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**THE EFFECT OF PERFORMANCE APPRAISAL SYSTEMS ON EMPLOYEE  
MOTIVATION OF FINTECH COMPANIES IN KENYA**

**ACHIENG' DALPHINE CARREN**

**122796**



**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT FOR THE  
AWARD OF A MASTER OF COMMERCE DEGREE AT STRATHMORE  
UNIVERSITY**

**STRATHMORE BUSINESS SCHOOL,**

**STRATHMORE UNIVERSITY,**

**NAIROBI, KENYA.**

**SEPTEMBER 2022**

## DECLARATION

### Student Declaration:

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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Approval

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## ABSTRACT

In order to reach the required performance level, it is necessary for any organization to develop better motivation in the mind and spirit of employees through an effective performance appraisal system. The main aim of this dissertation was to assess the effect of performance appraisal systems on employee motivation among fintech companies in Kenya. The specific objectives of the study were to; determine the effect of performance appraisal methods on employee motivation, analyse the effect of appraiser-appraisee relationship on employee motivation, to establish the effect of perceived appraisal fairness on employee motivation and to assess the effect of perceived quality of appraisal feedback on employee motivation. The research adopted the equity theory and the justice theory. A descriptive research design was used in this research. The study population was the 38 fintech companies registered by Central Bank of Kenya. The unit of observation were three senior managers in each firm who were purposively selected giving a total of 114 respondents. The study utilized primary data collected using a questionnaire. The administration of the questionnaire was done through Google form. The collected data was converted into quantitative format and analysed using descriptive and inferential statistics. The descriptive statistics involved mean and standard deviation while inferential statistics comprised of both correlation and regression analysis. The results of the study were presented in tables and figures followed with pertinent interpretation. The study revealed a significant positive relationship between management by objectives, 360 degrees, peer review, self-review, appraiser-appraisee relationship, perceived appraisal fairness, perceived quality of appraisal feedback and employee motivation among fintech companies in Kenya. This study concluded that performance appraisal systems are essential for fintech companies to use in their endeavor to improve on their employees' motivation. The study recommends that fintech companies should focus on the key qualities of appraisal system to ensure that the process is well defined and understood, accepted by all participants and the overall performance appraisal system is effective and assists in achieving individual and organizational goals.



## DEDICATION

This dissertation is dedicated to my family who have supported me throughout my education.

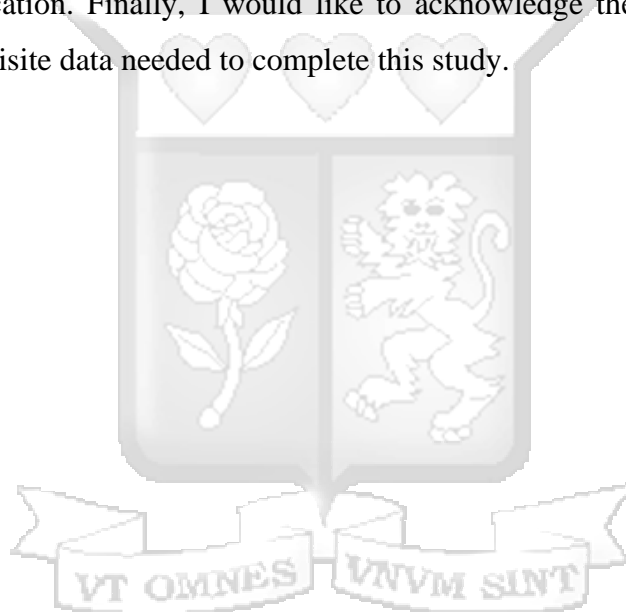


## ACKNOWLEDGEMENT

This study has been completed through the sustenance and encouragement from various individuals to whom I am grateful. I thank God for His grace and mercies that He saw me through my studies in good health and right mind. I give all glory and honour to Him.

Special appreciation goes to my supervisor Dr. Hellen Nyolo Otieno, for her time, patience, and constructive advice throughout the entire project. She shared with me her professional experience which made this study interesting and a worthwhile undertaking. She encouraged me and was highly responsive to requests or clarifications.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>CIPD</b>	Chartered Institute of Personal Development
<b>MBO</b>	Management by Objective
<b>NACOSTI</b>	National Commission for Science, Technology & Innovation
<b>SPSS</b>	Statistical Package for Social Sciences
<b>VIF</b>	Variance Inflation Factor



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Motivation is an important subject area for researchers and practitioners of management all over the world. Employee performance appraisal can act as motivation for an employee to improve his productivity. When an employee sees his goals clearly defined, his performance challenges identified and career development solutions in place to help advance his career, the effect is to motivate the employee to achieve those goals (Sharma & Sharma, 2017). Kuvaas (2016) argues that creating a comprehensive plan for employee development and giving specific goals to strive for can lead to enhanced employee motivation. Performance appraisal helps measure performance of employees against the set goals and objectives, which can lead to better future strategies for enhancing employee motivation (Selvarajan & Cloninger, 2016).

According to Fugate and Kinicki (2012), motivation is defined as the psychological processes which bring about the direction, arousal, and the persistence of actions that are voluntary and goal directed. Idowu (2017) noticed that motivation and performance appraisal have great interaction with each other. Motivation is thought to be a product of several variables and performance appraisal is hypothesized to be one of the variables that gives necessary feedback on performance of employees (Bulto & Markos, 2017). Performance appraisal is the process used to evaluate employees on how well they perform their duties compared against a set of standards. The managers determine employees' job-relevant strengths through observations, measurement, and development of skill sets (Kuvaas, 2016). Performance appraisal is commonly considered as one of the most vital human resource management functions. A capable performance appraisal system is an indispensable part of organizations' human resource management adequacies (Judge & Ferris 2013).

DeNisi and Pritchard (2016) opine that performance appraisal practices should clearly outline the purposes they intend to achieve in order to elicit positive reactions that encourage employees to get motivated in working hard to improve or maintain good performance. By focusing the attention on performance, the human resource entity sets

out performance indicators which inform career progression of employees and hence continued growth and development of the organization (Selvarajan & Cloninger, 2016). Bernardin and Wiatrowski (2013) comment that organization accomplishments are achieved when the workforce is certain, competent, experienced and performs at an ideal level.

### **1.1.1 Performance Appraisal Systems**

A performance appraisal system is a multifaceted and multidimensional construct. Different studies have used different variables to explain it. According to Chen and Idrige (2012), companies use the appraisal system to motivate employees and improve company goals. A successful performance appraisal system has also been linked to clear goals and a distinct performance criterion, accepted by both the person being assessed and the assessor, enhances appraiser-appraisee relationship and is perceived as fair (Rankin & Kleiner, 2018). Saeed and Shah (2016) define performance appraisal systems in terms of the appraisal method used, appraiser-appraisee relationship, perceived fairness and perceived quality of feedback. Performance appraisal method is the process of evaluating employees on how well they perform their duties against standards that have been set by the organization and managers determine employees' job-related strengths by monitoring, measuring and developing their skill sets (Kuvaas, 2016). A capable performance appraisal system is an indispensable part of organizations' human resource management adequacies (Judge & Ferris 2013). Murphy (2018) connotes that organizations employ different methods of performance appraisal and the type of appraisal used depends on its purpose. These include rating scales, 360-degrees appraisal, management by objectives and 720-degree appraisal among others.

The appraiser-appraisee relationship is hypothesized to influence employee motivation (Singh & Rana, 2017). Idowu (2017) argues that sometimes long-lasting conflicts occur between workers and their supervisors. As such, employees reject the results of their appraisal or become reluctant to admit their weaknesses contending that in many occasions' supervisors are not available to assess their performance. This could be due to geographical distances (in cases where supervisors are located in other regions) or personality differences which may bring about bias undermining the appraisal process (Naji, Mansour & Leclerc, 2015). Idowu (2017) adds that with this negative perception the appraisal objectives are not realized. Employees fail to change their work habits and

are not motivated enough to improve on their performance which impedes their development.

Extant literature indicates that to attain fairness in assessing employees' performance, an appraisal system must be effective. Perceptions of fairness can be categorized into three: procedural, interpersonal and outcome fairness (Erdogan, 2002). Fair employee performance evaluation is recognized as a crucial component of a successful performance appraisal system. According to Agyare *et al.* (2016), an effective appraisal system assists organizations in determining employee performance and recommending methods for employees to improve their performance. Murphy *et al.* (2018) found evidence of rater inaccuracy in situations where female employees were evaluated differently than their male counterparts. Chaponda (2014) affirms that some organizations do not have a clear understanding about the role and implication of a performance appraisal system. Such organizations conduct performance appraisals as a ritual, ignoring the fact that the process is meant not only to improve the quality of service but also to motivate the worker to improve their performance as well as reduce inefficiencies in their work (Ndirangu & Ngari, 2014).

Hepngetich and Bula (2017) opine that there are several steps that an effective performance appraisal system follows to bring about perceived fairness. It comprises of the established performance standards which outline the employees' job responsibilities, key performance indicators that are pegged on individual performance, comparison of the individual work against the set standards and finally evaluating the performance against a quantifiable dipstick. The main objective of an appraisal system is to get the best out of employees by finding out how well the employee has applied the required skills to meet the performance targets (Mwema, & Gachunga, 2014). In addition, the appraisal system helps best identify the kind of support that each employee requires in the creation of improvement plans. The established performance appraisal system must always provide transparent feedback on each employee's performance. According to Murphy (2018), it's important to provide employees with high-quality feedback to support their development and assist them strengthen their areas of weakness. Chaponda (2014) holds that the organization should recognize people who put forth considerable

effort, as seen by their performance, in order to promote the achievement of both individual and organizational goals while also giving timely and honest feedback.

No appraisal system is perfect, but an organization should always strive to generate accurate and fair evaluations of their employees, allowing for both individual advancement and the accomplishment of corporate goals (Singh & Rana, 2017). The system must also enhance the appraiser-appraisee relationship. As previously stated, the effectiveness of an appraisal system is influenced by a variety of factors which include employee attitude, appraiser-appraisee relationship, perceived fairness, raters' accuracy and employees' involvement among others. This research focused on four components of appraisal systems; the method used, perceived fairness of appraisal systems, appraiser-appraisee relationship and perceived quality of feedback due to their wider applicability in previous literature.

### **1.1.2 Employee Motivation**

The concept of motivation has been described in various ways by scholars (Bulto & Markos, 2017). According to Robbins and Judge (2014) motivation is the process that accounts for an individual's intensity, direction, and persistence of effort toward attaining an organizational goal. Motivation is a psychological process of basic importance and a power that provides direction, energy and compliance (Luthans, 2011). Kisang and Kirai (2016) define motivation as an implication of something done by a person to the other and that the motivated party is induced to expend a degree of effort which they would not have otherwise wished to do. Sharma and Sharma (2017) hold that every employee has his or her own set of motivation and personal incentives that arouse them to work hard. Some employees are motivated by recognition while others are motivated by cash incentives.

Motivation is categorized into two, intrinsic and extrinsic motivation (Ryan & Deci, 2020). Intrinsic motivation is driven by forces within oneself and in connection to work environment. In this case, the employee would be motivated depending on the extent to which a task has personal meaning based on the satisfaction they receive from performing it (Giancola, 2014). Giancola (2014) states that extrinsic motivation conversely is not linked to satisfaction of performing the task but rather from the external outcomes associated with basic survival such as financial rewards or incentives, working conditions and job security. George and Jones (2012) argue that employees who are intrinsically

motivated reason that their job gives them a sense of gratification and accomplishment while extrinsically motivated employees are motivated when they get positive appraisal or accolades offered by other people.

Employee motivation has been emphasised by various theories of motivation. Abraham Maslow's motivation theory of Hierarchy of Needs exemplifies the five different stages of human needs starting from the most basic to the complex ones (Riggio, 2014). This theory indicates that when a lower need is satisfied, it ceases to be a strong motivator and hence the demand for the next higher need becomes dominant. As such, the individual's attention is then turned towards satisfying this higher need concluding that only unsatisfied needs motivate an individual (Maslow, 1943). Further, Frederick Herzberg (1959) advanced the Two factor theory. According to the two-factor theory, dissatisfaction arises from the absence or inadequate hygiene factors which include job security, quality of supervision, salary, poor working conditions among others. Satisfaction results from the presence of motivating factors such as recognition, achievement, advancement and growth (Kreitner & Kinicki, 2016).

Another theory of motivation is equity theory. Equity theory focuses on how employees are motivated and treated in the organisation (Hannagan (2002). According to Hyde (2005) employees are usually demotivated when they discern that they are not being treated fairly. The theory of equity stems behind the principle that employees contrast their income and performance balance with those of others and reconcile their performance to reflect this inequality which leads, inter alia, to poorer productivity, absenteeism, increase idleness and reduced quality among others (Hyde, 2005). Employees are more motivated if they feel that their output and productivity are appropriately compensated for.

Further, the Justice Theory pioneered by Rawls (1971) is essential in understanding employee motivation. According to the justice theory, fairness is categorized as distributive, procedural, interactional or informational (Greenberg, 1986). Distributive justice refers to the perception of how fair the outcomes are based on how they align with previous norms (Fortin, 2008). The justice theory attributes employees' perceptions of fairness to high rates of positive employee attitudes, behaviors and commitment by the organization (Folger & Konovsky, 1989).

Motivation is said to vary over time and according to circumstances (Osabiya, 2015). The widely accepted view of employee motivation is that it can create a positive working environment whereas lack of it or a negative perception of motivation can affect organization's performance. Stanley (2015) argues that organizations have come to terms with the fact that motivation is a key indicator for talent retention and performance when seeking competitive advantage. No matter how the economic environment reacts, the objective is to employ a conducive workplace where employees are motivated to grow their knowledge, expertise, and experiences (Giancola, 2014).

Employee' motivation focuses on elements that cause an employee to pursue a job, tasks or goals (Cole, 2012). Motivated employees are very crucial to the success of an organization. Employees' motivation acts as a long-term success factor in many organizations (Kovach & Ryan, 2008). Williams (2014) operationalized motivation in terms of intrinsic and extrinsic factors. Riggio (2014) operationalized motivation in terms of the Maslow's hierarchy of needs. In this study employee motivation was operationalized in terms of intention to stay, staff satisfaction and productivity. This operationalization is adopted from Certo (2016). Intention to stay refers to a situation where an employ has decided to stay in an organization for the long term and it is normally associated with motivated employees. Staff satisfaction implies fulfilment of one's expectations and needs in a job while productivity refers to the amount of output produced by an employee in a given time period (Osabiya, 2015). These three measures of employee motivation have been adopted due to their applicability in previous literature.

