

# Role of Performance Appraisal Systems in Employee Retention: Evidence from a Cross-Sectional Study in Bangladesh

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## Abstract

This paper discusses the higher or lower perceived performance appraisal systems and retention intention among the employees in a Bangladesh oriented survey data. A total of 207 employees in the fields who had undergone a performance appraisal cycle were surveyed using an online questionnaire. The 12 Likert items used to measure performance appraisal perceptions related to clarity, transparency, evidence use, quality of feedback, support of development as well as linkage of rewards. Two items were used in retention intention measurement (a reverse coded item of quitting intention). The appraisal perceptions had a high level of reliability (Cronbachs alpha = 0.911) and the retention intention had an acceptable reliability (Cronbachs alpha = 0.868). The descriptive results indicated the appraisal perceptions (M = 2.923, SD = 1.051) and retention intention (M = 2.971, SD = 1.281) on a five-point scale. Perceptions of appraisal were positively related to retention intention ( $r = 0.256, p < .001$ ). Regression findings revealed that the appraisal perceptions had a significant predictive value on the retention intention ( $B = 0.313, p < .001$ ) but the explained variation was low ( $R^2 = 0.066$ ). There were no significant differences in sectors and gender. The priority improvements in open ended responses were the importance of timely feedback, better criteria and increased transparency. The results indicate that appraisal quality can be used to facilitate retention, although it needs to be combined with wider talent management.

## Keywords

Performance Appraisal Systems, Employee Retention, Organizational Justice, Performance Feedback, Turnover Intention

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## INTRODUCTION

Retention of employees is currently a significant strategic issue that organisations focusing on competitive and globalized markets have. Human capital is very crucial in international business settings as organizations rely on it to sustain service quality, operational continuity and organizational knowledge. When the employee's turnover is high, the organizations run into high costs on recruitment, training and loss of productivity. Employee turnover may also lead to disruption of performance of a team and undermining long term organizational capabilities. Consequently, numerous organizations are trying to find out human resource activities that will motivate employees to stay loyal to the organization. The performance appraisal system is one such form of practice that measures the performance of employees and feedback and development opportunities.

The performance appraisal systems are core to the management of human resource since they emphasize the connection between performance of employees and organizational objectives as well as the reward system. An effective appraisal system will allow employees to have clear goals, a uniform evaluation process and constructive feedback. These aspects can boost employee commitment to the organization, job satisfaction and motivation. Poorly constructed appraisal systems on the other hand could lead to feelings of injustice, bias and non-transparency. When workers do not believe that performance appraisals are objective or fair they will lose confidence in the management and will have more chances of quitting the organization. It has been found out that the perceived equity and openness of the performance appraisal systems may have a significant impact on the attitude of the workers towards the workplace and their intention to remain. (Micacchi *et al.*, 2024).

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The problem of employee retention has gained extra significance in developing economies like Bangladesh where competition between organizations is growing and service-oriented sectors are expanding. Most sectors such as banking, information technology and manufacturing are in need of qualified employees who are highly skilled having specialized knowledge and experience. The loss of such employees may lower efficiency and raise the cost of operation of the organization. Meanwhile, the awareness of employees in both career prospects and the working environment is increasing, thus, they are becoming more open to the idea of transferring into organizations in case of unfair treatment or lack of promotion. Here the performance appraisal systems can serve as a significant organizational tool that can influence the perceptions of employees on fairness, recognition and career development.

Available literature suggests that a good performance appraisal system is linked to good employee performances as job satisfaction, engagement and organizational commitment. These results are interconnected with the desire of the employees to stay in their company. Developmental guidance and clear feedback through transparent appraisal processes can enhance the perception of the organization that the employees are appreciated in their contribution to the organization. This type of perception may help in increasing the psychological attachment and lowering turnover intention. Empirical research also revealed that employees tend to display devotion and long-term commitment when they are convinced that the outcome of appraisal is used as a means to develop them and reward them after good performance. (Karim *et al.*, 2024).

