

The Effect of Performance Rating Systems on Employee Motivation of Nepalese Insurance Companies

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Abstract

This study explores the effects of employee motivational elements, such as training and development (TD), communication (CO), commitment (CT), reward and recognition (RR), and feedback systems (FS) in listed insurance businesses in Nepal. The impact of motivational elements on employee motivation was investigated using the primary data from 405 observations of 24 Insurance Companies. This study examined the link and impact of the aforementioned elements on employee motivation in Nepalese insurance businesses using a correlational and causal research technique. This study identified a relationship between employee motivation (EM) and training and development (TD), communication (CO), commitment (CT), rewards and recognition (RR), and feedback systems (FS). Again, it has been discovered that Employee Motivation (EM) in Nepalese Insurance Companies is significantly influenced by Training and Development (TD), Communication (CO), Commitment (CT), Reward and Recognition (RR), and Feedback System (FS).

Keywords: employee motivation, training and development, communication, commitment, reward and recognition, and feedback system

Introduction

Background of the Study

Performance management is a set of procedures that ensures the effective and efficient accomplishment of goals. It might focus on the operation of a company, a division, a person, or the protocols in place to handle particular responsibilities. Performance management aims to increase team and individual performance capacities to provide organizational success. Performance evaluation is a method of evaluating employee conduct at work that typically considers both the quantitative and qualitative facets of job performance. According to Angelo and Robert (2006), performance evaluation is a discrete, official, organizationally segregated

event that often only occurs once or twice a year. This description indicates the performance dimensions and/or criteria employed in the assessment process.

One of the methods of leadership that are most frequently utilized in businesses is performance evaluation. Performance evaluation is a tool that is used by every organization to evaluate the knowledge and skills of its employees and help them make the best decisions for effective work. The necessity to achieve corporate goals and maintain relevance in fiercely competitive marketplaces is a feature of the current business environment, and this has contributed to the development of performance assessment systems. An effective performance assessment system aids in policing employee behavior. A performance review, feedback, or evaluation is used to determine how well a person is performing to improve or maintain their position. Employee assessment is a method of assessing and reporting on an employee's job. Staff can be gradually made more productive and less competent, and it can signal the need for effective training to raise employee productivity. One of the key responsibilities of human resource management is performance evaluation. It is a procedure that assesses a person's job performance in light of the organization's goals. Every firm can benefit from performance evaluation. Human resource management strategies have a major impact on employee commitment and motivation. Similar findings were made by Nepal (2016) who discovered that performance evaluation, working conditions, and training and development are the main determinants of employee motivation. Likewise, Pandey (2015) found a favorable correlation between employee participation and organizational commitment, job happiness, and perceptions of justice.

The discussion above demonstrated the higher significance of studies examining the connection between employee commitment, feedback systems, and motivation. Although these conclusions apply to Nepal as well as other nations, they do not apply to Nepal based on more recent data. As a result, this study focuses on assessing how well the performance appraisal system works and how it affects employee motivation in Nepalese insurance companies.

Statement of the Problem

One of the responsibilities that insurance and financial companies value the most is understanding human behavior in the workplace. In addition, the continued rivalry and unprecedented development of the insurance network have made it more difficult for them to operate smoothly. Today, the majority of businesses view staff motivation as a critical factor in the enhancement of banks' performance. According to Anjum et al. (2011), clear objectives and standards for evaluating employee performance should be included in an effective assessment, and these standards should be taken into account when passing judgment on the employee. Also, evaluated how performance reviews affected Kenyan commercial banks' staff motivation. The study discovered that employees' motivation was positively impacted by the objectivity of performance reviews and feedback. Brown et al. (2010) investigated the effects of poor performance reviews on three aspects of human resource management (job satisfaction, organizational commitment, and intention to quit). According to the study, employees who had low-quality performance appraisal experiences were more likely to be dissatisfied with their jobs, be less dedicated to the company, and be thinking about leaving it than those who had mixed or high-quality experiences.

