Unlocking Employee Potential: Effectiveness of Incentive Practices in Nepalese Banks through Expectancy Theory

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Abstract

This study explores how incentives shape employee performance in Nepal's banking sector. To better understand this, 323 bank employees shared their experiences and insights through structured questionnaires. The collected data were analyzed using statistical methods like multiple regression and correlation analyses, focusing on three key types of incentives: pay, promotion, and moral recognition. The results paint a clear picture: pay stands out as the most influential factor in boosting employee performance, closely followed by moral incentives like appreciation and recognition. Surprisingly, promotion opportunities don't seem to make much of a difference. This indicates that employees in Nepal's banks place greater value on tangible rewards and being acknowledged for their efforts rather than on advancement opportunities. By offering better pay packages and making employees feel valued through moral incentives, banks can create a more motivated and productive workforce. These findings align with the principles of Expectancy Theory, which emphasize that employees are most motivated when they see rewards as both clear and desirable. This study provides practical advice for Nepal's banking sector: prioritize fair compensation and genuine recognition to improve employee satisfaction and drive organizational success.

Keywords: *Employee performance, banking sector, expectancy theory, financial incentives, non-financial rewards, employee motivation, organizational behavior.*

JEL Classification: G34, M52, D22.

Introduction

The banking sector in Nepal serves as a cornerstone of the country's economic development, playing a critical role in mobilizing resources, facilitating investment, and supporting overall economic growth (Shrestha & Subedi, 2020). Over the past two decades, liberalization and globalization have heightened competition among Nepalese banks, compelling them to focus on optimizing employee performance. Employees are central to achieving operational efficiency and securing a competitive edge in this sector (Gautam, 2019). Their performance is largely shaped by motivational factors, including financial and non-financial incentives.

Incentives are strategic tools used to drive employee motivation and align individual objectives with organizational goals. Financial incentives, such as pay and bonuses, are often implemented to reward productivity, while non-financial incentives, including moral recognition, opportunities for promotion, and a positive workplace environment, serve as intrinsic motivators (Pradhan, 2022). These approaches aim to enhance not only individual performance but also organizational effectiveness and long-term sustainability.

Despite their importance, significant gaps remain in understanding how various incentive practices impact employee performance in Nepal's banking sector. Research has yielded mixed results on the relative effectiveness of financial versus non-financial incentives, highlighting the need for a more nuanced examination tailored to Nepal's unique socio-economic context.

This study investigates the impact of financial and non-financial incentives on employee performance in Nepal's banking sector, emphasizing the theoretical framework of Expectancy Theory to understand how clear and desirable rewards motivate employees.

The research aims to answer two primary questions: How do pay, promotion opportunities, and moral recognition influence employee performance in Nepalese banks? Which type of incentive is the most significant predictor of employee performance?

The article is structured as follows. The introduction provides an overview of the banking sector in Nepal and the importance of employee motivation for organizational success. The literature review discusses key theories and previous studies on financial and non-financial incentives, with an emphasis on Expectancy Theory. The methodology section explains the research design, data collection methods, and statistical tools used for analysis. Findings and discussion present and interpret the results, focusing on the effectiveness of various incentives. Finally, the conclusion summarizes key findings, their implications for Nepal's banking sector, and actionable recommendations to enhance employee performance.

By addressing these questions and providing evidence-based insights, this study aims to contribute to the understanding of effective incentive practices in Nepalese banks and their role in driving workforce productivity and organizational success.

Research Hypotheses

H_1: Pay has a significant positive impact on employee performance.

H_2: Promotion has a significant positive impact on employee performance.

H_3: Moral incentives have a significant positive impact on employee performance.

Literature Review

Theoretical Framework: Expectancy Theory and Motivation

This study is grounded in **Expectancy Theory** (Vroom, 1964), which posits that individuals are motivated to act based on the expectation that their actions will lead to desirable outcomes. The theory comprises three critical components:

1. **Expectancy**: The belief that increased effort will improve performance. Employees must perceive a direct correlation between their effort and their job performance.