Although the significance of performance appraisal systems is acknowledged, there are several organisations who are still finding it difficult to execute appraisal procedures that employees feel are equitable and valuable. In other, instances appraisal discussions do not take place regularly or enable developmental feedback but mainly administrative ratings. This leads to employees having a lack of clarity regarding the

process of performance assessment and the impact of appraisal results on career prospects. Such challenges underscore the importance of studying the perception of employees on the performance appraisal systems and how such perception affect employee intention to stay with the organization.

This research paper explores how the perceptions of employees regarding the performance appraisal systems are associated with their intention to stay in an organization on the basis of a practice-based dataset on employees belonging to various sectors in Bangladesh. The study will attempt to give information on whether better employee retention results can be achieved by bettering the appraisal practices through testing the statistical links between appraisal perception and retention intention.

### **Problem statement**

The retention of employees is a thorn in the flesh of organizations in Bangladesh as it creates more costs in recruitment and training and breaks the continuity of operations and services to customers. The importance of the employees in many firms is based on their competence in areas like banking, manufacturing, information technology and telecommunications whereby work quality is strictly related to experience and tacit knowledge. The departure of workers on a regular basis causes organizations to lose the drive in their performance, internal coordination and delays realization of the strategic objectives. The retention issue then has direct consequences regarding organizational competitiveness both in the local and the international business settings.

The main problem is that the performance appraisal systems, which are supposed to help staff to start improving their performance and exceed the contribution, are frequently viewed by the employees as incomprehensible and inconsistent or biased. Practically, employees might not have full knowledge of how ratings are added, whether equal standards are used to all or how is the result of the appraisal related to rewards and development chances. When the appraisal experiences are perceived as unjust and non-transparent, employees will lose faith in

management and feel underestimated, which enhances the desire to leave. Though the use of performance appraisal is a common human resource practice, many organizations adopt it as an administrative activity and not as a growth and motivation mechanism.

This study addresses the problem by examining whether employees' perceptions of performance appraisal systems are associated with retention intention in a Bangladesh oriented practice dataset.

## LITERATURE REVIEW

### Performance appraisal quality

The quality of performance appraisal shows how employees believe that, the appraisal goals are transparent that the criteria used are relevant to real job duties as well as the rating is based on a consistent process that employees can comprehend. The quality of appraisals is also very much related with the credibility of the performance management since through the experience of appraisal, the employees are able to gauge whether the performance management can be predictive and meaningful in its contribution to the organization. Appraisal systems that involve both structured feedbacks as well as calibration are associated with greater perceived appraisal fairness and enhanced work engagement that suggests quality is dependent on process design instead of documentation (Micacchi *et al.*, 2024).

The quality of appraisals is also determined by how the employees perceive the results of evaluation as informative in making future decisions. Performance reviews have the capacity to influence intentions to turnover since feedback gives indications of one position and opportunity in the company that may make staying in the company to seem advantageous (Pohlan and Steffes, 2025).

The quality of appraisal might be of particular significance in the international business environment where companies tend to compete with each other in terms of reliability of services and continuity of knowledge. Perceived to be ambiguous or unstable, appraisals can reduce

confidence in managerial decision making that can raise the perceived risk of employees remaining.

### Fairness and justice perceptions

The perceptions of fairness are at the center stage in the appraisal literature since the appraisals allocate esteemed items like recognition compensation advancement and developmental opportunity. The perceptions of justice usually involve procedural justice distributive justice interpersonal justice and informational justice that combined may form the predisposition of the employees to accept appraisal results and perceive them as fair. Perceptions of appraisal practices are positively related with intention to stay and the positive relationships are reinforced in case of employees who are engaged in their job roles (Uraon & Kumarasamy, 2024). Practically this implies that when managers maintain consistent standards among employees, they should make the ratings as political as possible and justify decisions in a manner that the employees perceive as true and respectful.

In case employees perceive that the appraisal systems are unfair they might view that as a violation of anticipated reciprocity leading to withdrawal attitudes and seeking other employers. In situations where employees are exposed to fair procedures and the respect, they feel through the communication they feel is treated as respectful, the employees tend to perceive the employment relationship to be trustworthy and hence the attachment proceeds.

### Feedback and development support

One of the main mechanisms by which appraisal systems can affect employee attitudes is feedback quality since feedback makes the employees know what they have to work on and the value attached to performance.