Hassan et al. (2013), training on the job has a significant impact on employee retention. The association between training and development is very favorable. Performance evaluation and training procedures significantly and favorably correlate with emotional commitment. The study also demonstrated that normative commitment greatly improves pay and performance evaluation. Pasaoglu (2015) also examined how human resources management techniques affect employee motivation. The study discovered a substantial relationship between organizational commitment and employee motivation and human resources management techniques such as training, performance evaluation, promotion, performance-based rewards, information sharing, job security, and human resources management system. The key determinants of employee motivation in Nepalese commercial banks include training and development, working conditions, and a performance evaluation system. Pokhrel (2016) concluded that employee motivation is favorably connected with the impact of human resource planning, recruiting and selection, training and development, performance evaluation systems, and employee compensation. Training and development, performance reviews, and employee involvement all have a good and significant impact on employee motivation. One of the most crucial and challenging aspects of managing human resources, according to Biswakarma (2016), is separating the performers from the non-performers and creating an environment in which the former is rewarded and driven to do even better while the latter are recognized.

Even Nevertheless, there are the empirical data provided above for Nepal and other nations. Using the most recent statistics, there is not enough proof to support the effectiveness

of performance reviews and employee motivation. Therefore, the following topics are covered in this study as they relate to insurance businesses in Nepal.

- Is there a connection between training and development, communication, commitment, reward and recognition, and feedback systems with employee motivation in Nepalese insurance businesses?
- Does training and development, communication, commitment, reward and recognition, and feedback systems in Nepalese insurance businesses affect Employee Motivation?

Research Objectives

This study's main goal is to examine how well performance reviews work and how they affect employee motivation in Nepalese Insurance companies. The following are the study's precise goals.

- To investigate how employee motivation is correlated with training and development, communication, commitment, reward and recognition, and feedback systems in Nepalese insurance businesses.
- To analyze how employee motivation is affected by communication, reward and recognition, commitment, training and development, and feedback systems in Nepalese insurance businesses.

Research Hypothesis

The hypothesis of the study is as follows:

H₁: There is a significant impact of organizational communication on employee motivation.

H₂: There is a significant impact of training and development on employee motivation.

H₃: There is a significant impact of reward and recognition on employee motivation.

H₄: There is a significant impact of commitment on employee motivation.

H₅: There is a significant impact of the feedback system on employee motivation.

Limitations

The main challenge in performing this type of study in the setting of Nepal is data gathering. The following are the study's main limitations:

- The study's scope was restricted to insurance companies in Nepal, and it did not take into account all the aspects of the performance review process that could affect employee motivation.
- The main data that formed the basis of this investigation. As a result, the correctness of the data provided by the respondents completely determines the validity of the study's conclusions.
- Since the analysis was predicated on the premise that the dependent and independent variables had a linear relationship, non-linearity assumptions were not considered in the investigation.

- A questionnaire had been used to collect the data. A series of interviews should be undertaken to gather more information, as it may indirectly alter the study's findings.

Significance

In Nepalese insurance businesses, the effectiveness of the performance appraisal system and its impact on employee motivation are the foci of this study. The reliability of performance evaluations is difficult to assess, but they are typically distinguished by how employees view them and how committed the firm is to them.

The performance appraisal is a vital tool to measure the frameworks set by any organization to its employees. It is utilized to track individual contributions and performance against organizational goals to identify individual strengths and opportunities for future improvements and assessed whether organizational goals are achieved or services as the basis for companies' future planning and development. Whereas effective organizational commitment is an emotional attachment. Employee motivation is described as a desire to take part in and contribute to organizational goals. With robust oversight from the current employers, staff awareness and dedication to operations will be higher.

Policymakers who seek to comprehend the relationship between the performance appraisal system and its impact on employee motivation in the context of Nepalese insurance businesses would benefit from the study. Additionally, this study may serve as a guide or a point of reference for other studies that are interested in researching a related subject.

Literature Review

Motivation is the force that steers conduct. It refers to a person's readiness to put up the effort and take action in support of organizational goals. Employee motivation is a procedure that assesses if workers are comfortable and happy at work and are getting the things they need. Motivated individuals will carry out their duties and contribute to the achievement of organizational objectives. The motivational elements improve organizational success and personnel performance (Karanika-Murray et al., 2015).

Motivation has a significant positive impact on employee performance and job happiness (Kuvaas, 2006). Employee motivation and performance evaluations are positively correlated. Consequently, there is a relationship between job satisfaction and motivation at work.