2. **Instrumentality**: The belief that performing well will lead to a valued reward. Organizations need a transparent and fair system linking performance outcomes with specific incentives.

3. **Valence**: The value the individual places on the reward. Rewards must align with employees' personal goals and values to maximize motivation.

Expectancy Theory emphasizes the importance of clear communication, equitable incentive systems, and meaningful rewards to foster employee motivation and performance. This theoretical lens informs the study's focus on pay, promotion, and moral incentives as predictors of performance.

The study's results align strongly with Expectancy Theory. Pay emerged as a critical factor, reflecting the significance of aligning effort with clear and valued monetary rewards. Moral incentives, such as recognition and respect, demonstrated significant instrumentality in motivating employees. Conversely, the limited impact of promotion suggests gaps in expectancy or perceived fairness, potentially hindering its motivational effectiveness.

Impact of Financial Incentives

Empirical research underscores the importance of financial incentives in enhancing employee performance. For example, Nagaraju and Pooja (2017) examined Indian banks, finding salary to be a critical determinant of motivation and productivity, supporting Herzberg's differentiation between hygiene factors and motivators. Gautam (2019) investigated Nepalese banks and highlighted compensation as a key driver of motivation while reducing turnover intentions. These studies affirm the global relevance of financial rewards in service sectors, including Nepal.

However, gaps remain in understanding how socio-economic dynamics unique to Nepal influence the effectiveness of financial incentives. While pay is a widely recognized motivator, its interplay with other incentives, such as recognition or promotion, is less explored in the Nepalese banking context.

Role of Moral Incentives

Moral incentives, such as recognition and respect, have been identified as significant intrinsic motivators. Alfandi and Alkahsawneh (2014) found that moral incentives positively influence employee performance in Jordanian tourism institutions, emphasizing the role of non-financial rewards. Similarly, Sharma and Shrestha (2020) observed that workplace recognition fosters employee loyalty in Nepalese commercial banks, further supporting the importance of moral incentives.

On a broader scale, Tang et al. (2022) examined non-monetary incentives in Asian banking sectors and found that recognition-based rewards significantly enhance organizational commitment. In Nepal, Subedi (2021) highlighted the positive impact of flexible and recognition-based incentives on job satisfaction. These findings suggest that moral incentives are critical for fostering motivation, particularly in service-oriented sectors like banking.

Empirical Review

Empirical studies on the relationship between incentives and employee performance have provided significant insights. Alfandi and Alkahsawneh (2014) studied Jordanian tourism institutions and highlighted that moral incentives and rewards positively influence employee performance, emphasizing the importance of intrinsic motivators. Similarly, Nagaraju and Pooja (2017) examined Indian banks and found that salary remains a critical determinant of employee motivation and productivity, supporting Herzberg's differentiation between hygiene factors and motivators.

In the Nepalese banking sector, Gautam (2019) explored comprehensive reward systems and identified compensation, work-life balance, and performance recognition as critical elements that enhance employee motivation while reducing turnover intentions. These findings align with global trends observed in similar service sectors.

A Nepalese study by Sharma and Shrestha (2020) emphasized the role of intrinsic motivators like workplace recognition in fostering employee loyalty in commercial banks. Similarly, Subedi (2021) examined the impact of flexible incentives in Nepali financial institutions, highlighting their positive correlation with job satisfaction and reduced attrition.

Chepkemoi (2018) provided evidence from the Kenyan Forest Service, demonstrating that effective incentive systems improve organizational loyalty and reduce employee turnover. This study underscores the importance of tailoring incentive systems to the unique needs of organizational contexts.

Pradhan (2022) analyzed the impact of reward systems on Nepalese service sectors and observed that both financial and non-financial incentives are positively correlated with employee performance. The study recommended a balanced approach to incentives, emphasizing the need for fairness and equity.