The process of development-oriented appraisal reinforces retention channels wherein feedback is precise and opportune and accompanied by feasible enhancement strategies. In a Bangladesh banking setting, performance appraisal fairness and performance feedback are associated with increased organizational commitment and work engagement, which supports the concept that feedback has motivational and relational

mechanisms that are important in retention related outcomes (Karim *et al.*, 2024). The support of development also encompasses perceived access to training and career development which occurs after appraisal conversations.

Employees would be more inclined to stay when they feel that performance talks are accompanied by actual development prospects instead of the tradition of being curtailed to end of year grading.

These trends align with the fact that the feedback of performance evaluation has the potential to alter the turnover intentions based on the manner in which the employees fracture future opportunities and expected gains out of remaining at work (Pohlan and Steffes, 2025).

These results suggest that effective appraisal systems have a positive effect on retention when used as a component of a more extensive development relationship as opposed to the compliance-based rating activity.

### **Performance appraisal and retention intention**

Retention intention is the intended probability of an employee to remain in the organization and it is commonly used as a proxy measure of the risk of voluntary turnover. Perceived fairness in perceived support and perceived future opportunity in the organization can be the influence of appraisal systems to the intended retention. Under some circumstances, performance appraisals can lessen turnover desires since feedback on evaluation has the potential to redefine the perceived fit potential and foreseen reimbursement of remaining (Pohlan and Steffes, 2025).

Appraisal retention relationship is mostly indirect since the appraisal influences job satisfaction engagement and commitment that consequently influences quitting intentions. The appraisal practices are associated with intention to stay with justice perception partly due to job engagement implying that appraisal increases can mitigate turnover threat by enhancing psychological investment into work (Uraon and Kumarasamy, 2024). Bangladesh appraisal

fairness and feedback are also associated with positive employee attitude in the banking positions that are jobs where retention facilitates continuity of service and stability of the customer relations (Karim *et al.*, 2024).

In general, current evidence suggests that retention can be largely supported by appraisal systems but the quality of the relationship between the two depends on whether appraisal processes are perceived by employees as fair developmental and credible.

### **Research gap and contribution**

Recent studies show that the relationship between appraisal retention can be demonstrated in many situations though there are still numerous gaps which are applicable to a Bangladesh oriented thesis style study.

The research of appraisal fairness and feedback in Bangladesh has been narrowed in the banking environment that restricts the ability to generalize to other sectors employing other job structures and appraisal routines (Karim *et al.*, 2024). It is also revealed that justice perceptions of appraisal practices are associated with intention to remain via engagement but cross sector evidence is less predictable that constrains pragmatic advice to varied industries (Uraon & Kumarasamy, 2024). Practical gap also exists as most of the studies rely on outcome variables without converting the findings into definite appraisal design enhancements that employees desire.

The results that design factors, including feedback, and calibration are correlated with perceived appraisal justice emphasize leveraging activities but the same is not repeatedly applied in multi sector samples of the emerging market (Micacchi *et al.*, 2024). The paper has value as it provides a framework of performance appraisal quality as a multi dimension employee perception construct that encompasses clarity transparency fairness feedback usefulness and development linkage thereafter relates it to retention intention within a Bangladesh oriented cross sector practice dataset. The open-ended improvement question also facilitates interpretation since it is where the employees state which changes they intend in the

appraisals when asked to talk about their experiences in their own words.

### Research Objective

This paper aims at assessing the relationship between performance appraisal systems and the intention of employees to remain with their organizations in a Bangladesh oriented practice dataset. The goals are centred in description, quality of measurement and testing hypothesis to aid in the grade analysis of the thesis.

- To outline demographic picture of the respondents and summarize the descriptive statistics of the major constructs.
- To measure the internal consistency of the performance appraisal perceptions scale and retention intention scale with Cronbach alpha.
- To determine how the perceptions of performance appraisal relate to retention intention through a correlation analysis.
- To test the hypothesis that performance appraisal perceptions are predictors of retention intention, the researcher will consider gender, sector, job level, tenure and appraisal frequency.

