job or extra work; they need to undertake it according to company policy. The conclusions of this research suggest HR managers across non-profit organizations establish strategies and policies to generate improved employees' attitudes toward the performance appraisal system. Lacking effectiveness in the performance appraisal system, it will be difficult to anticipate better-motivated workers either intrinsically or extrinsically; rather, they might be demotivated until adjustments must be made in the system.

All in all, non-profit organizations that operate via international supervision should concentrate on developing goal setting techniques based on ground realities at local levels and country offices and then include them in terms of a global vision of the organization. The assessment system should therefore be connected with the local level objectives and eventually to the overarching vision, which would offer the workers a feeling of participation in the complete business. The performance evaluation criteria should be established at an acceptable level, and employees should be aware of what is expected from them. Feedback to employees should be conveyed correctly in a manner that the employees take the comments favorably. Finally, a culture of accurate evaluations and impartial raters should be developed to increase trust in workers about the findings of the assessment.

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Annexure*Cross Loading of Items*

	EM	PAF	PAP	PASt	RA	RR
EM1	0.722	0.39	0.374	0.372	0.475	0.511
EM10	0.813	0.519	0.559	0.485	0.587	0.559
EM2	0.64	0.312	0.306	0.314	0.417	0.452
EM3	0.601	0.423	0.422	0.403	0.454	0.424
EM4	0.697	0.531	0.366	0.467	0.554	0.516
EM5	0.706	0.514	0.457	0.511	0.498	0.46
EM6	0.641	0.379	0.404	0.378	0.399	0.402
EM8	0.765	0.46	0.525	0.518	0.504	0.517
EM9	0.782	0.461	0.523	0.449	0.496	0.505
PAF1	0.517	0.757	0.476	0.556	0.415	0.521
PAF2	0.465	0.734	0.47	0.489	0.359	0.452
PAF3	0.397	0.664	0.343	0.383	0.312	0.444
PAF4	0.371	0.703	0.452	0.454	0.403	0.463
PAF5	0.483	0.72	0.455	0.521	0.476	0.536
PAP1	0.561	0.484	0.816	0.437	0.481	0.465
PAP2	0.418	0.356	0.739	0.386	0.391	0.413
PAP3	0.501	0.482	0.763	0.424	0.42	0.402
PAP4	0.439	0.504	0.753	0.464	0.358	0.443
PAP5	0.437	0.524	0.747	0.49	0.333	0.433
PASt1	0.418	0.471	0.45	0.737	0.466	0.422
PASt2	0.414	0.43	0.385	0.73	0.441	0.431
PASt3	0.469	0.5	0.41	0.747	0.373	0.51
PASt4	0.497	0.509	0.419	0.779	0.492	0.587
PASt5	0.486	0.601	0.473	0.733	0.435	0.542
RA1	0.527	0.431	0.449	0.499	0.785	0.507
RA2	0.547	0.433	0.426	0.477	0.805	0.484
RA3	0.562	0.44	0.397	0.501	0.851	0.543
RA4	0.613	0.492	0.438	0.458	0.821	0.531
RR1	0.495	0.535	0.448	0.451	0.425	0.749
RR2	0.468	0.486	0.421	0.483	0.444	0.698
RR3	0.534	0.475	0.386	0.484	0.492	0.768
RR4	0.574	0.565	0.464	0.624	0.558	0.825