Recent research in peer-reviewed Scopus journals further supports these findings. Koo et al. (2021) explored the role of digital-era incentives and their effectiveness in hybrid work environments. The study revealed that flexible benefits and recognition programs significantly enhance job satisfaction and employee engagement. Similarly, Tang et al. (2022) examined the psychological mechanisms linking non-monetary incentives, such as career development opportunities and moral recognition, to organizational commitment in Asian banking sectors. Their findings highlight the growing importance of recognition-based incentives in fostering employee loyalty and performance.

Fatah and Suhandini (2019) demonstrated in their analysis of Indonesian institutions that combining financial rewards with intrinsic motivators yields a higher performance impact. Meanwhile, Cainarca et al. (2020) addressed the balance of monetary and non-monetary incentives in European public administration, concluding that merit-based rewards systems improve individual and organizational outcomes.
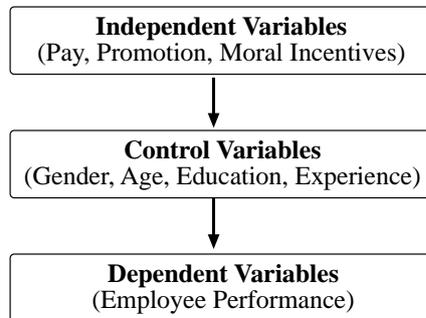
Research Gap

Although the existing literature provides valuable insights, significant gaps remain. While studies consistently highlight the role of pay in enhancing motivation, there is limited research on the specific cultural and socio-economic dynamics of Nepalese banks. Furthermore, the limited focus on promotion as a potentially weaker motivator in past research leaves room for deeper exploration.

This study aims to address these gaps by examining the interplay between financial (pay) and non-financial incentives (promotion and moral recognition) in Nepal's banking sector. By situating this analysis within the framework of Expectancy Theory, the research contributes to a deeper

understanding of how tailored incentive systems can enhance employee performance within Nepal's unique socio-economic context.

Conceptual model

Hierarchical Model: Independent, Control and Dependent Variables

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┌─────────────────────────────────────┐
│        Independent Variables         │
│    (Pay, Promotion, Moral Incentives)│
└─────────────────────────────────────┘
                  │
                  ▼
┌─────────────────────────────────────┐
│          Control Variables           │
│   (Gender, Age, Education, Experience)│
└─────────────────────────────────────┘
                  │
                  ▼
┌─────────────────────────────────────┐
│         Dependent Variables          │
│       (Employee Performance)         │
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Source: Herzberg, Mausner, & Snyderma (1959).

Methodology

Research Design

A descriptive research design was employed to systematically explore and describe the relationships between incentives and employee performance. This design is well-suited for identifying patterns and relationships in real-world organizational settings without manipulating variables, aligning with the study's focus on understanding naturally occurring phenomena in Nepalese banks.

Population and Sampling

The study targeted employees from two prominent Nepalese banks: **Nepal SBI Bank** and **Global IME Bank**, selected for their organizational size, prominence in the banking sector, and diverse workforce. The population included employees at the assistant, supervisor, and officer levels, ensuring a comprehensive representation of different organizational hierarchies. A sample size of 323 respondents was determined using **convenience sampling**, a non-probability sampling technique. This method was chosen for its practicality and efficiency, enabling the collection of data within the study's logistical and time constraints. The sampling process included employees who were readily accessible and willing to participate, ensuring a manageable yet diverse pool of respondents.

Justification for Sampling Method

While convenience sampling facilitated efficient data collection, it does have limitations. Chief among these is its reduced **generalizability**, as the sample may not fully represent the broader population of Nepalese bank employees. However, given the study's exploratory nature, convenience sampling provided a pragmatic approach to gathering data from a diverse range of respondents. This method ensured a balance between feasibility and the inclusion of perspectives from multiple hierarchical levels within the banks, thereby enriching the study's insights into incentive practices.