### Research Question

The research questions posed to lead the study relate the performance appraisal experience to the outcomes of retention. Improvements suggested by employees are also included in these questions to provide informed reforms in the appraisal related to practicability.

1. How do perceptions of performance appraisal systems relate with retention intention in the dataset among employees?
2. Are the perceptions of performance appraisal predictive of the retention intention considering gender, sector, job level, tenure and frequency of appraisal?
3. Which improvement themes are regularly reported in the open ended question concerning improvement of performance appraisal system?

### Hypotheses

The proposed hypotheses are based on the logic of performance management and organizational justice wherein the incumbency on the clarity of

appraisal, fairness and quality of feedback determine the level of employee attitudes and decisions to remain in the company. The following statements are what the relationships under test in the quantitative analysis are supposed to be.

- Employees with higher perceptions about performance appraisal systems have higher retention intention.
- The perceptions of performance appraisal forecast the retention intention when gender, sector, job level, tenure and the frequency of appraisal are controlled.
- The employees who feel that the appraisal feedback is timely and useful and have a stronger sense of relationship between outcome of appraisal and rewards express higher retention intention.

## METHODOLOGY

### Research design

To achieve both the quantitative perceptions and short qualitative suggestions, a cross-sectional survey design was employed in this research with an inbuilt open ended item. The study design is suitable when it comes to testing the relationship between perceptions of performance appraisal systems and retention intention at a given point in time. The group under analysis was the individual worker. The model of the study was that performance appraisal perceptions were the independent variable and retention intention was the dependent variable. Demographic factors were also supposed to be as possible controls since the intention of retention may differ with the context of the job and career. Figure 1, which comes right after Section 8.4, provides a methodology flow diagram to summarize the process of data collection through analysis.

### Sample and data collection

The data was gathered on a structured Google form that was filled online in the month of February. The population that was targeted was employed adults in Bangladesh with at least one formal performance appraisal in their present organization. A screening item was used to ensure that the respondents who were exposed to appraisal were included and therefore the data set represents respondents with the ability to

appraise appraisal practices using first-hand experience. Only 207 responses in the final practice data could be used. Individuals were free to take part and the process was anonymous. The form had a consent section that was taken at its beginning and no identifiable details were sought. Common method bias was minimized by using neutral wording and ordering (Yao, 2024). The respondents were a cross-section of the various industries such as banking and financial services, readymade garments, information technology, telecommunications, manufacturing, non-governmental organizations, retail and other abstracts. Simple demographics included gender, level of employment, tenure and the frequency of appraisal to facilitate subgroup analysis as well as to report the profile of the sample.

### Measures and instrument

The questionnaire had 21 questions with demographics, twelve performance appraisal perception questions, two questions on retention intention and one open ended question of improvement. Each scale item adopted a five-point response scale with a coded response scale of 1 to 5 to facilitate easy entry into the SPSS program and learners to easily compute the average scores. The perception programs on performance appraisal were based on twelve items that captured clarity of goals, relevance of criteria to job, transparency of rating decision, consistency of standards, opportunity to express criticism, evidence-based evaluation, timeliness and usefulness of feedback, post appraisal improvement planning, developmental support and perceived fairness of performance based rewards. The retention intention was measured using two items which included the intention to remain within a period of twelve months and the frequency of considering leaving. The quitting item was reversed and then the retention composite was built. The composite variables

were calculated by the mean of the pertinent items to maintain the original scale measure. Cronbach alpha was used to evaluate internal consistency reliability, which is usually employed to determine the coherence of multi-item scales in surveys (Izah, 2023).

### Data analysis plan

The quantitative analyses were done in SPSS. It was started by screening to eliminate missing values, response pattern and plausible range and then retention item to be reverse keyed was recoded and the composite scores of appraisal perceptions and retention intention were calculated. Both descriptive statistics were generated on the demographic variables as well as on the key constructs in the mean, standard deviation, and observed range. The alpha used to measure reliability was Cronbach. Pearson correlation was used to test the bivariate relationship between appraisal perceptions and retention intention. Linear regression was used to test predictive relationships where retention intention was used as the dependent variable. There was a baseline model that incorporated only appraisal perceptions, and later on an extended model that incorporated demographic controls. Linear, residual normality, homoscedasticity and multicollinearity were also checked with the help of variance inflation factors to create a robust interpretation (Pérez-Guerrero *et al.*, 2024). The differences between groups were analyzed by a t test of gender and one way analysis of variance of sector and the effect sizes were shown with the help of Cohen d and eta squared. The analysis of the open ended question under consideration involved light qualitative methodology relying on the frequency of words and a manual classification of the common themes in order to triangulate the quantitative trends and offer practical recommendations to enhance appraisal (Hobbs, 2024).