A technique for ensuring that recruits have the abilities necessary to carry out their job is through training and development. Organizations offer training so that their employees can reach their full potential to prepare them to perform their jobs as intended (Elnaga & Imran, 2013). Training has an impact on how workers behave and how well they perform, which leads to better performance and other beneficial improvements that inspire workers. According to

Shafiq and Hamza (2017), training and development will help workers by improving their status and career prospects as well as their productivity at work. Communication is one of the most important levers of management that a company can implement for the formation of teams and achieving valuable performance. Atambo and Momanyi (2016) concluded that there is a significant relationship between employee effectiveness as a whole and the organization's levels of communication. Employee motivation requires the simultaneous use of both reward types. The definition of commitment is the individual's reliance on the organization and feeling of self. Employee performance and organizational commitment as demonstrated by their actions in the workplace (Mehrabi et al., 2013). A person's focus and willingness to devote themselves to a certain task or work are referred to as commitment. Trust and locus of control influenced the relationship between job satisfaction and organizational commitment, which was found to be positively correlated with both. Hanaysha (2016) found that organizational commitment is significantly enhanced by employee empowerment.

The most effective methods of motivating people are effective instruction and appropriate feedback. An organization can accomplish its objectives more quickly with the support of positive feedback since motivated people are more likely to work toward them. Positive feedback, according to Erturan-Ilker (2014), improves employee performance and fosters a sense of responsibility for one's work. Training and development have a strong impact on how well employees perform.

Sharma (2015) looked into how Nepalese insurance businesses' employee motivation, satisfaction, and loyalty were affected by human resource policies. The study's primary data sources were a questionnaire survey that was completed by 180 respondents from 20 insurance companies. The study concluded that there is a favorable correlation between employee motivation, contentment, and loyalty in Nepalese insurance businesses and hiring and selection, training and development, compensation, empowerment, and performance rating system. The primary variables impacting employee motivation and staff commitment are recruitment and selection processes. Similarly, the performance rating system has a significant impact on employee satisfaction. In Nepalese insurance businesses, the connection between job happiness and worker performance. The study is based on primary data that was gathered using carefully constructed questionnaires to elicit thoughtful responses from insurance company workers. The study used a 220-person sample size. As a research methodology, multiple regression analysis has been employed. According to the survey, the key determinants of job satisfaction in Nepalese insurance businesses are training and development, working environment, and supervisory support conditions.

Pokhrel (2016) investigated how employee motivation is affected by human resource strategies. The study was based on primary data that was gathered through well-constructed structured questionnaires to obtain the respondents' well-considered thoughts. 173 respondents

served as the sample size for the investigation. The significance and importance of human resource practices on employee motivation in Nepalese insurance companies were examined using multiple regression models. According to the study, human resource strategies have a considerable positive impact on employee engagement, staff commitment, and employee retention in Nepalese insurance companies. Chapagain (2011) examined the connection between worker engagement and job satisfaction. As a sample, four insurance providers from Nepal were used. The study used a questionnaire survey of 200 employees based on primary data. The study sample included employees at all corporate levels, from assistants to managers. Out of 200 samples, 146 individuals responded to the study (73 percent). An explanatory study design was used in the research. The study found a favorable correlation between employee involvement and job motivation. According to the study, job happiness is significantly influenced by employee participation. Participative management and employee involvement are essential to raising and enhancing employee job satisfaction. In Nepalese insurance businesses, Gautam (2016) examined the factors that affect job satisfaction and how they affect organizational performance. 170 responses from 12 insurance companies made up the study's base. The study was conducted using a descriptive design. The strength of the correlation between the variables was evaluated using Kendal's Tau correlation coefficient. The variables of satisfaction were found to include pay and benefits, the nature of the work, opportunities for training and development, promotions, working conditions, and performance evaluation. To calculate the impact of each element on employee job satisfaction and organizational performance, regression analysis was performed. The study found that work satisfaction had a beneficial, albeit not very significant, impact on organizational performance. The effects of employee engagement on three employee outcomes—job satisfaction, employee perceptions of fairness, and organizational commitment—were studied by Pandey (2015). There were 160 observations included in the study. The study found a favorable correlation between employee engagement and organizational commitment, work happiness, and perceptions of employee justice. As a result, to increase staff participation in organizational decision-making, job rotation should be implemented to maintain staff satisfaction and commitment to their work as well as to build trust in the staff through fair judgment, discussion of their interest in a particular job, and involvement of staff in every decision-making process.