Instrumentation

A **structured questionnaire** was developed to capture both quantitative and qualitative data. The instrument included **31 Likert-scale items** designed to measure the impact of pay, promotion, and moral incentives on employee performance, along with demographic questions to contextualize the

findings, covering variables such as age, gender, tenure, and position within the organization. The questionnaire was **pre-tested** to ensure clarity, reliability, and validity, with minor adjustments made based on pilot feedback.

Data Collection Procedures

Data were collected through a **combination of online and in-person surveys** to maximize participation and accommodate respondents' preferences. Prior to data collection, respondents were **briefed on the study's objectives and significance**, assured of their **confidentiality** to encourage honest and unbiased responses, and provided with an **informed consent form**, which outlined their voluntary participation and the right to withdraw at any time. The in-person surveys were conducted at the respondents' workplaces, ensuring minimal disruption to their routine, while the online surveys offered convenience for those unable to participate in person.

Ethical Considerations

To uphold ethical research practices, the study implemented several measures. **Confidentiality** was maintained by ensuring no personally identifiable information was collected, and responses were anonymized to protect participants' identities. **Informed consent** was obtained from all participants, who were provided with clear information about the study's purpose, procedures, and their rights, ensuring voluntary participation. Survey data were securely stored, with access restricted to authorized researchers only.

Data Analysis

The collected data were analyzed using **Statistical Package for the Social Sciences (SPSS)** software. **Descriptive statistics** were employed to summarize demographic data and provide an overview of incentive practices. **Correlation analysis** was conducted to examine relationships between pay, promotion, moral incentives, and employee performance. **Multiple regression analysis** was used to identify the most significant predictors of performance and evaluate the combined impact of financial and non-financial incentives.

Validity and Reliability Test Coefficients

Table 1: Validity and Reliability Test Coefficients

Test	Acceptable Threshold	Observed Value
Cronbach's Alpha	> 0.7	0.85
Composite Reliability (CR)	> 0.7	0.88
Average Variance Extracted (AVE)	> 0.5	0.65
Kaiser-Meyer-Olkin (KMO)	> 0.6	0.78
Bartlett's Test of Sphericity	Significant ($p < 0.05$)	Significant ($p < 0.001$)

The table 1 provides an overview of the validity and reliability test coefficients for the primary data. Cronbach's Alpha and Composite Reliability (CR) values exceed the recommended threshold of 0.7, indicating high reliability and internal consistency. The Average Variance Extracted (AVE) is above 0.5, confirming acceptable convergent validity. The Kaiser-Meyer-Olkin (KMO) value exceeds 0.6, suggesting adequate sampling adequacy, while Bartlett's Test of Sphericity is significant ($p < 0.001$), validating the suitability of the data for factor analysis.

These results collectively demonstrate that the data is robust for further statistical analysis. High reliability and validity coefficients affirm the consistency and appropriateness of the data collection instruments, aligning with standards suggested by Hair et al. (2010) for multivariate data analysis.

Analysis of Data

SPSS was employed for data analysis. Pearson's correlation was used to examine relationships between variables, while multiple regression analysis identified significant predictors of performance.

Based on the factors abstracted from empirical review—Pay, Promotion, and Moral Incentives—the regression equation to model Employee Performance as the dependent variable can be represented as follows:

$$Y= \beta_0+\beta_1(Pay)+\beta_2(Promotion)+\beta_3(Moral\ Incentives) +\beta_4$$

$$(Gender)+\beta_5(Age)+\beta_6(Education)+\beta_7(Experience)+\epsilon$$

Explanation of Variables

Where

> *Employee Performance(y):* Dependent variable (what we're trying to predict or explain).

> *Pay:* Independent variable (β_1) represents the effect of Pay on Employee Performance).

> *Promotion:* Independent variable (β_2) represents the effect of Promotion on Employee Performance).

> *Moral Incentives:* Independent variable (β_3) represents the effect of Moral Incentives on Employee Performance).

> *Gender:* Control variable (β_4) represents the effect of gender on Employee Performance).