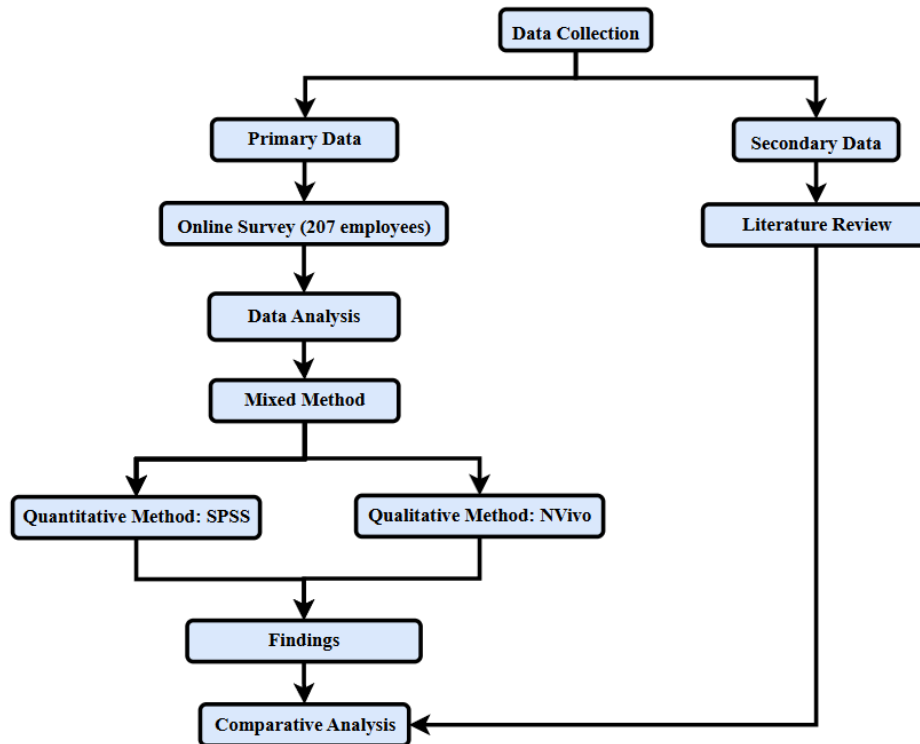


Figure 1. Methodological Steps

**FINDINGS**

The findings summarize the respondent profile, descriptive statistics, scale reliability,

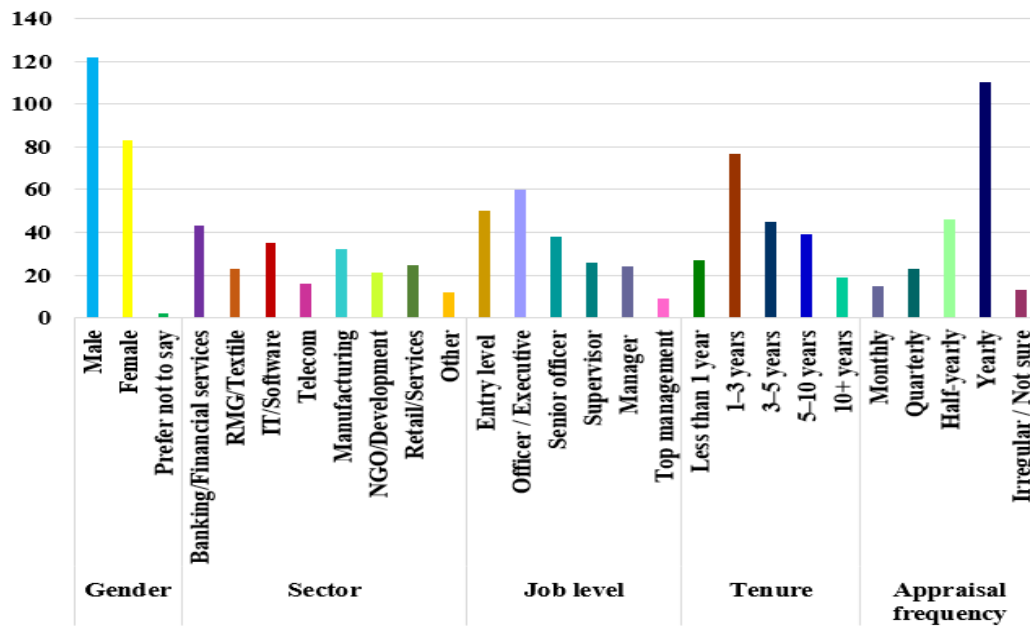
relationships between the main constructs, regression results, and group differences using the practice dataset (N = 207).