### **1.1.3 Fintech Companies in Kenya**

As suggested by Dorfleitner, Hornuf, Schmitt and Weber (2017) Fintechs denote companies or representatives of companies that combine financial services with modern innovative technologies. Financial Technology (Fintechs) has the possibility to alter finance in a number of ways, mainly in upcoming markets, from insurance to making payments, from credit to financial compliance. According to the Central Bank of Kenya (2020) there are 38 fintech companies registered in Kenya. The current study focused on these 38 fintech companies.

In terms of innovation in the financial sector, Kenya is among the top three countries in Africa followed by South Africa and Nigeria. Apart from Mpesa which is the leading and most popular Fintech in the East Africa region, the exponential expansion of small and medium enterprises has increasingly motivated financial innovators to create financial payment tools. Kenya is rated as the most attractive market for Fintech workers in Africa, with Kenyan enterprises paying the highest salaries for the workers in Africa (Pwc, 2017).

According to anecdotal evidence, performance appraisal is a common exercise for Kenyan fintechs. Fintech's performance appraisal is a complex undertaking majorly because fintechs are a relatively new concept (Feyen, *et al.*, 2021). The fintech firms comprises the technology-enabled firms that offer financial and technology services directly to various financial institutions. These companies employ technology to support financial transactions among businesses and consumers (Jessica, 2016). Fintech companies operate in different working environment subjected to different level of technological growth and regulations related to fintech technology. Such differences may include issues relating to economic trend changes, legal framework, physical and technical changes in demands, and other elements associated with the job, as well as differences in employee personalities. Because of these differences, it is difficult to establish comparable performance parameters attributable to employee motivation. Goal consistency may arise in the relationship between the headquarters and the subsidiary because the two are not always on the same page when it comes to resource allocation decisions (Murphy *et al.*, 2018).

## **1.2 Statement of the Problem**

Biswakarma (2016) reports that one of the most significant and challenging part experienced by human resource practitioners in managing the workforce is identifying the performers from non-performers and creating an environment in which the performers are rewarded and motivated to perform even better. Performance appraisal is one of the main functions of HRM and a vital tool to measure the frameworks set by an organization to its employees to allocate rewards, provide an avenue of staff development and obtain employee perspectives and perceptions about their jobs (Kuchava & Buchashvili, 2016).

The prominence accorded to performance appraisal systems to a certain extent arises from the nature of the ever changing business environment. This environment is highlighted by the need to achieve organizational objectives as well as remain relevant in intensely competitive markets through superior worker performance (Raghunathan & Subbu, 2018). A fair performance appraisal system can influence employee motivation showing considerable interaction with each other (Bulto & Markos, 2017).

Many studies have examined the importance of performance appraisal systems in numerous ways on improving organizational performance through enhancement of employee motivation, commitment and job satisfaction (Chaponda, 2014; Jabeen, 2011; Saeed & Shah, 2016; Singh & Rana, 2017). When performance of the employee is assessed and discussed in thorough detail, it is useful in communicating the weaknesses and strengths observed in job performance (Bulto & Markos, 2017). Despite the significance of performance appraisal, supervisors dislike appraising employees and likewise employees distaste receiving performance evaluations. This is due to the negative attitude they perceive for the system (Malik & Aslam, 2013). A formalized and orderly appraisal plan will empower a standard evaluation of people's performance, highlight potential and recognize training and development needs (Bulto & Markos, 2017).

Fintech companies in Kenya today have become very competitive all aiming at recruiting qualified employees (Bulto & Markos, 2017). Employee motivation is one of the factors hypothesized to influence employee performance and therefore need to work on enhancing the motivation levels. To achieve this, the firms need to invest in effective performance appraisal systems (Kinicki & Fugate, 2012). The key to ensuring exemplary performance from employees lies in the ability to provide a conducive working environment. This environment generally includes fair treatment, good reward systems, effective communication and collaborative support. Maley (2013) underscores that these are the real qualities created by an effective performance appraisal system.

Several local research on the impact of a performance evaluation on employee motivation have been conducted. In the Slum-based Nairobi based Non-Governmental Organization, Chaponda (2014) did a case study on the performance appraisal effect on employee

motivation. According to the findings of the study, performance appraisal is important in employee motivation and has led to improved job performance since it singles out problems in performance appraisal and ways of enhancing employee productivity and motivation. Kisang and Kirai (2016) did a study on effects of performance appraisal on employee motivation in commercial banks. They found that the objectivity of the performance appraisal and feedback positively influence employee motivation. According to a descriptive study done by Kamiti (2014) on the effect of performance appraisal on civil servants at Directorate of Tourism, performance appraisal is a vital element that contributes to the employees' motivation.

While some researchers argue that performance appraisal have positive effects on employee motivation and performance of any organization (Chaponda, 2014; Jabeen, 2011; Saeed & Shah, 2016; Singh & Rana, 2017) other scholars refute this positive relationship and argue that performance appraisal is associated with deteriorating employee motivation (Malik & Aslam, 2013; Bulto & Markos, 2017). However, none of these studies have focused on fintechs in Kenya. Performance appraisal by fintechs is a complex activity mainly because fintechs are a relatively new concept. Most of these fintech companies are also multinationals and therefore differences in environmental factors may contribute to these complexities. This study therefore sought to investigate how performance appraisal systems among fintechs in Kenya influence employee motivation.

### **1.3 Broad Objective**

The general objective of this study was to determine the effect of appraisal systems on employee motivation among fintech companies in Kenya.

The specific objectives of this study were to:

- i. Determine the effect of performance appraisal methods on employee motivation among fintech companies in Kenya.
- ii. Analyze the effect of appraiser-appraisee relationship on employee motivation among fintech companies in Kenya.
- iii. Establish the effect of perceived appraisal fairness on employee motivation among fintech companies in Kenya.

- iv. To assess the effect of perceived quality of appraisal feedback on employee motivation among fintech companies in Kenya

#### **1.4 Research Questions**

The research addressed the following study questions:

- i. What is the effect of performance appraisal methods on employee motivation among fintech companies in Kenya?
- ii. What is the effect of appraiser-appraisee relationship on employee motivation among fintech companies in Kenya?
- iii. What is the effect of perceived appraisal fairness on employee motivation among fintech companies in Kenya?
- iv. What is the effect of perceived quality of appraisal feedback on employee motivation among fintech companies in Kenya?

#### **1.5 Scope of the Study**

This research focused on how performance appraisal systems influence the employee motivation among fintech companies in Kenya. This study was limited to the performance appraisal methods used, appraisal-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback. In this study employee motivation was operationalized in terms of intention to stay, staff satisfaction and productivity. The study was limited in scope to cover the 38 fintech companies registered with CBK. The target respondents were the managers of these companies and who are based in Kenya.

#### **1.6 Significance of the Study**

The research is significant to industry practitioners and policy makers concerning the impacts of appraisal systems on employee motivation and overall firm productivity, which will assist in adjustment along with decision making. Evolution of new strategies as well as evaluating the recent policies will be achievable and this will aid in achieving the desired levels of employee motivation which will lead to overall firm productivity.

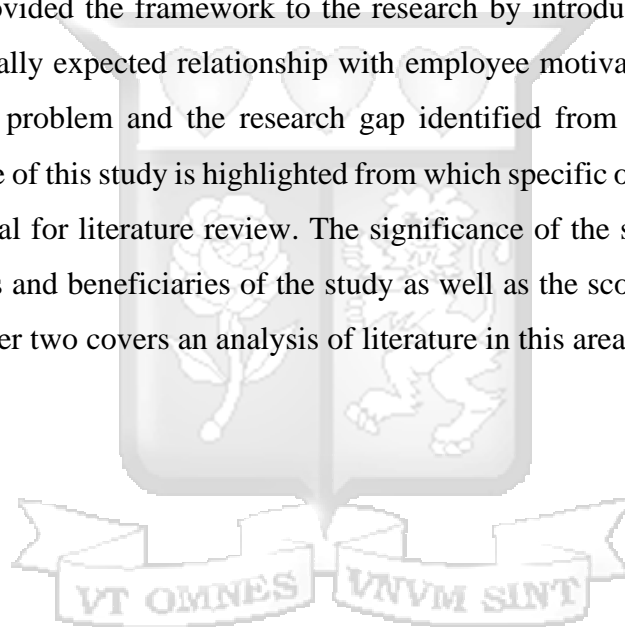
The results from the research can be utilized by other students, researchers and scholars for reference purposes regarding performance appraisal system and employee motivation in the fintech sector. The findings may also be applied by scholars along with researchers

to explore more study areas concerning the associated topics discussing similar issue by performing an evaluation of the existing literature so as to recognize the research gaps.

For management practice, the research is supposed to promote the comprehension on how appraisal systems can lead to employee motivation. Managers will be aided by the results from this research to concentrate on crucial appraisal elements for employee motivation inside their firms therefore enhancing the productivity of their enterprises. By identifying that appraisal systems participates towards employee motivation, managers will require to pay more attention on these systems if they are to promote employee motivation.

### **1.7 Chapter Summary**

This chapter provided the framework to the research by introducing appraisal systems and its theoretically expected relationship with employee motivation. The study gave a snapshot of the problem and the research gap identified from literature review. The general objective of this study is highlighted from which specific objectives are conveyed and this is critical for literature review. The significance of the study also highlighting key stakeholders and beneficiaries of the study as well as the scope of the research was indicated. Chapter two covers an analysis of literature in this area.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter deliberates over analysis of applicable literature. It features both theoretical and empirical literature. Theoretical literature explores how appraisal systems and employee motivation are related. Likewise, empirical literature shows the findings about empirical studies on appraisal systems beside employee motivation. The chapter concludes with an outline of knowledge gaps and forming a concept of research variables.

#### **2.2 Theoretical Foundation**

This research is anchored on two theories: equity and justice theory. Equity theory is significant in the literature on performance management and can be used in many sectors and cultures and in this study, it will illuminate in relation to perceived appraisal fairness and motivation among fintech companies in Kenya. Justice theory informed this study in a performance appraisal context, mainly because employees are expected to have a fair and just perception of performance appraisal if the appraisal is consistent with the norms, fair appraisal processes and procedures and receive high quality interpersonal treatment.

##### **2.2.1 Equity Theory**

This theory proposes that employees are motivated by how they perceive to be treated in decisions concerning promotion and compensation (Hannagan, 2002). Employees become demotivated when they believe they are being treated unfairly (Hyde, 2005). According to Hyde, (2005) the principle behind equity theory is that employees contrast their contribution and output balance with that of another person or organization and rework their performance to reflect that inequity that leads to greater idleness, absenteeism, quality reduction and lower productivity among others. Employees are likely to be more motivated if they perceive that their performance is suitably rewarded, hence enhancing their output.

Martin (2013) and Grant and Shin (2011) exerted that one of the important issues about equity theory relates to how the organization and employees deal with disparities that arise from different types of comparisons. For instance, when salary differences are high,

high performers making self-comparisons distinguish high justice or equity, but standard and low performers making general comparisons may perceive low equity' (Grant & Shin, 2011). Colella, Paetzold, Zardkoohi, and Wesson (2007) argue that one solution to solve such a difficulty may recline in implementing a salary privacy policy. Apparent fairness is considered important when analyzing pay and its relation to retention (Taylor, 2002; Allen et al., 2010). CIPD (2010) opine that "people who believe they are treated unjustly or perceive allocation of rewards being illogical will probably depart".

A positive perception of employees about the compensation they get can affect the organization positively or negatively (Kamau 2012). When their results reconcile with other similar norms, employees view the appraisal as fair (Daft, 2003) Equity theory is linked to appraisal system as it explains how employees expect fairness when it comes to appraisal. Equity theory brings the initiative that employees gauge their inputs and outcomes in comparison with inputs and outcomes of others forming perceptions of equality (Armstrong, 2012; Liccione, 2007; Shore & Strauss, 2012). Hannagan (2002) suggests that equity theory is significant in the literature on performance management and can be used in many sectors and cultures and in this study, it provided guidance regarding how fintech companies in Kenya perceived the fairness and motivation of their appraisal processes. If employees were appraised the same, it would assist the personnel understand that the organization is just, watchful, and grateful and thus stay longer in the organization.

### **2.2.2 Justice Theory**

This theory was pioneered by Rawls (1971). According to the justice theory, fairness is categorized as distributive, procedural, interactional or informational (Greenberg, 1986). Distributive justice refers to the perception on how the outcomes are fair which depend on how the outcomes are in line with previous norms (Fortin, 2008). The justice theory attributes employees' perceptions of fairness to the organization's high rates of positive employee attitudes, behaviors and commitment (Folger & Konovsky, 1989) whereas employee perceptions of unfairness are related to increased turnover by the employees (Dailey & Kirk, 1996) and unproductive behaviors such as constantly being absent from work and idleness (Skarlicki & Folger, 1997).

Concept of distributive justice claims that employees perceive fairness through a comparison of the perceived work results to the perceived inputs (Dailey & Kirk, 1992). Employees consider an appraisal to be fair if the appraiser's goal is to motivate them and help them improve their performance. Greenberg (1986) identifies two factors that influence employees' perceptions of distributive justice: the first is employees' perception of how fair the appraisal is perceived to be, and the second is employees' perception of fairness in any action taken as a result of the rating, such as a salary increase or promotion.

The concept of equity in appraisal procedures involves equity in the appraisal processes and procedures (Thibaut & Walker 1975; Folger, Knovsky & Cropanzano 1992; Greenberg, 1986). Bies and Shapiro (1986) came up with the concept of interactional fairness. They defined interactional justice as the treatment given to employees when their performance is being appraised. The fairness perceptions of employees' affect their satisfaction and job performance (Colquitt et al. 2001). This theory guided this study in the context of performance appraisal, primarily because employees are expected to have a fair and just perception of performance appraisal if the appraisal is consistent with the norms, fair appraisal processes and procedures, and high-quality interpersonal treatment.

### **2.3 Empirical Literature Review**

This section explores all the appropriate empirical literature concerning the impact of appraisal systems on employee motivation. The elements of appraisal systems covered in this section are performance appraisal methods, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback.

#### **2.3.1 Performance Appraisal Methods and Employee Motivation**

Organizations apply various performance appraisal methods depending on the industries in which they operate in, their needs and job requirements (Asamoah, 2012). Different cultures have different performance appraisal methods. The system of evaluation is informal, subjective, and non-systematic in collectivist civilizations. Each assessment system cannot be used equally to all cultures. The outcomes would be different from the different assessment systems. In Chinese culture, for example, junior workers should respect their seniors' thoughts and viewpoints which call for a formal appraisal method. In addition, different cultures may have varying perceptions of performance appraisal hence respond differently. Murphy et al. (2018) connotes that organizations employ

different approaches of performance appraisal and the kind of evaluation used relies with its intention. These include rating scales, 360-degrees appraisal, management by objectives and 720-degree appraisal among others.

