

## Employee Work Performance as an Outcome of Reward Satisfaction: Evidence from Nepalese Commercial Banks

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### **Abstract:**

The companies of today are very concerned with their employee performance. This is because the performance of the employees will directly influence the performance of the companies. This study aims to look at work performance as an outcome of reward satisfaction (in terms of pay level, benefits, raise satisfaction, and salary administration). For this purpose a non-probability sampling, i.e. convenience sampling technique is used for collecting opinions of the responses. In total 400 questionnaires were distributed and 85.50 percent of responses were obtained from ten commercial of Nepal. The findings show that there is a substantial relationship between pay level satisfaction, benefits satisfaction, raise satisfaction, and salary administration satisfaction, and work performance of employees in the Nepalese banking sector. Therefore, this study shows work performance as an outcome of reward satisfaction. This finding would provide managers to understand the relationship between reward items such as; pay level, benefit, raise, and salary administration with the work performed.

**Keywords:** Benefits, Commercial banks, Pay level, Raise satisfaction, Salary administration, Work performance

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### **I. Introduction**

Commercial banks are inseparable parts of the economic growth of a country. Like in other countries, the transactions of the banking sector in Nepal are rapidly growing. As per the latest data published by Nepal Rastra Bank (May 2020), there are a total of 27 commercial banks in Nepal at present (www.nrb.org.np). These banks are providing their best services to their customers. Because of the new trend in the banking sector, the Nepalese banking sector has become more competitive in today's context (Shrestha, 2019a). The new trend in the banking system, simply, demands skilled and competent employees. Now, such types of competent employees have increased at a considerable rate in the country. Considering competitive trends, commercial banks are offering handsome pay and more benefits to their competitors' employees. Paying more and rewarding employees are needed and the demand for the current time. For the survival of these commercial banks, they need to retain their competent and skillful employees through more rewards (Ahmed & Shabbir, 2017).

Nepalese commercial banks are facing a lot of issues and challenges in the current competitive business world (Shrestha, 2018). Getting accurate employees and retaining them is one of the most vital issues for these commercial banks (Shrestha, 2016, 2019b). Besides, the gain and benefits of employees are assumed to be one of the key advantages of any kind of organization. To obtain the results with the highest efficiency and effectiveness of the employees, their satisfaction is very important. Moreover, these employees will do their best performance when they experience or expect that their hard work and performance are to be rewarded by their organizations (Priya & Eshwar, 2014). Therefore, reward satisfaction plays a key role in determining the work performance of employees.

Organizations of today are very concerned about their employee performance. It is because the performance of the employees will directly affect the performance of the organizations. In essence, when the performance of a majority of the employees is low, this would inevitably lead to low organizational performance, and vice versa (Mokhtar, 2011). On the other hand, high-level work performance is also important to employees because it is the basis for their compensation that helps to upgrade their standard of living (Musse, 2012). As a human being, improving the quality of life is necessary for employees, and therefore, they will actively seek employment at organizations that provide higher salaries, incentives, and benefits, or in other words organizational rewards. In short, rewards are important for employee work performance (Mokhtar, 2011). Therefore, Nepalese organizations need to consider this reality of the workplace. In this background, this study concerns to examine the relationship between various organizational rewards and individual work performance of employees working in Nepalese commercial banks.

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## II. Review of the Literature

Each organization's employees can consistently work hard and contribute to the achievement of organizational goals only if they are well satisfied (Soomro et al., 2020). A lot of research shows that reward satisfaction determines the work performance. In one study, Stredwick (2000) argued that employees like rewards to demonstrate high performance. The employees must be satisfied with the rewards to enhance their work performance. In another study, Nithy (2010) argued rewards make employees concentrate and focus on the organization's goal and work for receiving those rewards, which are offered by the organizations (cited in Musse, 2012). Likewise, Wu and Wang (2008) had also investigated the relationship between pay fairness and employee pay satisfaction. In the same line, Heneman III & Schwab (1985) argued that job performance is positively connected to reward satisfaction. Both the organization and employees perceive different satisfaction with the dimensions of pay level, benefit, and raise and structure (Heneman III & Schwab, 1985).