Table 1: Profile of the Respondents (Employees, n = 207)

Variable Attributes	Category	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	122	58.9	58.9	58.9
	Female	83	40.1	40.1	99
	Prefer not to say	2	1	1	100
Sector	Banking/Financial services	43	20.8	20.8	20.8
	RMG/Textile	23	11.1	11.1	31.9
	IT/Software	35	16.9	16.9	48.8
	Telecom	16	7.7	7.7	56.5
	Manufacturing	32	15.5	15.5	72
	NGO/Development	21	10.1	10.1	82.1
	Retail/Services	25	12.1	12.1	94.2
	Other	12	5.8	5.8	100
Job level	Entry level / Junior	50	24.2	24.2	24.2
	Officer / Executive	60	29	29	53.1

	Senior officer / Senior executive	38	18.4	18.4	71.5
	Supervisor / Assistant manager	26	12.6	12.6	84.1
	Manager / Senior manager	24	11.6	11.6	95.7
	Top management	9	4.3	4.3	100
<b>Tenure</b>	Less than 1 year	27	13	13	13
	1-3 years	77	37.2	37.2	50.2
	3-5 years	45	21.7	21.7	72
	5-10 years	39	18.8	18.8	90.8
	10+ years	19	9.2	9.2	100
<b>Appraisal frequency</b>	Monthly	15	7.2	7.2	7.2
	Quarterly	23	11.1	11.1	18.4
	Half-yearly	46	22.2	22.2	40.6
	Yearly	110	53.1	53.1	93.7
	Irregular / Not sure	13	6.3	6.3	100

**Profile of the Respondents**



**Figure 2. Profile of Respondents**

Descriptive statistics for the main constructs are reported in Table 2. Mean values for appraisal

perceptions and retention intention were close to the mid-range of the 1 to 5 scale.

**Table 2: Descriptive statistics of main constructs (n = 207)**

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Performance appraisal system (Appraisal score)	207	1	5	2.923	1.051
Employee retention intention (Retention score)	207	1	5	2.971	1.281

Scale reliability results are shown in Table 3. Appraisal perceptions demonstrated strong internal consistency, while retention intention

showed acceptable internal consistency for this practice analysis.

**Table 3: Reliability (Cronbach's alpha)**

Scale	Items	Cronbach's $\alpha$
Appraisal	12	0.911
Retention	8	0.868

The relationship between the main constructs is reported in Table 4. Performance appraisal

perceptions were positively and significantly associated with retention intention.

**Table 4: Pearson Correlations among Main Constructs (N = 207)**

Variable	1	2
1. Performance Appraisal System	—	0.256**
2. Employee Retention Intention	0.256**	—

Note:  $p < .001$

Regression results are presented in Table 5. Appraisal perceptions significantly predicted

retention intention with modest explained variance.

**Table 5: Regression predicting retention intention (N = 207)**

Predictor	B	SE	Beta (std.)	t	p	VIF
Constant	2.057	0.256	—	8.052	< .001	—
Performance Appraisal System MEAN	0.313	0.082	0.256	3.799	< .001	1

Model fit:  $R^2 = 0.066$ ,  $F(1, 205) = 14.431$ ,  $p < .001$ .