Rating scales provides a well-structured performance appraisal that is consistently used by many organizations. This scale entails a performance rating checklist which the supervisor uses to assess the personnel on a spectrum which spans from poorest to excellent (Woods, 2012). Isaac and Thomson (2013) argue that this scale provides a quantifiable assessment of employees' potential to persistently qualify for the job as well as expectancy and is effortless in inspecting besides aiding in differentiating personnel's capabilities. It can also be utilized in rating output with reference to; time management, meeting deadlines and knowledge of the job relating to important skills acquired via experience, education or on-the-job training. Woods (2012) note that studies have highlighted a number of limitations attributed to this method despite its ease of use. The standardized nature of the scale has failed to put into consideration the aspect of trait relevance. Certain environment conditions should be factored in since a few attributes are more significant in some careers as compared to others (Mwema, & Gachunga, 2014). Woods (2012) adds that these scales may exude some systematic advantage where case relevant indicators of performance are excluded causing failures in achieving results that reflect employees' full value bring about demotivation in the work force.

According to Espinilla, Andrés, Martínez and Martínez (2013) 360-degree evaluation technique is an assessment system where managers implore performance and behavioural data of their employees from workplace sources. They incorporate feedback from all who observe and are affected by the individual's performance from peers, supervisors, subordinates, customers including individual assessment. This appraisal method as evident from existing literature has earned significant prominence in large along with small firms. It is mostly utilized for developmental purposes to give employees opportunities of developing their skills and behaviours (Sahoo & Mishra, 2012).

Management by Objectives (MBO) is a systematic approach which looks in measuring employee work execution by examining the level to which targets are met through setting objectives. In defining the goals and performance measurements for the subordinate, both

the supervisor and subordinate will work together (Idowu, 2017). Performance is described with regard to measurable productivity though goal setting alongside objectives is quite biased entailing a lot of consultation amidst the supervisor and employee. The MBO process begins with formation of clear employee objectives which is followed by an action plan detailing the path to be followed to achieve them. The employee is expected to audit themselves and identify the skills required to achieve those goals (Newman, Thanacoody & Hui, 2012). This system outweighs some of the challenges that occur due to assumptions that employee traits required for a particular job can be efficiently recognized as well as gauged. The guiding concept of MBO is that direct outcomes can be discerned whereas employee attributes and traits may only be guessed or inferred (Sinkeet, 2016).

As organizations evolve and work techniques advance to more complex dimensions, integrated performance appraisal methods are required (Si, 2017). 720- degree performance appraisal cogitated an “all-round” appraisal is one of the integrated appraisal methods where performance of employee is evaluated twice. The employee is evaluated through the 360 degrees appraisal where the performance is assessed, analysed while goals are set. Ensuing a duration of 3 months, their performance is evaluated again where appropriate observation including instruction is given to guarantee that employees achieve the set objectives (Aggarwal & Thakur, 2013).

Sutton and Watson (2013) comment that through all the above methods, performance appraisal methods are motivational tools that have the ability to assist in discovering personnel’s weaknesses as well as strengths. Adequate knowledge and experience of appraisers can motivate the workers significantly to bring in creative and inventive plans that improve the general performance of an organization (Chaponda, 2014). However, the potential of inspiring using performance appraisal solely lies on the way process findings are applied to create positive impact. Idowu (2017) remarks that evaluation findings that regard weaknesses as an improvement chance have helped employees to utilize the observation as reference points for enhancing future performance. This has been found to increase morale and motivate employees in departing from usual conduct to unusual conduct that displays loyalty and commitment.

Available literature reveals that there exist different types of performance appraisal methods. The most common appraisal methods are rating scales, 360-degrees appraisal, management by objectives and 720-degree appraisal. Each of these has been found to have its strengths and weaknesses which have also been elaborated. The appraisal methods are also dependent on the context and therefore a given system can work well in a given context and fail to work in a different context. This study examined the different appraisal methods being used by fintech companies in Kenya and how each influences employee motivation.

### **2.3.2 Appraiser-appraisee relationship and Employee Motivation**

Appraisers are individuals who have extensive knowledge or are familiar with the contents of a job and who observe employees while they perform their assigned duties (Njuguna & Maende, 2017). With the advent of technology and new ways of doing things organizations are cognisant that not only does the worker interact with the supervisor alone but also other members in the organizations. As a result, employee performance reviews have been extended to these members who can contribute valuable aspects of a worker's performance (Wafula, 2015). Gathering statistics on individual performance from multiple sources can produce more accurate results and reduce the possibilities of biasness and increase workers' recognition about fairness in the rating procedure (Chaponda, 2014).

Murphy et al. (2018) comments that any person acquainted with individual personnel performance can conduct the performance appraisal. However, it is the responsibility of the human resource department to coordinate the design alongside implementing the performance appraisal projects (Rao, 2016). Khan (2013) infers that appraiser may include: the immediate supervisor, employee self-appraisal, subordinates, peers, customers and rating committees. Supervisors play a crucial role and are considered as the main appraisers in the evaluation process. They are termed to have the chance to observe and test performance, direct, evaluate while providing constructive feedback that identifies areas of improvement (Khan, 2013). The eminence of interaction between the supervisor and employees may assist to strengthen the perception employees have on the performance appraisal system. This is putting into consideration that the presence of the supervisor during the appraisal process gives him a major character in the process (Naji,

Mansour & Leclerc, 2015). A positive association with the managers increases the chance of accepting the performance appraisal process therefore, supervisors should uphold a tight link with the employees (Khan, 2013).

Idowu (2017) argues that disagreement, which at times lasting longer, may arise among workers with their superiors. Employees may reject the appraisal outcome arguing that on many occasions supervisors are not available to adequately assess their performance. This could be due to geographical distances (in cases where supervisors are located in other regions) or personality differences which as a result may bring about bias undermining the appraisal process (Naji et al., 2015). Idowu (2017) adds that with this negative perception the appraisal objectives are not realized. Employees fail to change their work habits and are not inspired enough to advance in their performance which impedes their development.

Traditionally, society viewed evaluation by subordinates negatively arguing that employees would be fearful of reprisal and thus be dishonest in their appraisal. Rao (2016) opines that this could have been the case then but in today's dynamic environment, assessment of managers by employees is very practical and necessary. The reasoning is that workers are in a unique position to observe their supervisor's management efficiency and provide valuable information that would otherwise be unavailable through other means (Khan, 2013). This form of evaluation in other words called "upward feedback" helps in assessing certain aspects of the supervisor's management style, interpersonal skills, communication skills and the ability to allocate resources fairly (Agyare et al., 2016). It allows supervisors to be conscious of what the work groups' need and help to know what the subordinates expect from them. However, it is critical to maintain confidentiality throughout the process because employees are unlikely to provide honest feedback if there appears to be a breach of confidentiality (Tao, 2016). Despite the fact that subordinate appraisals raise chances of biasness along with other drawbacks, they provide meaningful information about the supervisor's capabilities and employees feel motivated when valuable information (about the supervisor's capabilities) provided in their assessments are addressed and actioned by management (Chaponda, 2014).

Peer assessment or appraisal is quite popular in the today's business world. It is a process used in various businesses to assess the performance of employees (Munguti & Kanyanjua, 2017). According to Rao (2016) peers are better placed to evaluate performance as they have been working closely with the staff and maybe they have an honest point of view of an ordinary work performance which the supervisor may not have. Known facts could include interpersonal effectiveness, contribution to work group projects, dependability and creativity, and even having excellent communication skills among others (Murphy et al., 2018).

Peer appraisals may have a positive impact on open communication, motivation and group viability. Rao (2016) adds that employees on realizing that their co-workers are scheduled to assess their work, they express more commitment and efficiency. There are several problems brought about by this form of appraisal. Some members of the team may be reluctant to criticize one another. If an employee has had a disagreement with another, they may be evaluated negatively, resulting in an unfair evaluation (Murphy et al., 2018). Khan (2013) in his observations reports that co-workers who are anti-social and are not well informed may come up with inaccurate appraisal. In her study, Chaponda (2014) perceives that teamwork assessment can result to the entire appraisal procedure being subjective due to personality differences. She argues that these conflicts can spill over and cause friction during evaluations affecting work relationships and employee motivation in the workplace. Rao (2016) reasons that these problems can be alleviated if cooperation is made a criterion for peer evaluation.

Sinkeet (2016) in her research found out that peer assessments concentrated on developing a positive forthcoming plan for the employees as opposed to a critical review of past performance. The evasion of addressing the weaknesses of these employees by safeguarding the professional independence of the person being appraised and concentrating on improvement of practice could be detrimental to the whole process of evaluation. However, DeNisi and Pritchard (2016) contend that the test of whether the appraisal system is functional is established by the person's attempt in interpreting and relating it to development in the future.

From this review, it can be concluded that when the appraisal-appraisee relationship is effective, it causes an increase in the motivation of employees. There is however, controversy; while one school of thought asserts that appraisal-appraisee relationship increases employee motivation others assert that performance appraisal system is not a determiner of employee motivation. As a result, more empirical research was needed to determine the influence of the performance appraisal system on employee motivation. Khan (2013), Rao (2016) and Murphy *et al.* (2018) studied process of performance appraisal system without linking to employee motivation. Khan (2013) and Idowu (2017) argued that performance appraisal system revolves around the employee's way of doing work. However, the studies did not elaborate the key items assessed during performance appraisal system and how they influence employee motivation. This study narrowed down to methods of employee appraisal, adequacy and quality of the entire process.

### **2.3.3 Perceived Appraisal Fairness and Employee Motivation**

The perception of fairness in performance appraisal (PA) is one of the most important factors when reviewing the effectiveness of an appraisal system (Jacobs, Kafry, & Zedeck, 1980). According to Elicker, Levy, and Hall, (2006) performance appraisal systems are regarded as critical functions because they assist in making key decisions regarding employees' pay, promotions, and training needs. For these reasons the appraisal process has a significant impact on employees' future careers. As a result, the fairness of the appraisal system piques the interest of employees. Employees become demotivated and their loyalty suffers when they perceive unfairness in the appraisal process. The relationship between the manager and the employee deteriorates, resulting in poor performance by the employee.

Perceptions of fairness can be classified into three: interpersonal, procedural, and outcome fairness. Interpersonal fairness is defined as how employees are treated during the appraisal processes and procedures. The treatment is considered fair when it follows the laid down procedures. The employees also look out for truthfulness and respect during these procedures (Erdogan, 2002). Procedural fairness is a fair approach for assessing an employee's performance. Outcome fairness is the fair outcome received as a result of the appraisals conducted on employees (Gilligan & Langdon, 1998), regardless of whether the decision was positive, negative or neutral. Organizations must therefore consider all

three categories of appraisal fairness when implementing a fair appraisal system. The negative consequences for employees, such as low commitments, high absenteeism rates, inactivity and the general poor performance of the organisation, must be recognized by organizations (Wright, 2004)

To be fair, an appraisal system must be accurate and reliable in conducting employee evaluations; otherwise, employees will perceive the system as unfair, ultimately affecting their productivity (Karimi et al, 2011). According to Erdogan, (2002), a fair appraisal system may boost the commitment of employees which leads to an increase in productivity. Raters must be precise when conducting employee appraisals because they can positively or negatively influence employees' attitudes toward the appraisal process and, as a result, their job performance. Many scholars agree that perceived fairness of the appraisal system is an important aspect of the appraisal process and should thus be taken seriously (Wood and Marshall, 2008; and Selvarajan and Cloninger, 2009). In this regard, previous studies have suggested that when employees perceive the appraisal system to be fair, their loyalty and satisfaction increases thereby increasing their performance (Roberson & Stewart, 2006). According to Levy and Williams (2004) it is crucial for organizations to assess employees' perceptions of equity, as this affects the entire appraisal process. Other researchers contend that analyzing employees' perceptions of fairness helps to avoid negative behaviors and employee turnover while increasing positive effort, which leads to positive organizational outcomes (Selvarajan & Cloninger, 2009).

Other schools of thought however contends that employees often perceive the appraisal process as unfair which tarnishes the employee-manager relationship, affects the employee's loyalty and have negative consequences on their performance. According to Erdogan, (2002) employees often perceive the appraisal procedures to be unfair due to the inconsistencies that occur in applying these procedures. The employees also view the system to be bias resulting to a negative effect on their performance. Wright (2004) states that employees are frequently dissatisfied with decisions made following a performance evaluation because they are inconsistent with the outcomes of the performance appraisal. Wright goes on to state that employees who perceive the performance appraisal as unfair

may suffer serious consequences, including lower morale and productivity, higher absenteeism and tardiness rates, and decreased employee motivation.

Controversy therefore exists on the influence of perceived appraisal fairness on employee motivation. While one school of thought contends that employee perceptions of appraisal fairness are critical within organizations because they avoid negative outcomes such as disruptive behaviors while enhancing positive outcomes such as positive citizenship, commitment, and job satisfaction. Other scholars (Karimi et al, 2011; Erdogan, 2002) contend that individuals frequently perceive the appraisal process as unfair, which taints the employee-manager relationship, undermines employee loyalty, and has a negative impact on performance. In addition, the studies by Elicker, et al. (2006) and Erdogan (2002) were not anchored by fairness aspects during appraisal process related theories like the equity theory and justice theory employed in this study. As a result, further empirical research into the impact of perceived appraisal fairness on employee motivation was required.

#### **2.3.4 Perceived Quality of Appraisal Feedback and Employee Motivation**

Quality of appraisal feedback helps improve the motivation of employees as they can know specific areas of improvement. It also increases employee engagement, job satisfaction and performance (Aguinis, 2009). Quality of appraisal feedback is also important as it helps in directing employee behavior. It should be given with a positive attitude as it can affect their productivity. In giving appraisal feedback, it is necessary to have direct communication between the appraiser and the appraisee. In the most ideal situation, the individual should receive feedback on their performance and the areas they need to improve on.

Thurston (2011) holds that the quality of appraisal feedback will become a success if the employees are satisfied with the feedback they receive about their performance. This then makes quality of appraisal feedback a critical component of an effective appraisal system. Quality of appraisal feedback can either be positive or negative. Previous studies have revealed that whereas positive feedback is easily accepted by employees, they are normally reluctant to accept negative feedback (Rao, 2014). On the other hand, Roberson and Stewart (2016) suggest that the negative feedback should be delivered in an effective

manner which encourages employees to act on it and eliminate the negative aspects of their performance.

According to Taylor, Fisher and Ilgen (2014), feedback on appraisals is critical for all parties involved in the appraisal process and a lack of quality feedback will normally lead to anxiety, inaccurate evaluations, and a diversion of effort toward feedback gathering activities. The reactions employees have on the appraisal feedback given an indication of the acceptance and the level of satisfaction of the whole appraisal process (Zachary & Dacha, 2010). The results of this are that satisfied employees will be motivated to increase their performance. Brown and Heywood (2015) also state that quality appraisal feedback may signal employees how well they are valued which increases their engagement with the organization thereby increasing their performance. Prior research has found that a positive perception of quality of appraisal feedback has the potential to enhance employee engagement, motivation, and job satisfaction (Aguinis et al., 2011). Feedback has been found to be a vital issue for the success of multinational companies and is critical for firms to develop their diverse workforce as well as provide them with a sense of direction (Sully De Luque & Sommer 2017).