In a study, Flynn (1998) argued that rewards and recognition programs keep high spirits among employees. They boost up their morale and create a connection between work performance and employee motivation. Likewise, one study Till and Karren (2011) shown that pay level and reward are related to each other. Another study shows that pay satisfaction is probably a function of the discrepancy of perceived pay level and the amount that the employees believe their pay should be (Williams, McDaniel, & Nguyen, 2006). Some other studies have also shown a positive connection between satisfaction and benefits (Berger, 1984; Gresham, 2006; Lust, 1986).

Ahmed and Shabbir (2017) argued that the reward system and employee satisfaction are interrelated components in any organization. Reward satisfaction enhances employee work performance. So, this study focuses on the relationship between reward satisfaction (in terms of pay level satisfaction, benefit satisfaction, raise satisfaction, and salary administration) and work performance. The key variables used in this study and their operational definitions are given in the following table (1).

**Table 1.** List of Key Variables

Key Terminology	Definition	Author(s)
Organizational reward	How an employee feels from what they had received from the organization.	Heneman and Schwab (1985)
Pay level satisfaction	Pay level satisfaction refers to the individual's satisfaction towards his/her current direct (wage or salary) compensation.	Heneman and Schwab (1985)
Benefits Satisfaction	Benefits satisfaction refers to satisfaction towards indirect pay in the form of payment for time not worked, insurance, pension, income maintenance, and miscellaneous services.	Heneman and Schwab (1985)
Raise satisfaction	Raise satisfaction refers to an individual's changes in pay level.	Heneman and Schwab (1985)
Salary administration	Salary administration refers to how a leader or an employer manages the employees' wages or salaries.	Heneman and Schwab (1985)
Work performance	Work performance refers to the traditional performance of behaviors that are expected of him/her at a certain position.	Williams and Anderson (1991)

Source: Literature review.

## III. Research Objectives

In today's competitive business world, companies need to increase their employees' work performance for increasing organizational performance. Reward satisfaction could be one of the key variables for increasing the work performance of the employees. That is why, this research aims to examine the relationship between reward satisfaction (in terms of *pay level satisfaction*, *benefits satisfaction*, and *raise satisfaction*, and *salary administration*) and work performance in the Nepalese context (concerning the banking sector of Nepal).

## IV. Research Methodology

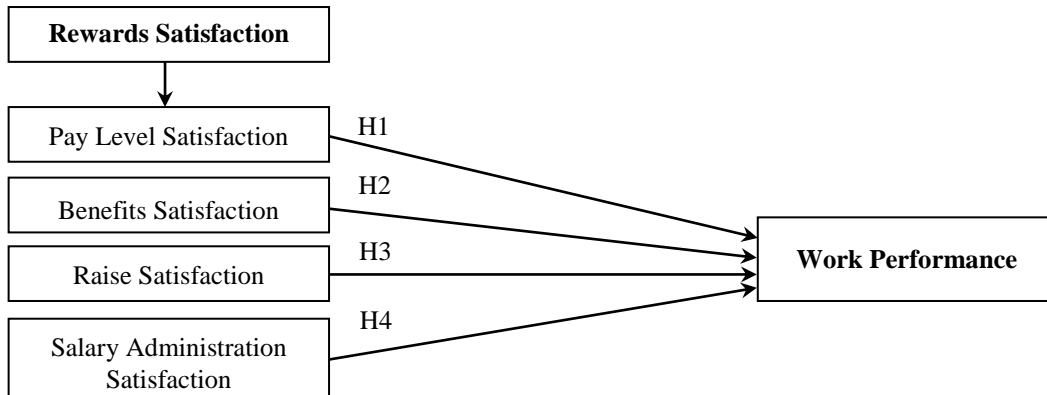
This research determines the relationship between reward satisfaction and work performance of employees in the banking sector. It is a descriptive research study. It assumes work performance as an outcome of reward satisfaction. The employees from the banking sector of Nepal are the population for this study. The reason for choosing the banking sector is its positive and prominent growth in recent years in our country. The banking sector is assumed favorable for such type of study because it contains (a) top, middle, and lower-level employees; (b) the employees from this sector share common characteristics. For this purpose a non-probability sampling, i.e. convenience sampling technique is used for collecting opinions of the responses. This sampling is used because of the information gathered from those employees who were accessed quite easily and conveniently.