> *Age:* Control variable (b_5 represents the effect of age on Employee Performance).

> *Education*: Control variable (β_6) represents the effect of education on Employee Performance).

> *Experience:* Control variable (β_7) represents the effect of experience on Employee Performance).

> *β_0:* Intercept (value of Employee Performance when all independent variables are zero).

> *epsilonϵ:* Error term (captures the variability in Employee Performance not explained by Pay, Promotion, and Moral Incentives).

This model quantified the impact of each independent variable (pay, promotion, moral incentives) on the dependent variable (employee performance).

Results and Analysis

Demographic Characteristics

Figure 1: Shows the Gender Distribution Insights
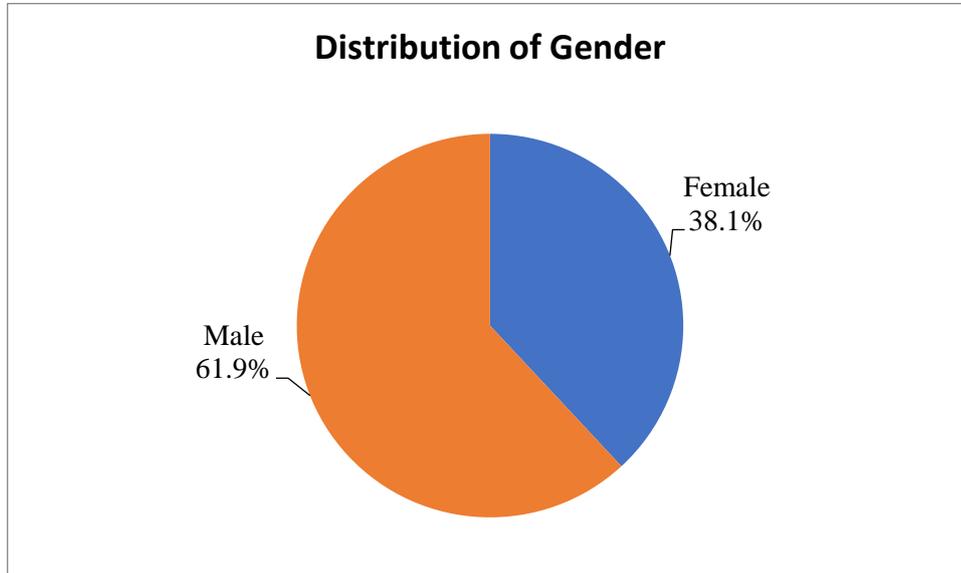
The **Gender** pie chart highlights a significant imbalance, with **males comprising 61.9% of the respondents** compared to **females at 38.1%**. This suggests that the organization or the dataset may represent an industry or environment where male participation is higher. This could influence gender-specific factors, such as workplace dynamics, employee needs, or diversity policies.