A different school of thought however contends that appraisal systems feedback does not attract much attention and is often conducted in theory. Different local research also supports this idea i.e., findings from (Teketel's, 2013) revealed that most appraisal systems do not deliver quality feedback to the employees to help them improve their work. Research also shows that quality feedback from the appraisal process is usually not common. A study carried out by Asamoah (2012) also indicated that employees were not given enough feedback about their work performance and perceived the system to be biased, which resulted to a negative impact on their performance. Past literature indicates that employees from international companies are not given the chance to discuss matters concerning their careers, feeling as well as their strengths, weaknesses and their achievement of individual goals (Milliman, Nathan & Mohrman, 2011). Frequent feedback is normally perceived to be accurate, precise and timely (Milliman, et al. 2010). Where a supervisor and the subordinate are working miles away, frequent feedback is key because it enables the two to keep in touch throughout (Sully De Luque & Sommer, 2017).

Controversy therefore exists on the influence of performance appraisal feedback quality on employee motivation. While one school of thought argues that performance appraisal feedback is essential to the success of firms and is seen as one of the important ways in which a firm can fully tap and develop the talent of their diverse employees, another argues that employees of fintech companies were not given enough feedback concerning their work performance and viewed the system to be bias and this resulted to a negative effect on their motivation. Thurston (2011), Rao (2014) and Roberson and Stewart (2016) emphasised on the quality of appraisal feedback. However, the studies did not outline the process of employee appraisal system as guided by employee competency, fairness and employee perception of the entire appraisal process. In addition, the studies were limited in terms of strong anchorage in theoretical foundations contrasting this study that employed the equity theory and justice theory to explain the motive of employee appraisal and its impact on employee motivation. There was therefore a need to conduct further empirical analysis of the influence of performance appraisal feedback quality on employee motivation.

#### **2.4 Summary of Knowledge Gaps**

There are mixed empirical findings on the relationship between performance appraisal systems and employee motivation. Available literature reveals that there exist different types of performance appraisal methods. The most common appraisal methods are rating scales, 360-degrees appraisal, management by objectives and 720-degree appraisal. Each of these has been found to have its strengths and weaknesses which have also been elaborated. The appraisal methods are also dependent on the context and therefore a given system can work well in a given context and fail to work in a different context. The current study examined the different appraisal methods being used by fintech companies in Kenya and how each influences employee motivation. While some researchers argue that performance appraisal have positive effects on employee motivation and performance of any organization (Chaponda, 2014; Jabeen, 2011; Saeed & Shah, 2016; Singh & Rana, 2017) other scholars refute this positive relationship and argue that performance appraisal is associated with deteriorating employee motivation (Malik & Aslam, 2013; Bulto & Markos, 2017). However, none of these studies have focused on fintechs in Kenya. Performance appraisal by fintechs is a complex activity mainly

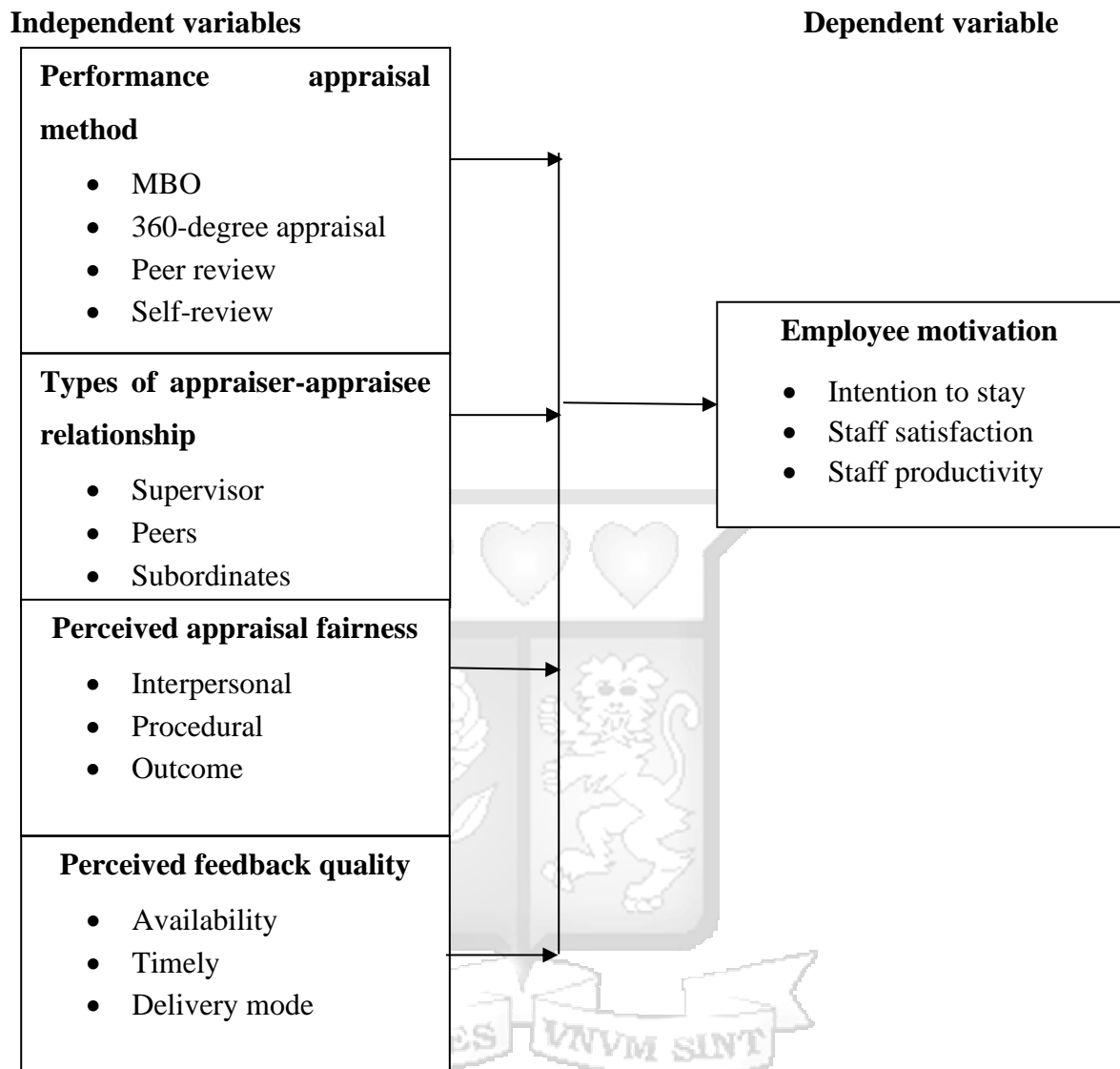
because fintechs are a relatively new concept. Most of these fintech companies are also multinationals and therefore differences in environmental factors may contribute to these complexities. The current study therefore sought to investigate how performance appraisal systems among fintechs in Kenya influence employee motivation.

There have been studies done in Kenya, for example Chaponda (2014) did research to find out how employee motivation was affected by performance appraisals done in nongovernmental organizations operating in the slum areas. Even though this research contributed knowledge on performance appraisal systems on staff inspiration, some key aspects in appraisal process aspects such as appraisal-appraisee relationship was also considered in this study. Kisang and Kirai (2016) undertook a survey in the commercial banks on how performance appraisal affects worker motivation. They observed that performance appraisal objectives along with feedback have positive impact on employee motivation. There exist operational differences between commercial banks and fintech companies that relate to the extent of the usage of technology and employees in their daily operations. Most fintech companies are largely tech-supported with limited human intervention while commercial banks employ more of human intervention with certain degree of technological aid. Thus, the findings of this study might not hold among fintechs and hence the need for a study in this context.

## **2.5 Conceptual Framework**

The review of literature suggests that the motivation of employees is influenced by performance appraisal methods, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback. This study therefore conceptualizes if the appraisal systems are employed, then they will affect the motivation of employees. The conceptual diagram in Figure 2.1 captures this conceptualization.

**Figure 2.1: Conceptual Framework**



**Source: Researcher (2022)**

### **2.6 Operationalization of Study Variables**

This section elaborates the way research variables were operated on. The dependent variable was employee motivation. The independent variables were; performance appraisal methods, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback as indicated in Table 2.2.

**Table 2.1: Operationalization of Study Variables**

Variable	Nature of Variable	Operational indicators	Measurement scale-	Source
Employee motivation	Dependent Variable	Intention to stay Staff satisfaction Productivity	A Likert scale of five was used with the following variables; 1 – Very small Extent, 2 - Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent	Robbins and Judge (2014) Stanley (2015) (Certo, 2016)
Performance appraisal methods	Independent Variables	Rating scales 360-degree appraisal MBO	A Likert scale of five was used with the following variables; 1 – Very small Extent, 2 – Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent	Murphy et al. (2018) Isaac and Thomson (2013) Espinilla et al. (2013)
Appraiser-appraisee relationship	Independent Variables	Supervisor Peers Subordinates	A Likert scale of five was used with the following variables; 1 – Very small Extent, 2 – Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent	Idowu (2017) Rao (2016) Khan (2013)
Perceived appraisal fairness	Independent Variables	Interpersonal Procedural Outcome	A Likert scale of five was used with the following variables; 1 – Very small Extent, 2 – Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent	Levy and Williams (2004) Wright (2004) Erdogan (2002)
Perceived quality feedback	Independent variable	Availability Timely Delivery mode	A Likert scale of five was used with the following variables; 1 – Very small Extent, 2 – Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent	Chaponda (2014) Khan (2013) Sinkeet (2016)

## 2.7 Chapter Summary

This chapter displays a theoretical as well as empirical review of the topic, which is, appraisal systems and employee motivation. It provides an essay about the contents' major notion as well as highlights the kind of correlation existing among the two variables. Study gaps have also been addressed. This is followed by a conceptual framework that unveils how the association amidst appraisal systems along with employee motivation variables are correlated.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

In this chapter the research methodology which was embraced for this research is described. It involves: sampling frame besides the sample; the research design; as well as the target population. Additionally, it indicates; data collection procedures, data processing and analysis, the data collection instruments and ethical considerations.

#### **3.2 Research Philosophy**

Among the various research approaches that exist; two extreme research philosophies may be distinguished which are namely a phenomenological and a positivistic paradigm (Kothari, 2004). A phenomenological research paradigm or mindset is concerned with understanding human behaviour from the researcher's own frame of reference. Researchers using this paradigm essentially focus on the meaning that individuals attach to actual experiences related to a concept or a phenomenon rather than on measuring it (Cooper & Schindler, 2013). This further implies that, phenomenologists have to interact personally with the objects (or units of analysis) being investigated. According to this approach the opinions of experts are sought rather than drawing samples from a population (Khan, 2008).

This study adopted the positivism research philosophy. This implies that the study assumed an unambiguous and accurate knowledge. Contrary to the philosophical method of interpretivism where the researcher is subjective, positivism seeks an independent, unconditional and objective viewpoint. Positivism research findings are measurable and observable truths that can be quantified statistically.

#### **3.3 Research Design**

Cooper and Schindler (2014) describe a research design as a blueprint or framework for obtaining, measuring along with data analysis, a plan or procedural review which mobilizes a scholar to get answers to survey questions. Zikmund (2013) alternatively expound a research design as a logical and systematic plan formulated to oversee a

research study, it prescribes the research goals, the methods and techniques to be utilized in order to attain the goals.

This study utilized a descriptive research design. A descriptive research concentrates on discovering what, where in addition to how of a phenomenon (Cooper & Schindler, 2014). Descriptive research design is appropriate in determining the impact of appraisal systems on employee motivation among fintech companies in Kenya. Descriptive research design was also utilized in determining the effect and interrelationship between the selected research variables.

### **3.4 Target Population**

Population refers to an aggregate of subjects sharing common or similar characteristics (Cooper & Schindler, 2014). In respect of this study, the 38 fintech companies in Kenya that have been registered by CBK as at 31<sup>st</sup> December 2020 formed the study population. Because the population was comparatively small, a census survey was employed and thus all the 38 fintech companies were studied. The unit of observation was three senior managers in each firm giving a total of 114 respondents as they were expected to have a better understanding on how appraisal systems influence employee motivation. Moreover, the managers were individuals with roles that cut across all organizations since they would have relevant information concerning this study.

### **3.5 Data Collection Technique**

The procedure of collecting relevant data of the variables of interest in a defined and systematic manner which allow the researcher to address the research question as well as test hypothesis is what is referred to as data collection (Khan, 2015). The type of data to be collected normally dictates the research instrument to be used. In this case, primary data was collected using a questionnaire. The justification for using questionnaire involves being an easy way of acquiring information in a limited time period as well as it is cost effective. The questions were designed to be closed ended with one open ended question. Closed-ended questions are questions which are only answerable on choosing from a limited number of choices (Cooper & Schindler, 2014). On using the closed-ended questions the scholar was in a position to get particular responses.

The questionnaire was divided into six sections, namely demographic information, performance appraisal methods, appraiser-appraisee relationship, perceived appraisal fairness, perceived quality of appraisal feedback and employee motivation. The researcher issued the questionnaire to selected respondents through Google forms. The link was sent to the respondents through email and short message services. The respondents were given two weeks to respond to the questionnaire. The use of Google forms was preferred as it provides a convenient method of reaching respondents during this covid-19 period and has been used before by previous researchers.

### 3.6 Data Analysis

The information gathered from the field was processed manually and the processing stage involved editing, classification and coding. For objective two to four, both descriptive and inferential statistics were carried out. Inferential statistics were used to establish variations and associations between the variables. More specifically, correlation as well as multiple linear regression analyses was applied to establish the link, association, and relationship. The analysis aimed at establishing how appraisal systems influence employee motivation. The statistical software, Statistical Package for Social Sciences (SPSS) version 25, was used for this research's analyses. The overall structure for employee motivation in relation to performance appraisal methods, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback was shown by the equation below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

Y = Employee motivation,

$\alpha$  - Is the regression constant or intercept,

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$ – Are regression coefficients or change induced in Y by each  $X_1, X_2, X_3$  and  $X_4$  that are predictor variables,

$X_1$  – Performance appraisal methods,

$X_2$  – Appraiser-appraisee relationship,

$X_3$  – Perceived appraisal fairness,

$X_4$  – Perceived quality of appraisal feedback

$\epsilon$  (Extraneous) - Error term that accounts for the variability in Y which cannot be expounded by the linear impact of the predictor variables.