This study more or less followed the methodology used by Mokhtar (2011). In total 400 questionnaires were distributed. Out of them, only 342 (85.50 percent) respondents (employees) from ten commercial banks (Nepal Bank Ltd., Rastriya Banijya Bank Ltd., Himalayan Bank Ltd., Nepal Investment Bank Ltd., Everest Bank Ltd., Nepal SBI Bank Ltd., Machhapuchhre Bank Ltd., Bank of Kathmandu Ltd., Citizens Bank

International Ltd., and Kumari Bank Ltd.) were given responses. Measurement scale for study variables are based on a Likert Scale of 1 to 5, (where 1 = strongly dissatisfied, 2 = dissatisfied, 3 = nor dissatisfied, 4 = satisfied and 5 = strongly satisfied). The questionnaire used in this study was developed partly based on the works of previous researchers such as Heneman III and Schwab (1985), and William and Anderson (1991).

**Research Framework and Hypotheses**

It is assumed that organizational reward plays a very important role in enhancing individual work performance. Based on this assumption, the research framework is given below:



**Figure 1: Research framework of this study**

In this study, work performance is the dependent variable. Pay level, benefits satisfaction (including training, health, and employee rights), raise satisfaction, and salary administration satisfaction are taken as independent variables. For the study purpose, the major hypotheses of the study are:

- H1: There is a significant and directly proportional relationship between pay level satisfaction and work performance among employees in the banking sector.
- H2: There is a significant and directly proportional relationship between benefits satisfaction and work performance among employees in the banking sector.
- H3: There is a significant and directly proportional relationship between raise satisfaction and work performance among employees in the banking sector.
- H4: There is a significant and directly proportional between salary administration and work performance among employees in the banking sector.

**V. Data Analysis and Results**

This section presents an analysis of data that were obtained from the survey. The results are illustrated in the following sections.

**Internal Consistencies**

Table (2) shows internal consistencies (Cronbach's alphas) for each study variable.

**Table 2: Cronbach's Alpha**

Scales	Alpha
Pay Level Satisfaction	0.89
Benefits Satisfaction	0.87
Raise Satisfaction	0.92
Salary Administration Satisfaction	0.91
Work Performance	0.86

Table (2) shows that the Cronbach coefficients for pay level satisfaction, benefits satisfaction, raise satisfaction, salary administration satisfaction, and work performance are 0.89, 0.87, 0.92, 0.91, and 0.86 respectively. The Cronbach coefficients for the entire variables show values above 0.70. Sekaran (2006) highlights that the higher the coefficients, the better the measuring instrument. Therefore, it can be concluded that the collected data are 'goof fit' for the study. In summary, the instruments applied to measure each variable of this study are reliable enough and supply valuable results.

**Results of Descriptive Analysis**

Table (3) shows the means and standard deviations for each study variable.

**Table 3: Scale Means and Standard Deviations (N = 342)**

Scales	Mean	SD
Pay Level Satisfaction	4.27	0.79
Benefits Satisfaction	4.15	0.82
Raise Satisfaction	3.95	0.86
Salary Administration Satisfaction	3.64	0.89
Work Performance	3.92	0.61

Table (3) shows that all the variables that are used in this study have scored more than 3. Particularly, the variables like pay level satisfaction, benefits satisfaction, and raise satisfaction have scored more than 4 that indicate the perceptions of respondents of the banking sector in Nepal about these variables are found sound. In the same way, the variables like salary administration satisfaction and work performance have scored more than 3 that indicate the perceptions of respondents of this sector about these variables are found moderate.

**Correlation Analysis**

Pearson correlation is applied for examining the relationship between selected variables in this study. Table (4) shows correlations for each study variable.