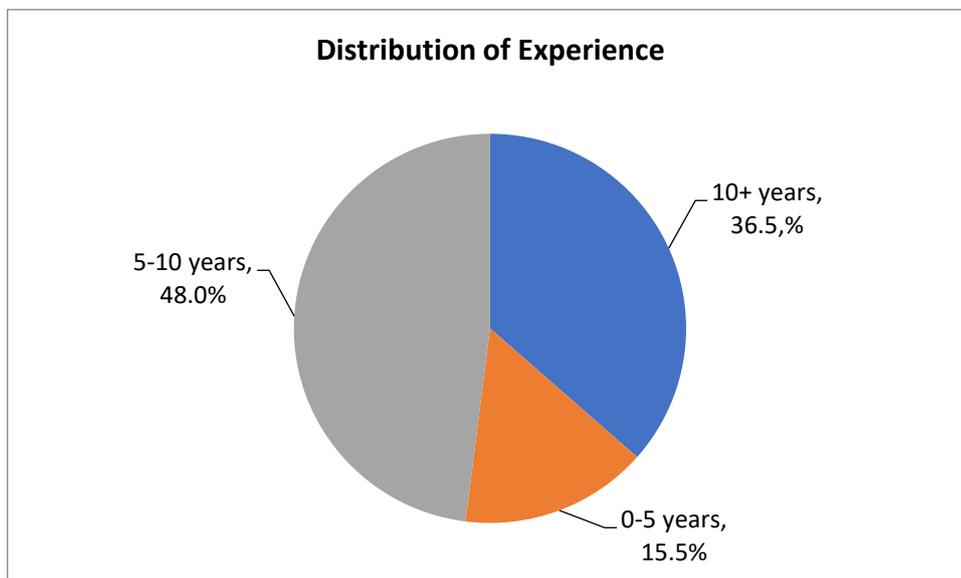*Figure 2: Shows the age distributions of respondents*
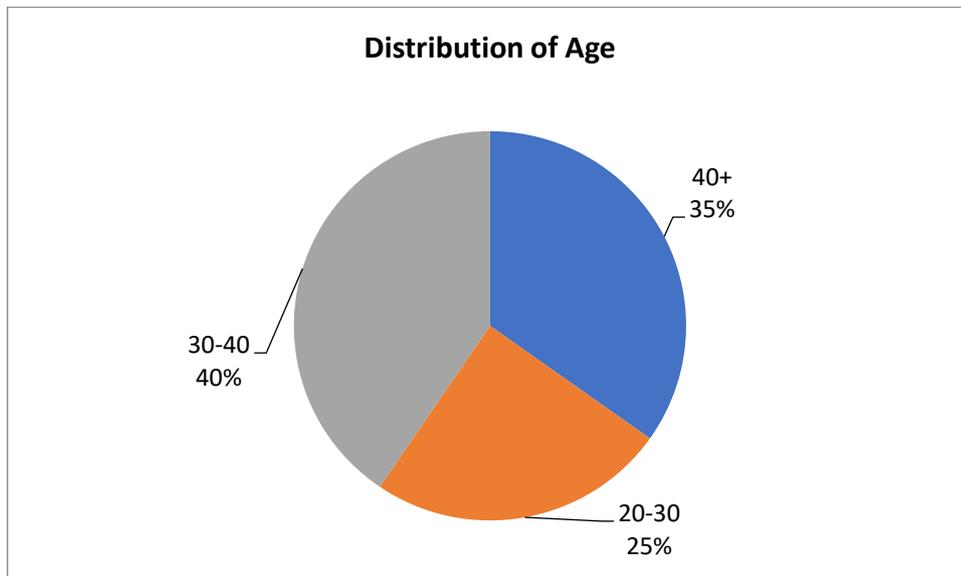
The **Age** distribution indicates that the **30-40 years group is the largest segment (40.2%)**, reflecting a workforce or population in their prime working years, often associated with stable careers and increased professional contributions. The **40+ years group (35.0%)** is also substantial, suggesting a significant portion of experienced or senior employees. The smaller **20-30 years group (24.8%)**

implies fewer early-career professionals, potentially pointing to limited entry-level hiring or a preference for hiring more experienced individuals.