### 3.7 Diagnostic Tests

When carrying out statistical *modus operandi* using correlations, regression, t-tests and analysis of variance, they are based on the presupposition that the data follows a normal distribution. These analyses have statistical errors and need to be checked. This study tested for normality, multicollinearity and heteroskedasticity to test for these statistical errors. This was to determine if the data set was well modeled. Normality was tested by use of Shapiro-wilk's test. Multicollinearity was tested by variance inflation factors and tolerance. Heteroskedasticity was tested by Levene's test. The outcomes of these statistical tests are showed in this section.

#### 3.7.1 Tests of Normality

To check for normality, the Shapiro-Wilk test was used. This test determines the degree of data normalcy by detecting the presence of skewness, kurtosis, or both. The Shapiro-Wilk statistic ranges from 0 to 1, with values greater than 0.05 suggesting normal data (Hanusz, *et al.*, 2016). If it is less than 0.05, the data deviates significantly from the normal distribution. The Shapiro-Wilk test was used to confirm data normality, and the findings showed that all variables had a p-value greater than 0.05 ( $p > 0.05$ ). The term "normality" refers to the assumption that the mean's sampling distribution is normal. Because all of the p-values are greater than the cutoff limit of 0.05, the hypothesis that the data was taken from a normally distributed population is confirmed. Table 3.2 displays the results of the normality test.

**Table 3.1 Test of Normality**

Study variables	Statistic	Shapiro-Wilk	
		Df	Sig.
Perceived appraisal fairness	.918	62	.822
Perceived quality of appraisal feedback	.912	62	.818
Appraiser-appraisee relationship	.892	62	.784
Performance appraisal methods	.881	62	.723
Employee motivation	.874	62	.812

### 3.7.2 Tests of Multicollinearity

Multicollinearity occurs when there is a high degree of correlation between independent variables. Multicollinearity is tested using variance inflation factor (VIF). The VIF measures the factor by which the variance of estimated coefficient is inflated over the case of no correlation among the independent variables. If no two independent variables are correlated, then all the VIF's will be 1 (Shrestha, 2020). VIF of 5 indicate there is multicollinearity and 10 show serious multicollinearity. The results show the variance inflation factor (VIF) which was used to test for multicollinearity for this study. Tolerance measures the influence of one independent variable on all other independent variables, and is an inverse of VIF. All variables had a VIF of between 1.02 and 1.30 while tolerance values were between 0.771 and 0.978. This was an indicator that there was no multicollinearity among the independent variables. The test results are shown in Table 3.2

**Table 3.2: Test of Multicollinearity**

<b>Variable</b>	<b>VIF</b>	<b>Tolerance</b>
Performance appraisal methods	1.30	0.771
Appraiser-appraisee relationship	1.27	0.785
Perceived quality of appraisal feedback	1.25	0.800
Perceived appraisal fairness	1.02	0.978
Mean VIF	1.21	

*Source: Primary Data (2022)*

### 3.7.3 Tests of Heteroscedasticity

When the variance of the errors of the dependent variable is not the same across the data, heteroscedasticity arises. It arises when the variance of mistakes varies depending on the independent variables' values. Heteroscedasticity is a systematic shift in the spread of the residuals over the range of measured values in regression analysis. The assumption in ordinary least squares regression is that residuals are drawn from a population with a constant variance. When heteroscedasticity is high in this regression, it can cause substantial distortions in the results and weaken the analysis, raising the risk of a type 1 mistake. Levene's test was used to determine homogeneity in this research. This test determines if the variation between the independent and dependent variables is the same. If the Levene's Test for Equality of Variances is statistically significant  $\alpha= 0.05$ , the variances between groups are uneven. It is a test to see if the dispersion of the scores in

the variables is roughly the same. The P-values of Levene’s test for homogeneity of variances were greater than 0.05, as shown in Table 3.4. As a result, the test was not significant at 0.05, indicating homogeneity.

**Table 3.3: Test of Heteroscedasticity**

	<b>Levene Statistic</b>	<b>df1</b>	<b>df2</b>	<b>Sig.</b>
Perceived appraisal fairness	2.344	2	53	0.106
Performance appraisal methods	0.939	2	53	0.397
Perceived quality of appraisal feedback	0.899	2	53	0.386
Appraiser-appraisee relationship	0.03	2	53	0.97
Employee motivation	0.87	2	53	0.425

*Source: Primary Data (2022)*

### **3.8 Research Data Quality**

During the study the most crucial quality control objects are validity alongside reliability. The following are the details of validity besides reliability in study including their application in the research.

#### **3.8.1 Reliability**

Test of reliability is undertaken to scrutinize the internal uniformity of data measurement instrument. This study subjected the research instrument to reliability test. The extent to which findings are error-free or degree at which a study instrument produces steady outcomes is referred to as reliability (Cooper & Schindler, 2014). The Cronbach alpha was applied in checking the reliability of the survey instrument. Cronbach’s Alpha is vital to a scholar because the scholar is in a position to detect the reliability and consistency of instrument’s results despite substituting the questions with similarly ones. Stability of a variable is shown by getting much the same responses from a similar bunch of questions. ‘Alpha’ also known as true score has values that range from 0 to 1. It can also be utilized to demonstrate reliability on questions with two possible responses (dichotomous questions) and questionnaires with rating scales. A high score implies high reliability, while the value of 0.7 has been acknowledged as an ample coefficient of reliability or value of Alpha (Khan, 2015). The results are as shown in Table 3.4.

**Table 3.4 Reliability Results**

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Critical Value</b>	<b>Conclusion</b>
Employee motivation	0.883	0.7	Reliable
Perceived appraisal fairness	0.826	0.7	Reliable
Perceived quality of appraisal feedback	0.813	0.7	Reliable
Appraiser-appraisee relationship	0.776	0.7	Reliable
Performance appraisal methods	0.763	0.7	Reliable

*Source: Primary Data (2022)*

### **3.8.2 Validity**

The research study adopted content validity. Content validity looks at whether the instruments adequately include all the intended subject matters as pertain to the variable. In this research study, the questions that covered the variables in the questionnaire adequately captured the appropriate data required to assess the validity of the study. The study also adopted construct validity which measured the inferences drawn about the research scores related to the variables that were studied.

### **3.9 Ethical Consideration**

Requisite permits, consent, and green light were pursued ahead of information gathering since it is an ethical requirement in research. Authorization to carry out the study research and ethics approval were obtained from the school while a research permit / authorization letter from the NACOSTI was sought because this is the institution in the country mandated to approve and supervise research in Kenya. Finally, approval to do the study in the fintech companies was sought from the management for concurrence and access to staff and offices to conduct study. After determining the validity alongside reliability of the survey-specific data obtaining tool, the researcher disbursed questionnaires, which were self-administered so that respondent could independently answer the questions. Confidentiality and privacy were observed by not having had to identify information on the questionnaire and allow the respondents to fill the questionnaire in privacy as this is an ethical requirement by Strathmore University Ethical Review Committee and NACOSTI.

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND INTERPRETATION

#### 4.1 Introduction

This section presents the results from the study. The sections in this chapter include the general information section encompassing the response rate and demographic information. The chapter also outlines the descriptive and inferential statistics in line with the study objectives.

#### 4.2 Response Rate

The response rate in a study is a proportion of the entire number of received responses divided by the number of target respondents. Depicted in Table 4.1 are the study outcomes.

**Table 4.1: Questionnaires Response Rate**

<b>Questionnaires</b>	<b>Frequency</b>	<b>Percent</b>
Usable and complete questionnaires returned	82	71.9
Unreturned and incomplete questionnaires	32	28.1
<b>Total</b>	<b>114</b>	<b>100</b>

*Source: Primary Data (2022)*

According to the results of Table 4.1, a total of 114 questionnaires were administered to the respondents through Google forms that were sent via email. 82 of them were completely filled and returned. The response rate was 71.9%. Cooper and Schindler (2014) affirmed that, a 50% response is sufficient, 60% is good and a 70% and above response rate is excellent.

#### 4.3 Demographics

The study targeted three managers in each of the 38 fintech companies in Kenya. Respondents were given questionnaires to facilitate collection of primary data. In this sub section, the results on the demographic information regarding the study respondents were analysed and presented.

### 4.3.1 Gender

The target respondents were requested to specify their gender. The results are as shown in Table 4.2

**Table 4.2: Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	44	53.6%
Female	38	46.4%
<b>Total</b>	<b>82</b>	<b>100%</b>

*Source: Primary Data (2022)*

According to the results in Table 4.2, male respondents made up 53.6 percent of the total, while female respondents made up 46.4 percent. This demonstrates fintech companies' commitment to gender diversity, as there was no huge variation in the number of male and female employees among respondents.

### 4.3.2 Marital Status

The results reported in Table 4.3 showed that a majority of those surveyed were single, constituting 51.2%, compared to the 48.8% married. Even though single are the slight majority. Statistically, the marital status distribution is close to 1:1 hence no marital status was disproportionately represented in the study. It also reveals lack of marital status discrimination in employment in the industry.

**Table 4.3: Marital Status**

<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Single	42	51.2%
Married	40	48.8%
<b>Total</b>	<b>82</b>	<b>100%</b>

*Source: Primary Data (2022)*

### 4.3.3 Age

The study sought to establish the age of the respondents involved in this research. Understanding the age of the respondents is important as someone's age can influence their response to the study. The outcomes are depicted in Table 4.4.

**Table 4.4: Age**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
18-25	10	12.2%
26-35	28	34.1%
36-45	24	29.3%
46-60	20	24.4%
<b>Total</b>	<b>82</b>	<b>100%</b>

*Source: Primary Data (2022)*

Table 4.4 displays that the highest respondent number (34.1%) were between the ages of 26 and 35, 29.3 percent were between the ages of 36 and 45, 24.4 percent were between the ages 46 and 60 years, and the smallest percentage (12.2%) were aged between 18 and 25 years. According to the findings, fintech companies in Kenya human resource personnel are relatively young.

#### 4.3.4 Highest Level of Education

The respondents were implored to state their highest education level. Table 4.5 gives an illustration of the results.

**Table 4.5: Highest Level of Education**

<b>Education</b>	<b>Frequency</b>	<b>Percentage</b>
Bachelor's degree	44	53.6%
Postgraduate	38	46.4%
<b>Total</b>	<b>82</b>	<b>100%</b>

*Source: Primary Data (2022)*

Results in Table 4.5 demonstrate that the majority of respondents (53.6 percent) had a bachelor's degree, while 46.4 percent had a postgraduate degree. These results imply that fintech companies seek to recruit employees that are well educated. High education levels are important in an organization as it helps in understanding and solving issues facing an organization.

#### 4.3.5 Position in the Organization

The researcher was also interested in establishing the position of the respondent in the organization. The results are as shown in Table 4.6

**Table 4.6: Position in the Organization**

<b>Position</b>	<b>Frequency</b>	<b>Percentage</b>
Senior level manager	48	58.5%
Middle level manager	34	41.5%
<b>Total</b>	<b>82</b>	<b>100%</b>

*Source: Primary Data (2022)*

Results in Table 4.6 illustrate that 58.5% of the respondents were senior level managers in their organization while 41.5% were middle level managers. This is an indication that the respondents were in a position to respond to questions regarding performance appraisal systems and employee motivation among fintech companies.

#### 4.4 Employee Motivation

This section analyses the attributes of employee motivation including intention to stay, staff satisfaction and productivity. The mean and standard deviation for the specific attributes of employee motivation are as presented in Table 4.7.

**Table 4.7: Descriptive Statistics for Employee Motivation**

Statements	N	Mean	Std. Dev
I intend to stay in this organization as long as possible	82	4.24	0.55
I do not want to leave my current job	82	4.21	0.73
I am not job hunting right now	82	4.03	0.63
<b>Intention to Stay</b>	<b>82</b>	<b>4.16</b>	<b>0.64</b>
I am happy working at this firm	82	4.45	0.50
I am fulfilled at the accomplishment of my career-related goals	82	4.33	0.53
I am accomplished with my job	82	3.55	0.86
<b>Staff satisfaction</b>	<b>82</b>	<b>4.11</b>	<b>0.63</b>
I carry out my job with high level of efficiency	82	4.25	0.75
I put in extra effort at my workplace	82	4.12	0.53
I offer my best and accomplish my goals on any assigned tasks	82	3.98	0.67
<b>Productivity</b>	<b>82</b>	<b>4.12</b>	<b>0.65</b>
<b>Overall mean Score</b>	<b>82</b>	<b>4.13</b>	<b>0.63</b>

*Source: Primary Data (2022)*

The findings revealed that most of the respondents concurred that they are happy working at their firm (Mean=4.45, std. dev=0.5). The findings further revealed that there was agreement by the respondents that they are fulfilled at the accomplishment of their career-related goals (Mean=4.33, std. dev=0.53). The findings also revealed that the respondents carry out their job with high level of efficiency (Mean=4.25, std. dev= 0.75). Respondents further agreed that they intend to stay in their current organization as long as possible (Mean=4.24, std. dev=0.55). Additionally, findings discovered that majority of the respondents agreed that they did not want to leave their current job (Mean= 4.21, std. dev=0.73). The descriptive results also revealed that the respondents put in extra effort at their workplace (Mean=4.12, std. dev=0.53).

The findings, furthermore, showed that most respondents agreed on the statement that they not job hunting right now (Mean=4.03, std. dev=0.63) and that they offer their best and accomplish goals on any assigned tasks (Mean=3.98, std. dev=0.67). Lastly, the findings revealed that most respondents concurred that they feel accomplished with their job (Mean=3.55, std dev=0.86). On average, the results revealed that fintech companies

have motivated employees to a great extent as shown by an average mean of 4.13 and a standard deviation of 0.63.

Based on different dimensions of motivations, majority of respondents agreed to large extent. In regard to the intention of employees to stay in the fintech firm, the respondents' aggregate mean response was 4.16 and standard deviation of 0.64. The staff satisfaction recorded an aggregate mean response of 4.11 and standard deviation 0.63. For productivity dimension, the aggregate mean response was 4.12 and standard deviation 0.65. The aggregate mean responses for intention of employees to stay, staff satisfaction and productivity fall under large extent implying that employee motivation improved after performance appraisal. The overall standard deviation of 0.63 implies that the responses were clustered around the mean and there were no outliers. Moreover, it shows that the managers consider themselves as highly motivated to perform their tasks.

#### **4.5 Performance Appraisal Methods and Employee Motivation**

The first study objective aimed to establish the effect of performance appraisal method on employee motivation among fintech companies in Kenya. The respondents were requested to complete the questionnaire on statement concerning performance appraisal method and employee motivation on a 5-point Likert scale. Both descriptive and inferential statistics are presented in this section.

##### **4.5.1 Descriptive for Performance Appraisal Methods**

The mean and standard deviation for the specific attributes of performance appraisal method are as presented in Table 4.8.