Emmanuel (2018) examined how compensation systems affect employee performance as a motivating factor. The goal of the study was to determine what sorts of rewards inspire employees as well as to determine whether comprehensive total rewards programs exist in Irish financial institutions and whether employees are generally aware of these programs. To find answers to the research questions, an inductive technique was used in the study. The study was carried out using a qualitative methodology, and focused groups and interviews were employed to gather data. There were eight people interviewed. There were nine participants in the focus

group. Individual respondents came from a variety of Irish financial industry companies. According to the study's findings, the majority of participants preferred the cash reward scheme, but only for a little time because it did not meet their needs. To affirm competitive benefits who are working for the corporation should be motivated by offering a well-balanced reward, benefit, and recognition system, Trivedi (2019) examined the reward system and its impact on employee motivation. This study investigates the connection between employee motivation and salary, motivation, and advancement. The study adopted a qualitative methodology, and interviews and observational data were employed to get the data. According to the study's findings, any firm that achieves success should examine the service level directly impacted by employee benefits laws and the sustainability of the provided services. The survey also discovered that incentive programs are an effective approach to increasing staff implementation and loyalty.

Methods and Materials

The aim of the study was to find that there is a substantial relationship between several aspects, such as training and development (TD), communication (CO), commitment (CT), reward and recognition (RR), and feedback system (FS) with employee motivation (EM). And also, this study looks at how employee motivation in insurance companies in Nepal is affected by training and development, communication, commitment, rewards and recognition, and feedback systems.

This study adopted a correctional and causal research design to assess the study's objectives. This study is based on primary data. The primary sources of data are used for the quantitative research. The instrument for data collection was the questionnaire method. The self-administered survey questionnaire was used as the main primary data-gathering instrument to assess the opinion of respondents regarding cultural influence. The data are collected through the structured questionnaire from 405 respondents from 24 insurance companies in Nepal. For the analysis of performance appraisal systems that affect employee motivation in Nepalese insurance businesses, the opinions of the respondents were gathered. The questionnaire considers various statements on power distance, collectivism, masculinity, uncertainty avoidance, and long-term orientation. These variables were used as dependent variables to assess the cultural influence on human resource management in Nepalese commercial banks.

Results and Discussion

The relationship between training and development (TD), communication (CO), commitment (CT), reward and recognition (RR), and feedback system (FS) with employee motivation (EM) has been examined in the first part of the analysis of primary data. The second

part of the analysis deals with the effects of these factors on employee motivation in Nepalese insurance companies.

Table 1

Correlation Analysis

	TD	CO	CT	RR	FS	EM
TD	1.000					
CO	0.458**	1.000				
CT	0.292**	0.438**	1.000			
RR	0.426**	0.443**	0.435**	1.000		
FS	0.410**	0.471**	0.471**	0.452**	1.000	
EM	0.320**	0.428**	0.542**	0.433**	0.502**	1.000

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

Table 1 shows the correlation between training and development (TD), communication (CO), commitment (CT), reward and recognition (RR), and feedback systems (FS) of insurance companies with employee motivation (EM) is 0.320, 0.428, 0.542, 0.433, and 0.502 respectively, training and development, communication, and reward and recognition have a low degree and positive correlation and commitment and feedback system have a moderate and positive correlation with employee motivation indicating that the variables have the same direction changing relationship and the coefficients are significant in the population at the 1 percent level. These significant coefficients imply that the relationship between the training and development (TD), communication (CO), commitment (CT), reward and recognition (RR), and feedback system (FS) of insurance companies with employee motivation (EM) of the population is substantial.

Table 2

Model Summary of All Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.568 ^a	0.323	.627	0.644

Predictors: (Constant), TD, CO, CT, RR, and FS

The R-square, also known as the coefficient of determination, is used to explain variation in the model summary. As shown in Table 2, the R-square value is 0.323, implying

that TD, CO, CT, RR, and FS account for 32.3 percent of the variation in the Employee Motivation of Nepalese Insurance Companies. The remaining 67.7 percent, however, remains unexplained in this study. To put it another way, other factors explain the Employee Motivation of Nepalese Insurance Companies that were not taken into account in our study.