Sector based differences were tested using one way ANOVA and were not statistically significant for either construct.



Context is given by descriptive results. The average score of the appraisal perception was around the middle of the scale and this implied that several participants rated the appraisal practices as being moderately positive. Mean retention intention score also showed that it was close to the middle meaning mixed staying plans. Collectively these trends are signs of possible improvement of appraisal and they imply that improved experiences of appraisal can change intention among certain employees.

Open ended answers demystified on which appraisal aspects were important. The common themes of improvement identified the most included timely and specific feedback, the improved use of criteria, and increased clarity in the determination of ratings. The demands to be given candid criteria are an indication that there is the need of job relevant expectations, as well as consistent standards. Transparency requests show that the rationale of ratings is not necessarily perceived and regarded as good. The demand to receive feedback in good time shows that appraisal is now being considered as a method of developing performance that ought to take place on an annual round the year basis instead of it being a single administrative event. The combination of quantitative findings and qualitative themes reinforces the belief that the appraisal experiences can have an impact on retention intention by the specific characteristics of the concrete processes.

The trend also lends credence to the fact that the quality of appraisals is linked to the perception of fairness. Workers do not just look at the ultimate ranking. They also assess the question of whether they got a fair chance to justify performance and whether the processes appeared to be uniform in the staff. Higher engagement has been associated with justice oriented appraisal design and this design can help lower turnover intention (Micacchi *et al.*, 2024). Even though mediation was not applied in this case, the focus on transparency and fairness will be compatible with this mechanism and will strengthen the significance of procedural clarity and respectful communication.

The scale reliability favored interpretation as appraisal items were consistent within themselves and that two item retention measure exhibited satisfactory coherence.

The results of the regression offer a realistic interpretation. One point increment in the appraisal perception was related to a corresponding increment in the retention intention by approximately 0.31 points on the same five point scale. This does not make a vast difference in an individual employee but can have significance on an organizational level. When an organization is willing to enhance clarity and feedback to the extent that average appraisal perceptions are enhanced half a point, the model suggests a significant positive change in average retention intention. These changes have a potential to lower the resignation risk in jobs that have high replacement costs. Simultaneously, the small scale indicates that the enhancement of the appraisal cannot replace the wider talent management. In cases where rewards and development opportunities are not associated with the results of appraisals credibly, employees can perceive the system as less consequential about their future and less pertinent in regards to their stay decision.

There were no significant demographics differences in group comparisons. The results of sector based ANOVA were not found to be significant in either of the appraisal perceptions or retention intention and this indicates that the experiences of the sample industry were not very different. Gender differences did not also show statistical significance based on the fact that perception and retention intention to appraise and keep working in an organization were similar between male and female respondents. These findings aid organization wide changes to improve on clarity, transparency, and quality of feedback and conclude that there may still be differences on outcomes not assessed here like promotion decisions.

In general, the results correspond to the recent literature in three aspects. The engagement pathways have been associated with the justice perceptions of appraisal practices and the related

retention outcomes (Uraon and Kumarasamy, 2024). The fairness of appraisal and feedback in Bangladesh oriented work settings have been linked to positive employee attitudes that lead to retention (Karim *et al.*, 2024). This low effect size is aligned with the data that the performance appraisals are only one of many factors in turnover intent models, and the effect is determined by perceived opportunities and options (Pohlan and Steffes, 2025). Practical enhancements ought to focus more on clarity of criteria, openness of the decision making process and the timely feedback and should relate the appraisal results with the observable developmental actions that can build credibility.

## CONCLUSION

The research question that was investigated was whether the perceptions by employees towards performance appraisal systems are related to retention intention using a Bangladesh oriented practice dataset of 207 employees. The findings reveal that there is a statistically significance and positive correlation between the perceptions of appraisals and the intention to retain, but the effect size is small. The reliability findings confirm the internal consistency of appraisal perceptions scale and the retention measure that was applied in this analysis. There were no significant differences in the sample on sector and gender comparisons. Improved feedback in time through open ended responses, better criteria and improved transparency were a priority to be given. In general, retention can be supported with the help of the enhancement of appraisal clarity and feedback.

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