**Table 4.8: Descriptive Statistics for Performance Appraisal Methods**

<b>Statements</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
I put in place my performance objectives	82	4.24	0.64
I establish the measurements for my goals	82	4.16	0.53
My productivity is a representative of my objectives which results to accomplishment of institutional objectives	82	4.08	0.55
<b>Management by Objectives</b>	<b>82</b>	<b>4.16</b>	<b>0.57</b>
My performance appraisal involves self-assessment, appraisal by supervisors, subordinates, co-workers or anyone whom we work together on daily basis	82	4.00	0.66
<b>360 Degrees</b>	<b>82</b>	<b>4.00</b>	<b>0.66</b>
My performance assessment involves appraisal by co-workers	82	4.00	0.55
My co-workers assist with setting my performance objectives alongside goals.	82	3.91	0.67

I assist model a basis on which my performance is appraised by my peers	82	3.82	0.80
<b>Peer Review</b>	<b>82</b>	<b>3.91</b>	<b>0.67</b>
I review my set goals on continuous basis	82	3.96	0.66
I rate my own performance on a number of criteria and suggest improvements	82	3.97	0.58
I set my own performance objectives besides goals	82	3.85	0.78
I help clarify my own performance goals and expose my weakness	82	3.82	0.83
<b>Self-Review</b>	<b>82</b>	<b>3.88</b>	<b>0.73</b>
<b>Overall Mean Score</b>	<b>82</b>	<b>3.98</b>	<b>0.66</b>

*Source: Primary Data (2022)*

According to the results, participants agreed that they put in place their performance objectives (Mean=4.24, std. dev=0.64). The data also revealed that the majority of participants establish the measurements for their goals (Mean=4.16, std. dev=0.53). Similarly, findings showed that respondents agreed on the statement that their productivity is a representative of their objectives which results to accomplishment of institutional objectives (Mean=4.08, std. dev=0.55). The findings also exhibited that a huge proportion of interviewees concurred that performance assessment involves appraisal by co-workers (Mean=4.0, std. dev=0.55).

The majority of participants stated that they rate their own performance on a number of criteria and suggest improvements (Mean=3.97, std. dev=0.58). Similarly, findings showed that respondents agreed on the statement that their co-workers assist with setting their performance objectives alongside goals (Mean=3.91, std. dev=0.67). The findings further shown that there was an agreement from the respondent that they set their own performance objectives besides goals (Mean=3.85, std dev=0.78). Furthermore, findings shown that there was an agreement by respondents that they assist model a basis on which their performance is appraised by my peers (Mean=3.82, std. dev=0.80). Finally, results displayed that the participants concurred that they help clarify their own performance goals and expose their weakness (Mean=3.82, std. dev=0.83). The overall mean was 3.98 implying that an average, fintech companies have adopted the four appraisal methods to a great extent.

Management by objectives attracted mean response of 4.16 and standard deviation of 0.57. For the 360 degrees' dimension, the mean response was 4.00 and standard deviation of 0.66 while for peer review, the mean response was 3.91 and standard deviation of 0.67. For self-review, the mean response was 3.88 and standard deviation of 0.73. based on the

aggregate means, the responses were clustered around large implying that performance appraisal methods impact employee motivation to large extent.

#### 4.5.2 Performance Appraisal Methods and Employee Motivation

This subsection analyses the relationship between performance appraisal method and employee motivation as indicated in Table 4.9.

**Table 4.9: Inferential Statistics for Performance Appraisal Methods and Employee Motivation**

<b>Correlation</b>					
		<b>Employee motivation</b>			
Performance appraisal method	Pearson Correlation	.550**			
	Sig. (2-tailed)	0.000			
<b>Model of Fitness</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
.550 <sup>a</sup>	.303	.296	.665408		
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	19.628	1	19.628	44.331	.000 <sup>b</sup>
Residual	45.162	60	.443		
Total	64.791	61			
<b>Regression Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	1.640	.262		6.268	.000
Performance appraisal method	.496	.075	.550	6.658	.000

*Source: Primary Data (2022)*

Correlations analysis was done to establish the association between performance appraisal method and employee motivation. The findings were as shown in Table 4.9. The correlations findings shown that the relationship amongst performance appraisal method and employee motivation was positive as indicated by the Pearson correlation ( $r=0.550$ ,  $p=0.000$ ). The implication here was that performance appraisal method positively impacted employee motivation among the Fintech companies.

Regression determined the effect of performance appraisal method on employee motivation. The appropriateness of fit as exhibited in Table 4.9 demonstrates that the findings showed that the R square was 0.303 indicating that performance appraisal

method explain 30.3% of the variation in employee motivation and therefore 69.7% is of the variation is explained by other factors not included in this study.

The ANOVA results in Table 4.9 exhibited that the overall model used to assess the relationship between performance appraisal method and employee motivation was significant. This was supported by a significance level of 0.000 that was below 0.05 with confidence level being at 95%.

The regression coefficient results indicated that performance appraisal method positively and significantly relate with employee motivation ( $\beta=0.550$ ,  $p=0.000$ ). This suggested that a unit standard deviation increase in performance appraisal method would result in 0.550 standard deviation increase in employee motivation. The resulting model is as shown

$$Y=1.640+0.550X_1$$

Where; Y is employee motivation and  $X_1$  is performance appraisal method

#### 4.6 Appraiser-Appraisee Relationship and Employee Motivation

The second study objective aimed to establish the effect of appraiser-appraisee relationship on employee motivation among deposit taking Fintech companies, Kenya. The respondents were requested to complete the questionnaire on statement concerning appraiser-appraisee relationship and employee motivation on a 5-point Likert scale. Both descriptive and inferential statistics are presented in this section.

##### 4.6.1 Descriptive for Appraiser-Appraisee Relationship

The mean and standard deviation for the specific attributes of appraiser-appraisee relationship are as presented in Table 4.10.

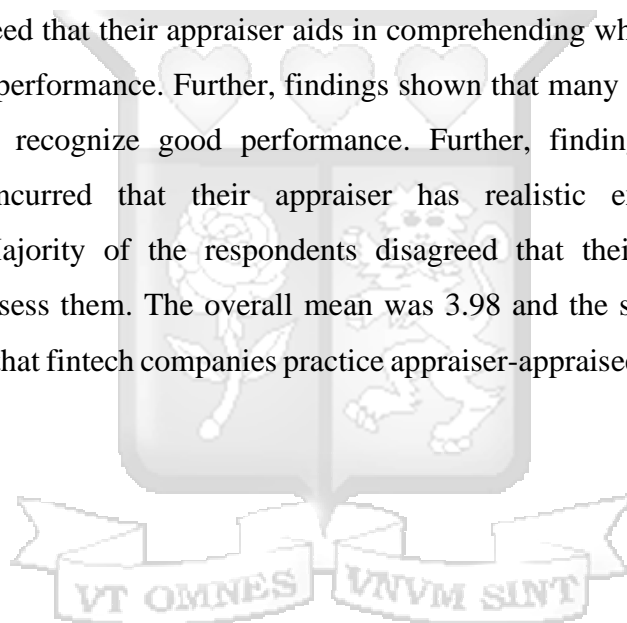
**Table 4.10: Descriptive Statistics for Appraiser-Appraisee Relationship**

Statements	N	Mean	Std. Dev
My subordinates acknowledge my good performance	82	4.42	0.55
My appraiser is highly capable	82	4.33	0.68
Superiors' goals setting is clear	82	4.21	0.69

The appraiser aids in comprehending what I am required in enhancing my performance	82	4.03	0.63
My peers recognize my good performance	82	4.03	0.52
My appraiser has realistic expectations for my performance	82	3.97	0.67
My appraisers are well acquainted to assess me	82	2.86	0.65
<b>Overall Mean Score</b>	<b>82</b>	<b>3.98</b>	<b>0.61</b>

*Source: Primary Data (2022)*

The findings showed that most respondents concurred that their subordinates acknowledge their good performance. The findings also discovered that the appraisers are highly capable. The findings also show that most of the respondents agreed that their superiors' goals setting is clear. Additionally, findings revealed that most of the respondents agreed that their appraiser aids in comprehending what they are required in enhancing their performance. Further, findings shown that many respondents concurred that their peers recognize good performance. Further, findings showed that most respondents concurred that their appraiser has realistic expectations for their performance. Majority of the respondents disagreed that their appraisers are well acquainted to assess them. The overall mean was 3.98 and the standard deviation was 0.61 suggesting that fintech companies practice appraiser-appraisee relationship to a great extent.



#### 4.6.2 Appraiser-Appraisee Relationship and Employee Motivation

This subsection analyses the relationship between appraiser-appraisee relationship and employee motivation as indicated in Table 4.11.

**Table 4.11: Inferential Statistics for Appraiser-Appraisee Relationship and Employee Motivation**

<b>Correlation</b>					
		<b>Employee motivation</b>			
Appraiser-appraisee relationship	Pearson Correlation	.601**			
	Sig. (2-tailed)	0.000			
<b>Model of Fitness</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>		<b>Std. Error of the Estimate</b>	
.601 <sup>a</sup>	.361	.355		.637168	
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	23.381	1	23.381	57.590	.000 <sup>b</sup>
Residual	41.410	60	.406		
Total	64.791	61			
<b>Regression Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	1.549	.371		8.477	.000
Appraiser-appraisee relationship	.811	.107	.601	7.589	.000

Source: Primary Data (2022)

Correlations analysis was done to establish the association between appraiser-appraisee relationship and employee motivation. The correlations findings shown that the relationship between appraiser-appraisee relationship and employee motivation was positive and significant ( $r=0.601$ ,  $p<0.000$ ). The implication of this is that appraiser-appraisee relationship is positively related with organizational performance.

Regression analysis was done to determine the effect of appraiser-appraisee relationship on employee motivation. The model of fitness findings was illustrated in Table 4.11. This showed that the R square was 0.361 signifying that appraiser-appraisee relationship explains 36.1% of the variation in employee motivation.

The ANOVA results in Table 4.11 indicated that the overall model applied to assess the relation between appraiser-appraisee relationship and employee motivation was significant. This was supported by a significance level of 0.000 that was below 0.05 at 95% confidence level.

The regression coefficient results indicated that appraiser-appraisee relationship positively and significantly relate with employee motivation ( $\beta=0.601$ ,  $p=0.000$ ). This suggested that a unit standard deviation increase in appraiser-appraisee relationship would result in 0.601 standard deviation increase in employee motivation. The resulting model is as shown

$$Y=1.549+0.601X_2$$

Where: Y is employee motivation and  $X_2$  is appraiser-appraisee relationship

#### 4.7 Perceived Appraisal Fairness and Employee Motivation

The third study objective aimed to establish the effect of perceived appraisal fairness on employee motivation among fintech companies in Kenya. The respondents were requested to complete the questionnaire on statement concerning perceived appraisal fairness and employee motivation on a 5-point Likert scale. Both descriptive and inferential statistics are presented in this section.

##### 4.7.1 Descriptive Statistics for Perceived Appraisal Fairness

The mean and standard deviation for the specific attributes of perceived appraisal fairness are as presented in Table 4.12.

**Table 4.12: Descriptive Statistics for Perceived Appraisal Fairness**

Statements	N	Mean	Std. Dev
The performance appraisal criterion applied at my performance assessment is clear as well as comprehensible	82	4.24	0.64
The performance appraisal basis is reasonable hence assists me in attaining personal in addition to institutional objectives	82	4.08	0.55
The performance appraisal criterion applied is adjustable since it accustoms the appraisal system to specific events of my job	82	4.00	0.55
At my performance appraisal, there is respect besides truthfulness	82	3.97	0.58
The performance appraisal paradigm utilized takes into consideration my skills, knowledge including potentials appropriate for my performance	82	3.91	0.67
During my performance appraisal the assessors accords me a fair treatment	82	3.85	0.78

The tool for comparison where my performance is assessed is fair, well defined in addition to free from biasness	82	3.82	0.80
Results of my performance appraisal forms the basis of the decisions made after the appraisal process i.e. Increase in pay, promotions etc	82	3.82	0.83
<b>Overall Mean Score</b>	<b>82</b>	<b>3.96</b>	<b>0.66</b>

*Source: Primary Data (2022)*

The findings showed that a large proportion of respondents agreed that their performance appraisal criterion applied at their performance assessment is clear as well as comprehensible. Similarly, findings showed that respondents agreed on the statement that the performance appraisal basis is reasonable hence assists them in attaining personal in addition to institutional objectives. The findings also showed that a large proportion of interviewees agreed that the performance appraisal criterion applied is adjustable since it accustoms the appraisal system to specific events of their job.

The findings further noted that most of the respondents agreed that at their performance appraisal, there is respect besides truthfulness. Similarly, findings showed that respondents agreed on the statement that the performance appraisal paradigm utilized takes into consideration their skills, knowledge including potentials appropriate for their performance. The findings further shown that there was an agreement from the respondent that during their performance appraisal the assessors accords them a fair treatment. Furthermore, findings shown that there was an agreement by respondents that the tool for comparison where their performance is assessed is fair, well defined in addition to free from biasness. Finally, findings showed that the respondents agreed that the results of their performance appraisal form the basis of the decisions made after the appraisal process. The overall mean was 3.96 implying that on average, the appraisal is perceived to be fair to a great extent.

#### 4.7.2 Perceived Appraisal Fairness and Employee Motivation

This subsection analyses the relationship between perceived appraisal fairness and employee motivation as indicated in Table 4.13.

**Table 4.13: Inferential Statistics for Perceived Appraisal Fairness and Employee Motivation**

<b>Correlation</b>					
		<b>Employee motivation</b>			
Perceived appraisal fairness	Pearson Correlation	.715**			
	Sig. (2-tailed)	0.000			
<b>Model of Fitness</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>		<b>Std. Error of the Estimate</b>	
.715 <sup>a</sup>	.512	.507		.556998	
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	33.146	1	33.146	106.836	.000 <sup>b</sup>
Residual	31.645	60	.310		
Total	64.791	61			
<b>Regression Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	1.023	.230		4.455	.000
Perceived appraisal fairness	.649	.063	.715	10.336	.000

*Source: Primary Data (2022)*

Correlations analysis was done to establish the association between perceived appraisal fairness and employee motivation. The findings were as shown in Table 4.13. The correlations findings show that the relationship between perceived appraisal fairness and employee motivation was positive and significant ( $r=0.715$ ,  $p<0.000$ ). The implication of this is that perceived appraisal fairness is positively related with employee motivation.

The variables were regressed to determine the effect of perceived appraisal fairness on employee motivation. The model of fitness findings was presented in Table 4.13. R square was 0.512 indicating that perceived appraisal fairness explains 51.2% of the variation in employee motivation.

The ANOVA results in Table 4.12 indicated that the overall model used to assess the relationship between perceived appraisal fairness and employee motivation was significant. This was supported by a significance level of 0.000 which was less than 0.05 at 95% confidence level.