Similarly, after modifying the degree of freedom, the adjusted R-square is 0.627, implying that TD, CO, CT, RR, and FS explain 62.7 percent of Employee Motivation in Nepalese Insurance Companies. The standard error of the estimate of 0.644 is also shown in the model summary, indicating the variability of the observed value of Employee Motivation in Nepalese Insurance Companies.

Table 3

ANOVA of all Variables

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	25.165	5	5.033	104.86	.000 ^b
Residual	10.272	399	.048		
Total	35.437	404			

Notes. Dependent Variable: Employee Motivation (EM)

Predictors: (Constant), TD, CO, CT, RR, and FS

Table 3 shows that the F value is 104.86 and the p-value is 0.000 (smaller than alpha), indicating that independent factors influence Employee Motivation in Nepalese Insurance Companies.

Table 4

Regression Analysis for Dependent Variable Employee Motivation (EM)

Model	Unstandardized Coefficients			
	B	Std. Error	t	P-value
(Constant)	-.279	.477	-.133	.892
TD	.645	.152	4.241	.000
CO	.724	.197	3.670	.004
CT	.736	.121	6.081	.000
RR	.646	.119	5.431	.000
FS	.922	.255	3.610	.002

Over the study period, Table 4 shows the regression analysis results for the dependent variable Employee Motivation, and the independent variables training and development, communication, commitment, reward and recognition, and feedback system for Nepalese insurance companies. training and development, communication, commitment, reward and recognition, and feedback systems had beta coefficients of 0.645, 0.724, 0.736, 0.646, and

0.922 respectively, indicating that employee motivation is positively related to training and development, communication, commitment, reward and recognition, and feedback systems. The coefficients are significant at 5% because the p-values of the independent variables' coefficients, 0.000, 0.004, 0.000, 0.000, and 0.002 are less than the 5% level of significance.

Discussion

The study helps to assess how Nepalese insurance companies' employee motivation is affected by their reward and recognition, communication, commitment, training and development, and feedback systems. The sample was made up of 405 observations altogether. Five independent variables, namely TD, CO, CT, RR, and FS are employed in this study, as well as one dependent variable, Employee Motivation of insurance companies. training and development (TD), communication (CO), commitment (CT), reward and recognition (RR), and feedback systems (FS) have a positive and significant impact on Employee Motivation in Nepalese insurance companies. According to Shafiq and Hamza (2017), training and development have an insignificant impact on Employee Motivation. Performance reviews and employee motivation are favorably associated. Consequently, there is a connection between motivation at work and job happiness. Hanaysha (2016) exposed that employee empowerment greatly increases organizational commitment. Effective education and constructive criticism are the best ways to motivate people. Positive feedback helps a company achieve its goals faster because motivated people are more willing to work toward them. Positive feedback, in the opinion of Erturan-Ilker (2014), promotes a sense of responsibility for one's job and enhances employee performance. Performance levels among employees are significantly influenced by training and development. All the previous studies have similar results to this study.

Conclusion

Employee motivation has a low degree and positive correlation with training and development, communication, reward and recognition, and a moderate and positive correlation with commitment and feedback systems, indicating that the variables have a similar direction-changing relationship and the coefficients are significant in the population at the 1% level. The study demonstrates that employee motivation is positively impacted by training and development, communication, commitment, reward and recognition, and feedback systems. The study concludes that in the context of Nepalese insurance firms, communication, commitment, and feedback systems rank as the three most important elements that highly affect employee motivation.

Implications

Employee motivation is positively impacted by training and development. Therefore, an insurance company seeking to inspire its staff should concentrate more on giving them better options for training and professional growth. Rewards and recognition have a favorable effect

on employee motivation. Therefore, an insurance company that wants to inspire its staff must offer a strong system of rewards and recognition. Communication has a good association with employee motivation, thus an insurance firm looking to engage its staff should concentrate on information and idea exchange and correctly and uniquely communicate with each employee. To encourage employees, insurance companies should put more effort into developing effective commitments. There is a strong correlation between employee motivation and the feedback system. The insurance industry must therefore concentrate more on giving employees timely feedback to inspire them.

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