**Table 4: Correlation of the variables (N = 342)**

Scales	PLS	BS	RS	SAS	WP
Pay Level Satisfaction (PLS)	1				
Benefits Satisfaction (BS)	0.15	1			
Raise Satisfaction (RS)	0.27	0.31	1		
Salary Administration Satisfaction (SAS)	0.16	0.25	0.39	1	
Work Performance (WP)	0.67**	0.71**	0.69**	0.51**	1

Significant at \* $p < 0.05$ , \*\* $p < 0.01$  (2-tailed).

The results show that there is a significant relationship between pay level satisfaction and work performance of employees in commercial banks ( $r = 0.67$ ,  $p < 0.01$ ), therefore, the first hypothesis (H1) is accepted. The second hypothesis (H2) proposed a *significant and directly proportional relationship between benefits satisfaction and work performance among employees in the banking sector* and it is supported by the results ( $r = 0.71$ ,  $p < 0.01$ ). This establishes a positive significant relationship between reward satisfaction and work performance of the employees. Consistent with the third hypothesis (H3), *a significant and directly proportional relationship between raise satisfaction and work performance* has been found in this study ( $r = 0.69$ ,  $p < 0.01$ ). Correlation analysis further confirmed that *salary administration and work performance among employees in the banking sector* ( $r = 0.51$ ,  $p < 0.01$ ). From the analysis, it is found that there is a significant relationship among all the variables used in this study.

**Table 5: Summary of Hypotheses Results**

Hypotheses	Decision
H1: There is a significant and directly proportional relationship between pay level satisfaction and work performance among employees in the banking sector.	Accepted
H2: There is a significant and directly proportional relationship between benefits satisfaction and work performance among employees in the banking sector.	Accepted
H3: There is a significant and directly proportional relationship between raise satisfaction and work performance among employees in the banking sector.	Accepted
H4: There is a significant and directly proportional between salary administration and work performance among employees in the banking sector.	Accepted

**VI. Discussion and Conclusion**

The purpose of this study was to examine the relationship between reward satisfaction and work performance. The results are quite good according to the research hypotheses. This study shows that there is a significant relationship between pay levels satisfaction and work performance. This means that if the employees are satisfied with their current pay level, it affects the level of their work performance. The findings of this study are consistent with the study by Till and Karren (2011) who found that pay levels and the reward are related to each other. In the same way, Williams, McDaniel, and Nguyen (2006) found that pay satisfaction is probably a function of the discrepancy of perceived pay level and the amount that the employee believes their pay should be. Hence, one possible explanation for the significant relationship between pay level satisfaction and work performance is that on average the level of satisfaction is that high, and this is evident when looking at the mean pay level satisfaction.

This study also shows that there is a significant relationship between benefits satisfaction and work performance. The results seem to be consistent with the studies that have shown a positive association between satisfaction with benefits and job satisfaction (Berger, 1984; Lust, 1986; Gresham, 2006; Ballentine & Scarpello, 2009). Phelan and Lin (2001) revealed that the satisfaction of workers increases if major promotion schemes are usually practiced in companies. A positive correlation exists between compensation programs and the success of employees. This relation offers an incentive for managers to use the reward system to fine-tune employee actions towards productivity and effectiveness as a motivating factor (Ngwa et al., 2019). Noor et al. (2020) and Rai et al. (2018) also argued the benefits of rewards systems. Based on the finding of the study there is a significant relationship between raise satisfaction and work performance. The finding of this study indicates that when the employees are satisfied, it has some effect on their performance. Based on the study, there is a significant relationship between salary administration and work performance. Therefore, it can be concluded that employee satisfaction towards organizational rewards has a significant and positive relationship with the work performance of the employees. Therefore, this study shows *work performance as an outcome of reward satisfaction*.

## VII. Research Implications

The results of this study are quite beneficial for concerned organizations, managers, and policymakers. Nepalese managers need to provide pay level satisfaction, benefits satisfaction, raise satisfaction, and salary administration satisfaction to increase their work performance and organizational performance. Besides this, they should let the employees to participate in decision making so that employees feel that their opinion is important for organizational development. They also need to provide increments in pay, allowances, compensations, and fringe benefits both periodically as well as on special occasions to the employees for keeping them motivated to increase their performance level (Danish & Usman, 2010). In the same way, they also need to make work contents interesting, so that employees feel their work interesting and meaningful.

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