The regression coefficient results indicated that perceived appraisal fairness positively and significantly relate with employee motivation ( $\beta=0.715$ ,  $p=0.000$ ). This suggested that a unit standard deviation increase in perceived appraisal fairness would cause 0.715 standard deviation increase in employee motivation as shown in the model. The  $t$  computed was 10.336 which was greater than the  $t$  critical of 1.96 further supporting the findings that perceived appraisal fairness is significantly related with employee motivation.

$$Y = 1.023 + 0.715X_3$$

Where:  $Y$  is employee motivation and  $X_3$  is perceived appraisal fairness

#### 4.8 Perceived Quality of Appraisal Feedback and Employee Motivation

The fourth study objective aimed to establish the effect of perceived quality of appraisal feedback on employee motivation among fintech companies in Kenya. The respondents were requested to complete the questionnaire on statement concerning perceived quality of appraisal feedback and employee motivation on a 5-point Likert scale. Both descriptive and inferential statistics are presented in this section.

##### 4.8.1 Descriptive Statistics for Perceived Quality of Appraisal Feedback

The mean and standard deviation for the specific attributes of perceived appraisal fairness are as presented in Table 4.14.

**Table 4.14: Descriptive Statistics for Perceived Quality of Appraisal Feedback**

Statements	N	Mean	Std. Dev
I get unjudgmental response concerning my performance	82	4.09	0.73
With regard to my performance, I obtain reliable feedback	82	4.05	0.74
I obtain objective/impersonal response concerning my performance	82	3.95	0.74
In respect to my performance my feedback is tactful also honest	82	3.80	0.76
I obtain opportune response with respect to my performance	82	3.77	0.79

I get continuous / recurrent feedback concerning my performance	82	3.59	0.61
I get accurate response concerning my performance	82	3.45	0.78
I get particular plus direct feedback concerning my performance	82	2.73	0.72
<b>Overall Mean Score</b>	<b>82</b>	<b>3.64</b>	<b>0.49</b>

Source: Primary Data (2022)

Majority of the respondents agreed that getting unjudgmental response concerning performance improved motivation to a great extent followed closely obtaining reliable feedback from appraisal process. It was also reported that employees get continuous / recurrent feedback concerning their performance to a great extent and employees obtain opportune response with respect to their performance to a great extent. Further, it was established that employees get accurate response concerning their performance to a moderate extent, employees obtain objective/impersonal response concerning their performance to a great extent and that the feedback is tactful and also honest to a large extent. The statement that employees get particular plus direct feedback concerning their performance was the least strong as shown by moderate mean of 2.73, std. dev=0.72.

#### 4.8.2 Perceived Quality of Appraisal Feedback and Employee Motivation

This subsection analyses the relationship between perceived quality of appraisal feedback and employee motivation as indicated in Table 4.15.

**Table 4.15: Inferential Statistics for Perceived Quality of Appraisal Feedback and Employee Motivation**

<b>Correlation</b>					
			<b>Employee motivation</b>		
Perceived appraisal fairness	Pearson Correlation		.700**		
	Sig. (2-tailed)		0.000		
<b>Model of Fitness</b>					
<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>		<b>Std. Error of the Estimate</b>	
.700 <sup>a</sup>	.490	.484		.420680	
<b>ANOVA</b>					
	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	14.630	1	14.630	82.668	.000 <sup>b</sup>
Residual	15.220	60	.177		
Total	29.849	61			

<b>Regression Coefficients</b>					
	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	.508	.334		1.521	.132
Perceived appraisal fairness	.826	.091	.700	9.092	.000

*Source: Primary Data (2022)*

Correlations analysis was done to establish the association between perceived quality of appraisal feedback and employee motivation. The findings were as shown in Table 4.15. The correlations findings shown that the relationship between perceived quality of appraisal feedback and employee motivation was positive and significant ( $r=0.700$ ,  $p<0.000$ ). The implication of this is that perceived quality of appraisal feedback is positively related with employee motivation.

The variables were regressed to determine the effect of perceived quality of appraisal feedback on employee motivation. The model of fitness findings was presented in Table 4.15. R square was 0.490 indicating that perceived quality of appraisal feedback explains 49% of the variation in employee motivation. The ANOVA results in Table 4.15 indicated that the overall model used to assess the relationship between perceived quality of appraisal feedback and employee motivation was significant. This was supported by a significance level of 0.000 which was less than 0.05 at 95% confidence level.

The regression coefficient results indicated that perceived quality of appraisal feedback positively and significantly relate with employee motivation ( $\beta=0.700$ ,  $p=0.000$ ). This suggested that a unit standard deviation increase in perceived quality of appraisal feedback would cause 0.700 standard deviation increase in employee motivation as shown in the model. The t computed was 9.092 which was greater than the t critical of 1.96 further supporting the findings that perceived quality of appraisal feedback is significantly related with employee motivation.

$$Y = 0.508 + 0.700X_4$$

Where: Y is employee motivation and  $X_4$  is perceived quality of appraisal feedback

#### 4.9 The Overall Model

The regression analysis encompasses the model fitness, the Analysis of Variance (ANOVA) and the regression coefficients. This is as demonstrated in Table 4.16.

**Table 4.16: Performance Appraisal Systems and Employee Motivation**

<b>Model Summary</b>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.791 <sup>a</sup>	.625	.621	.29172		
a. Predictors: (Constant), Perceived appraisal fairness, Appraiser-appraisee relationship, Performance appraisal method, Perceived quality of appraisal feedback						
<b>ANOVA</b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	35.162	4	11.721	39.557	.000 <sup>b</sup>
	Residual	29.629	57	.296		
	Total	64.791	61			
a. Dependent Variable: Employee motivation						
b. Predictors: (Constant), Perceived appraisal fairness, Appraiser-appraisee relationship, Performance appraisal method, Perceived quality of appraisal feedback						
<b>Regression Coefficients-</b>						
Variable	Unstandardized coefficients		Standardized coefficients	T	Sig.	
	B	Std. Error	Beta			
(Constant)	.675	.320		6.108	.000	
Performance appraisal method	.180	.079	.199	2.284	.024	
Appraiser-appraisee relationship	.464	.150	.447	4.428	.000	
Perceived appraisal fairness	.514	.097	.566	5.297	.000	
Perceived quality of appraisal feedback	.437	.152	.370	4.182	.000	

*Source: Primary Data (2022)*

Performance appraisal method, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback were considered satisfactory in explaining Fintech companies' employee motivation as presented in Table 4.16. This is as reflected by an R square of 0.625. This thus implies that performance appraisal method, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback explain 62.5% of the variations in Fintech companies' employee motivation with the difference being explained by other factors beyond the study. The other implication is that the model linking the variables relationships is satisfactory. The R value of 0.791 implies that there exists a strong relationship between the predictor

variables (performance appraisal method, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback) and Fintech Company's employee motivation.

Results in Table 4.16 confirm the significance of the model and this is shown by F statistic of 39.557 and a p value of 0.000. This shows that performance appraisal method, appraiser-appraisee relationship and perceived appraisal fairness are good predictors of Fintech companies' employee motivation. The regression analysis helped to demonstrate the magnitude of influence performance appraisal method, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback have on Fintech companies' employee motivation.

The resulting regression model is as follows:

$$Y = 0.675 + 0.199X_1 + 0.447X_2 + 0.566X_3 + 0.370X_4$$

Where

Y = Fintech companies' employee motivation,

X<sub>1</sub> – Performance appraisal method,

X<sub>2</sub> – Appraiser-appraisee relationship,

X<sub>3</sub> – Perceived appraisal fairness

X<sub>4</sub> – Perceived quality of appraisal feedback

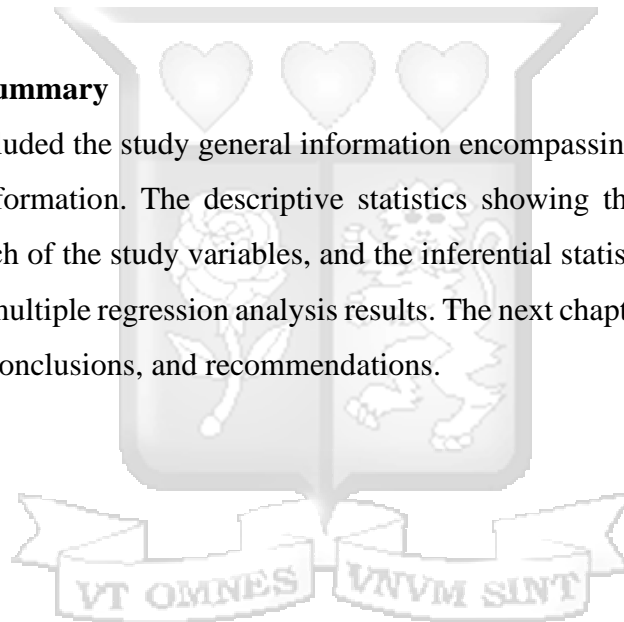
Results in Table 4.16 demonstrated a positively significant relationship between performance appraisal method and Fintech companies' employee motivation ( $\beta$  0.199, P 0.024). This illustrates that a standard deviation increase in performance appraisal method by one unit would cause an improvement on Fintech companies employee motivation by 0.199 standard deviation units. Results also portrayed a positively significant relationship between appraiser-appraisee relationship and Fintech companies' employee motivation ( $\beta$  0.447, P 0.000). This point out that a standard deviation increase in appraiser-appraisee relationship by one unit would cause an improvement on Fintech companies employee motivation by 0.447 standard deviation units. Further, results demonstrated a positively significant relationship between perceived appraisal fairness and Fintech companies' employee motivation ( $\beta$  0.566, P 0.000). This illustrates that a standard deviation increase in the level of perceived appraisal fairness by one unit would cause an improvement on Fintech companies' employee motivation by 0.566 standard deviation units. Finally, results demonstrated a positively significant relationship between perceived appraisal fairness and Fintech companies' employee motivation ( $\beta$  0.307, P 0.000). This illustrates

that a standard deviation increase in the level of perceived appraisal fairness by one unit would cause an improvement on Fintech companies' employee motivation by 0.370 standard deviation units.

Using the standardized coefficients, the largest in absolute value is 0.566 for perceived appraisal fairness, suggesting that this is the most important of the four variables. Appraiser-appraisee relationship has an absolute value of 0.447 hence is the second most important. Perceived quality of appraisal feedback and performance appraisal have absolute value scores of 0.370 and 0.199 respectively hence are they are considered the least important of the four variables in relation to employee motivation among Fintech companies in Kenya.

#### **4.10 Chapter Summary**

This chapter included the study general information encompassing the response rate and demographic information. The descriptive statistics showing the means and standard deviation for each of the study variables, and the inferential statistics which presents the correlation and multiple regression analysis results. The next chapter of the study presents the discussion, conclusions, and recommendations.



## CHAPTER FIVE

### DISCUSSION, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents a discussion, conclusion, and recommendations. The discussion, conclusion, recommendations for improvements for the study are presented in line with the study research objectives. Recommendations for further research are also presented in this chapter.

#### 5.2 Discussions of Findings

The research aimed at finding out the effect of performance appraisal systems on Fintech companies' employee motivation. The study sought to answer the following research questions: What is the effect of performance appraisal methods on Fintech companies' employee motivation? What is the effect of appraiser-appraisee relationship on Fintech companies' employee motivation? What is the effect of perceived appraisal fairness on Fintech companies' employee motivation? What is the effect of perceived quality of appraisal feedback on fintech companies' employee motivation?

This section provides the discussions of the findings for each of the research objectives. The study also established the demographic characteristics of the respondents. The results showed that the gender distribution was close to 1:1. This reveals that there is no gender discrimination as far as employment is concerned in Fintech companies. Majority of the employees were in the reproductive age group, with fewer younger people and fewer older people, with those in the middle ages occupying the majority of positions. Owing to the fact that the industry demands higher qualifications, the study also confirmed a higher proportion of employees having postgraduate and bachelor's degrees.

##### 5.2.1 Performance Appraisal Methods and Employee Motivation

The study findings reveal that MBO, 360 degrees, peer review and self-review influenced Fintech companies' employee motivation positively. The descriptive results further revealed that management by objectives is the most common appraisal method followed by 360 degrees and peer review while self-review is the least practiced method. The regression and correlation results support the results as performance appraisal methods and fintech companies' employee motivation were positively and significantly related.

These results agree with past literature (Meyer, 1991) which states that management by objectives is the most widely used method of performance appraisal among organizations because it involves every employee to be a key part in the appraisal process which results to increased commitment and satisfaction of the employees. This results however contradicts those of Kane and Lawler (2009) who found that multinational companies usually prefer to use the graphic rating scales because they are inexpensive to develop, are easier to use and are also easily used by human resource professionals who apply the single forms to all if not most jobs in the organization. This study also contradicts that of Mwema and Gachunga (2014) who found out that most organizations use the behaviorally anchored rating scales as it combines the graphic rating scale and the critical incidents method. The behaviorally anchored rating scales are also preferred because they measure critical components of a job and help identify performance competencies.

The findings of this study were that performance appraisal methods influences employee motivation among Fintech companies, Kenya. This implies that increased number of Fintech companies utilizing the four performance appraisal methods selected for this study will lead to improved Fintech companies' employee motivation. Further, the study found that Fintech companies are practising performance appraisal methods to a large extent.

### **5.2.2 Appraiser-Appraisee Relationship and Employee Motivation**

Results demonstrate that appraiser-appraisee relationship influenced Fintech companies' employee motivation positively. The findings showed that most respondents concurred that their subordinates acknowledge their good performance. The findings also discovered that the appraisers are highly capable. The findings also show that most of the respondents agreed that their superiors' goals setting is clear. Additionally, findings revealed that most of the respondents agreed that their appraiser aids in comprehending what they are required in enhancing their performance. Further, findings showed that many respondents concurred that their peers recognize good performance. The regression and correlation results support the results as appraiser-appraisee relationship and Fintech companies' employee motivation were positively and significantly related.

The finding that appraiser-appraisee relationships positively influence Fintech companies' employee motivation is in line with Munguti and Kanyanjua (2017) who holds that the relationship between the appraiser and the appraisee will have an effect on

employee motivation. According to Rao (2016) employees with a close relationship with firm management are better placed to evaluate performance as they have been working closely with the staff and maybe they have an honest point of view of an ordinary work performance which the supervisor may not have. This also contributes to improved employee motivation. The results are in line with Murphy et al. (2018) who argued that interpersonal effectiveness, contribution to work group projects, reliability and creativeness or even having excellent communication skills among others, enhances appraiser-appraisee relationship and leads to enhanced employee motivation. Moreover, the findings are also in line with the justice theory which attributes the high rates of the positive employee behavior to the good relationship between the appraiser and appraisee. The results show that when the appraiser and appraisee have a close relationship that accommodates a healthy work environment, the motivation to work will increase and result to positive outcome.

### **5.2.3 Perceived Appraisal Fairness and Employee Motivation**

The study findings illustrate that perceived appraisal fairness influenced Fintech companies' employee motivation positively. The findings showed that a large proportion of respondents agreed that their performance appraisal criterion applied at their performance assessment is clear as well as comprehensible. Similarly, findings showed that respondents agreed on the statement that the performance appraisal basis is reasonable hence assist them in attaining personal in addition to institutional objectives. The findings also showed that a large proportion of interviewees agreed that the performance appraisal criterion applied is adjustable since it accustoms the appraisal system to specific events of their job. The regression and correlation results support the results as perceived appraisal fairness and Fintech companies' employee motivation were positively and significantly related.

These findings are supported by those of Selvarajan and Cloninger, (2008); Roberson and Stewart (2016) who found out a positive relationship between perceived appraisal fairness and employee performance. They argue that positive perceptions of appraisal fairness help avoid negative outcomes such as disruptive behaviors, employee turnover and enhances positive outcomes from employees such positive citizenship, commitment and satisfaction with the job.

These findings however contradicted existing literature such as that of Levy and Williams (2004) who found out appraisal fairness to be significant in explaining changes in employee performance both individually and in synergy with other two appraisal variables in non-managerial employees of a large public sector organization. This implies that positive perceptions of fair assessment by the employees greatly affect their productivity. Perceived fairness of performance appraisal has therefore been regarded as an important aspect in evaluating the performance of employees. In addition, the findings are also in line with the equity theory which associates positive appraisal fairness to positive outcomes. In this case, Fintech companies' employees considered their appraisal systems as fair since they were able to exhibit outcomes by achieving their personal and organizational objectives.

#### **5.2.4 Perceived Quality of Appraisal Feedback and Employee Motivation**

The study findings illustrate that perceived quality of appraisal feedback influenced Fintech companies' employee motivation positively. The findings showed that respondents get continuous / recurrent feedback concerning their performance to a great extent. The findings also show that respondents obtain opportune response with respect to their performance to a great extent. Additionally, findings revealed that respondents get particular plus direct feedback concerning their performance to a moderate extent. Further, findings shown that respondents get accurate response concerning their performance to a moderate extent. The regression and correlation results support the results as perceived quality of appraisal feedback and Fintech companies' employee motivation were positively and significantly related.

These findings are consistent with the previous findings of Brown et al. (2010) who analyzed the influence of performance appraisal quality measured by clarity, communication of feedback and trust throughout the performance appraisal on employee performance and found out that performance appraisal quality was significant in explaining changes in employee motivation which was measured in terms of satisfaction and commitment both when regressed individually and when combined. This study also found out that employees who reported a low performance appraisal quality (had low levels of trust, poor communication of feedback and lack of clarity about expectations) also reported lower levels of job satisfaction and commitment. These results are also in line with those of Cawley et al. (1998) who found that perceived quality of appraisal

feedback in terms of perceived fairness and perceived satisfaction of employees positively impacts employee motivation. Furthermore, the findings are also in line with the justice theory which connotes that employees are affected by how they are treated during the appraisal process and how feedback is relayed. The results show the positive interactional justice enables employees to get regular feedback which they can use to improve their performance. Hence, the motivation to work increased and resulted to positive outcomes.

### **5.3 Conclusions**

The study concluded that MBO, 360 degrees, peer review and self-review influenced Fintech companies' employee motivation positively. This was reflected by the regression and correlation results as there was a positive and significant relationship between MBO, 360 degrees, peer review and self-review and Fintech companies' employee motivation.

Appraiser-appraisee relationship is essential in the development of employee motivation among the fintech companies. This was reflected by the regression and correlation results as there existed a positive and significant relationship between appraiser-appraisee relationship and Fintech companies' employee motivation. The study also established that to great extent, the Fintech companies in Kenya promoted the appraiser-appraisee relationships.

Perceived appraisal fairness influenced the motivation of employees of Fintech companies in Kenya. This was reflected by the regression and correlation results as there existed a positive and significant relationship between perceived appraisal fairness and Fintech companies' employee motivation. The study also concluded that the Kenya Fintech companies practiced perceived appraisal fairness to a great extent.

The study concludes quality of appraisal feedback helps improve the motivation of employees as they can know specific areas of improvement. This was reflected by the regression and correlation results as there existed a positive and significant relationship between perceived quality of appraisal feedback and Fintech companies' employee motivation. The study also concluded that the Kenya Fintech companies practiced perceived quality of appraisal feedback to a great extent.

## **5.4 Recommendations**

Recommendations for fintech companies' managers can be derived from this study. Understanding the performance appraisal methods can help the fintech companies' managers create better performance appraisal tools to boost employee motivation.

Secondly, managers of fintech companies will appreciate the significance of appraisal methods in identifying the weaknesses and strengths of their employees. Having identified the weaknesses and strengths of their employees, the fintech company can develop capacity building and mentorship programmes geared toward enhancing employee motivation and performance. This means that fintech companies should concentrate on the key characteristics of the appraisal system to ensure that the process is well defined and understood, that all participants accept it, and that the overall performance appraisal system is effective and helps to achieve individual and organizational goals.

Finally, the study recommends the need for academia and other researchers to build on this study in establishing other factors that can enhance employee motivation among Fintech companies. Researchers can also establish factors influencing uptake of performance appraisal systems and or the extent of appraisal among these Fintech companies. Further, researchers can conduct studies on other companies in Kenya to confirm or disapprove the findings of the current study.

## **5.5 Limitations of the Study**

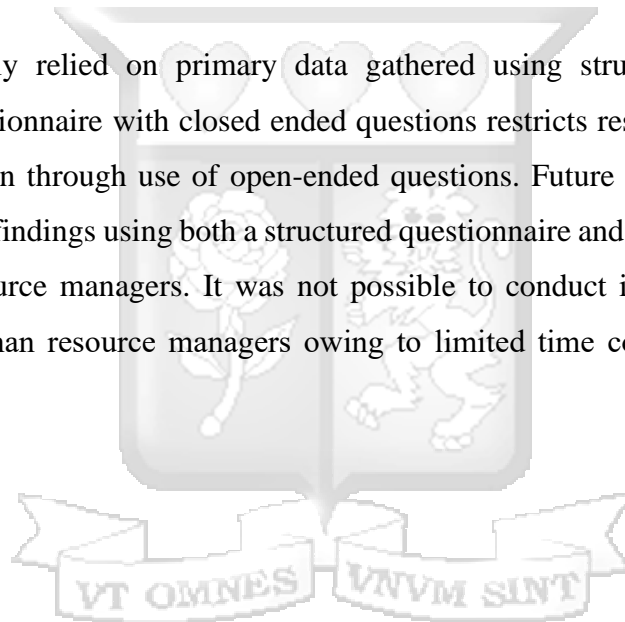
The study had several limitations. First, the research only focused on four performance appraisal variables. Other performance appraisal components like customer appraisal and employee behavioural with specific behavioural motivations could also be studied to find out their influence on employee motivation.

In addition, there was bureaucracy in getting the management approval to allow their employees to be part of the sample data. This challenge was addressed by assuring the participants of confidentiality and anonymity. Moreover, the researcher shared the required approval, consents and permit from the various authorities including an introductory letter from the university as well as the National Commission of Science, Technology and Innovation (NACOSTI)

## 5.6 Research Areas for Further Studies

This study investigated how performance appraisal systems influence Fintech companies' employee motivation. The study particularly focused on performance appraisal methods, appraiser-appraisee relationship, perceived appraisal fairness and perceived quality of appraisal feedback. The study recommends that a study focusing on other aspects of performance appraisal should be conducted to show whether they differ on how they impact Fintech companies' employee motivation. The study also recommends that a similar study should be conducted but focus on other financial companies in Kenya that were not captured in this study. This would help to establish whether there is any similarity on how appraisal systems impact Fintech companies' employee motivation.

The study solely relied on primary data gathered using structured questionnaires. Structured questionnaire with closed ended questions restricts respondents in providing more information through use of open-ended questions. Future research may consider triangulation of findings using both a structured questionnaire and interview template with the human resource managers. It was not possible to conduct interview with Fintech companies' human resource managers owing to limited time constraint and covid-19 menace.



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## APPENDICES

### Appendix I: Introduction Letter

#### **The effect of performance appraisal systems on employee motivation among fintech companies in Kenya**

Dear Sir / Madam,

My name is Dalphine Carren, a Master of Commerce student at Strathmore University. In partial fulfilment of the Master's Degree programme, I am required to carry out a research project and write a dissertation on a contemporary subject within my field of specialization. Among other activities, the project involves data collection and analysis. This study focuses on multinational fintech companies, and your firm has been selected. I hereby request to gather information to be used in this research in your firm. The information obtained will be used for this academic purpose only and will be kept confidential. The results of the survey will not disclose any individual, company name or information in any way. If you have any further questions about this study, you may contact me directly via my email address, [dalpcarren38@gmail.com](mailto:dalpcarren38@gmail.com).

Thank you very much for your time and cooperation.

Sincerely, Dalphine Carren





2.	I put in place my performance objectives					
3.	My productivity is a representative of my objectives which results to accomplishment of institutional objectives					
	<b>360 degrees</b>					
4.	My performance appraisal involves self-assessment, appraisal by supervisors, subordinates, co-workers or anyone whom we work together on daily basis					
	<b>Peer Review</b>					
5.	My performance assessment involves appraisal by co-workers					
6	My co-workers assist with setting my performance objectives alongside goals.					
7	I assist model a basis on which my performance is appraised by my peers					
	<b>Self-Review</b>					
8.	I set my own performance objectives besides goals					
9.	I rate my own performance on a number of criteria and suggest improvements					
10	I help clarify my own performance goals and expose my weakness					
.						
11	I review my set goals on continuous basis					
.						

### 7. Appraiser-Appraisee Relationship

Kindly indicate the extent to which you agree with each of the statements on appraiser-appraisee relationship by using the following scale:

Use 1 – Very small Extent, 2 - Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1.	My appraisers are well acquainted to assess me.					
2.	Superiors' goals setting is clear					
3.	The appraiser aids in comprehending what I am required in enhancing my performance					

4.	My peers recognize my good performance					
5.	My subordinates acknowledge my good performance					
6.	My appraiser is highly capable					
7.	My appraiser has realistic expectations for my performance					

### 8. Perceived Appraisal Fairness

Kindly show the extent to which you agree with each of the statements on perceived appraisal fairness by using the following scale:

Use 1 – Very small Extent, 2 - Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent

	Statement	1	2	3	4	5
1	The performance appraisal criterion applied at my performance assessment is clear as well as comprehensible					
2	The Performance appraisal basis is reasonable hence assists me in attaining personal in addition to institutional objectives					
3	The performance appraisal criterion applied is adjustable since it accustoms the appraisal system to specific events of my job					
4	The performance appraisal paradigm utilized takes into consideration my skills, knowledge including potentials appropriate for my performance.					
5	The tool for comparison where my performance is assessed is fair, well defined in addition to free from biasness					
6	During my performance appraisal the assessors accords me a fair treatment					
7	AT my performance appraisal, there is respect besides truthfulness					
8	Results of my performance appraisal forms the basis of the decisions made after the appraisal process i.e. Increase in pay, promotions etc					

### 9. Perceived Quality of Appraisal Feedback

Kindly indicate the extent to which you agree with each of the statements on perceived quality of appraisal feedback by using the following scale:

Use 1 – Very small Extent, 2 - Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	I get continuous / recurrent feedback concerning my performance					
2	I obtain opportune response with respect to my performance					
3	I get particular plus direct feedback concerning my performance					
4	I get accurate response concerning my performance					
5	With regard to my performance, I obtain reliable feedback					
6	I obtain objective/impersonal response concerning my performance					
7	In respect to my performance my feedback is tactful also honest					
8	I get unjudgmental response concerning my performance					

### Part C: Employee Motivation

10. Kindly indicate the extent to which you agree with each of the statements on employee motivation by using the following scale:

Use 1 – Very small Extent, 2 - Small Extent, 3 – Moderate Extent 4 – Large Extent, 5- Very large Extent

	<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<b>Intention to stay</b>					
1	I intend to stay in this organization as long as possible					
2	I do not want to leave my current job					
3	I am not job hunting right now					
	<b>Staff satisfaction</b>					
4	I am accomplished with my job					
5	I am happy working at this firm					

6	I am fulfilled at the accomplishment of my career-related goals					
	<b>Productivity</b>					
7	I carry out my job with high level of efficiency					
8	I offer my best and accomplish my goals on any assigned tasks					
9	I put in extra effort at my workplace					

Any other comments, please specify

.....

Thank you for your co-operation



### Appendix III: SU Ethical Approval Letter



17<sup>th</sup> November 2021

Mrs Achieng' Dalphine,  
dalphine.achieng@strathmore.edu

Dear Mrs Achieng',

**RE: The Effect of performance appraisal systems on employee motivation of fintech companies in Kenya**

This is to inform you that SU-IERC has reviewed and **approved** your above **SU-master's** research proposal. Your application reference number is **SU-IERC1203/21**. The approval period is **17<sup>th</sup> November 2021 to 16<sup>th</sup> November 2022**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 48 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 48 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.







Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

: Prof Fred Were,  
**Chairperson; SU-IERC**



## Appendix IV: NACOSTI Permit

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
<b>Ref No: 190589</b>	<b>Date of Issue: 25/November/2021</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Miss.. Dalphine Carren Achieng of Strathmore University, has been licensed to conduct research in Nairobi on the topic: Effect of Performance Appraisal Systems on Employee Motivation on Fintech Companies in Kenya for the period ending : 25/November/2022.</b>	
<b>License No: NACOSTI/P/21/14627</b>	
	
<b>190589</b> <b>Applicant Identification Number</b>	 <b>Director General</b> <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
	<b>Verification QR Code</b> 
<b>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</b>	

## Appendix V: Sampling Frame

No	Company	No	Company
1.	Safaricom PLC	20.	Connect Africa Payments
2.	Airtel	21.	Tala
3.	Telkom Kenya	22.	Branch
4.	Cellulant Corporation	23.	Popote Payments
5.	Direct Pay Online	24.	Abacus
6.	VISA	25.	Bitsoko
7.	Mastercard	26.	Ecelectics International
8.	Imali Pay	27.	M-changa
9.	Pesapal	28.	Parkline Systems
10.	Jambo Pay	29.	Thunes Africa
11.	FarmDrive	30.	BambaPos
12.	Pezesha	31.	Beyonic
13.	BitPesa	32.	Caytree Financials
14.	AZA Finance	33.	Eatpesa
15.	Turaco	34.	Jumo
16.	Lipa Later	35.	Kipochi
17.	Kopo Kopo	36.	Lipisha
18.	Kwara	37.	Umati Capital
19.	Chura	38.	TerraPay