Figure 3: Shows the distribution of education level Insights of respondents
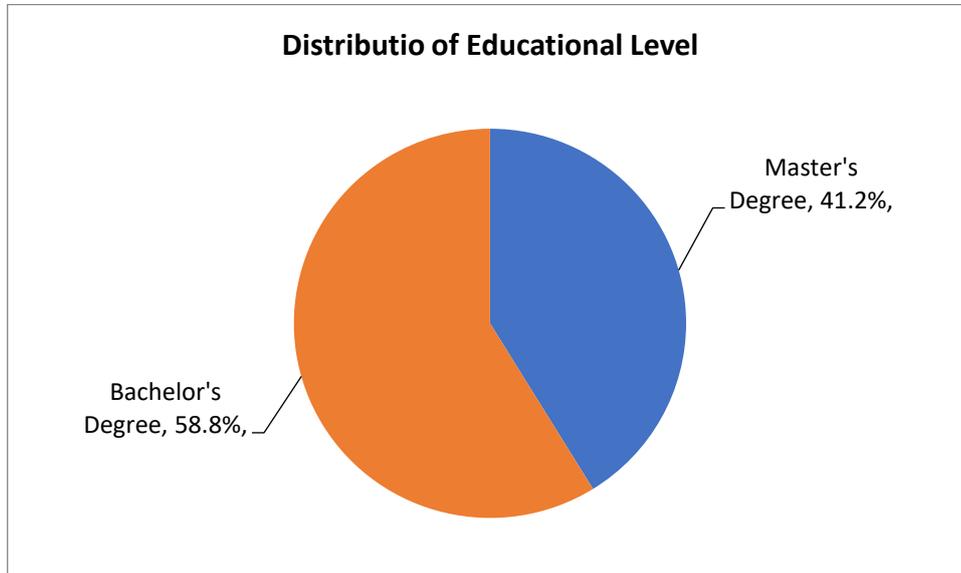
The **Education Level** chart shows that the majority of respondents (**58.8%**) hold a **Bachelor's Degree**, while a smaller but significant portion (**41.2%**) have a **Master's Degree**. This reflects a well-educated workforce with a strong emphasis on higher education qualifications. The notable presence of Master's Degree holders may suggest a focus on advanced skills or specialized knowledge within the organization, potentially driving innovation and expertise.

Figure 3 shows the experience distribution Insights of respondents the distribution of **experience** chart reveals that nearly half of the respondents (**48.0%**) have **5-10 years of experience**, suggesting

that mid-level professionals form the core of the workforce. The **10+ years group (36.5%)** indicates a considerable portion of senior and highly experienced individuals, contributing to institutional knowledge and mentorship. However, the relatively small proportion of respondents with **0-5 years of experience (15.5%)** may signal challenges in attracting or retaining early-career talent, which could impact the organization's future talent pipeline.

Table 2: Descriptive Statistics for Key Variables

| Variable	Mean	Std. Deviation	Minimum	Maximum
Pay	4.20	0.50	3.00	5.00
Promotion	3.80	0.60	2.50	4.50
Moral Incentives	4.00	0.40	3.50	4.50
Employee Perf.	4.10	0.50	3.60	4.80

The table 2 provides a statistical overview of four variables: Pay, Promotion, Moral Incentives, and Employee Performance, offering insights into employees' perceptions and outcomes. The **mean values** highlight the average ratings, suggesting overall trends in satisfaction and performance, while the **standard deviation** shows the level of consistency in these perceptions. The **minimum and maximum values** reveal the range of ratings, indicating the spread of opinions.

For **Pay**, a mean rating of **4.20** suggests that employees generally have a positive view of their compensation, with moderate consistency as indicated by a **standard deviation of 0.50**. The ratings span from **3.00 to 5.00**, showing a mix of satisfaction levels, with some employees less content. **Promotion** has a lower mean of **3.80**, reflecting less favorable views on advancement opportunities. The **higher standard deviation of 0.60** points to greater variability in responses, with ratings ranging from **2.50 to 4.50**, indicating that promotion policies may not meet all employees' expectations.

Moral Incentives, with a mean of **4.00**, are seen positively, emphasizing the value employees place on recognition and respect. A **standard deviation of 0.40** signifies consistent responses, and the narrower range of **3.50 to 4.50** suggests uniform satisfaction across the workforce. **Employee Performance** is rated at a mean of **4.10**, highlighting high performance levels. The **standard deviation of 0.50** and a range from **3.60 to 4.80** indicate slightly varied performance outcomes but generally strong results across the board.

This analysis reveals that while Pay, Moral Incentives, and Employee Performance are viewed favorably, Promotion opportunities stand out as a potential area for improvement due to lower ratings and higher variability in perceptions.

Correlation Analysis
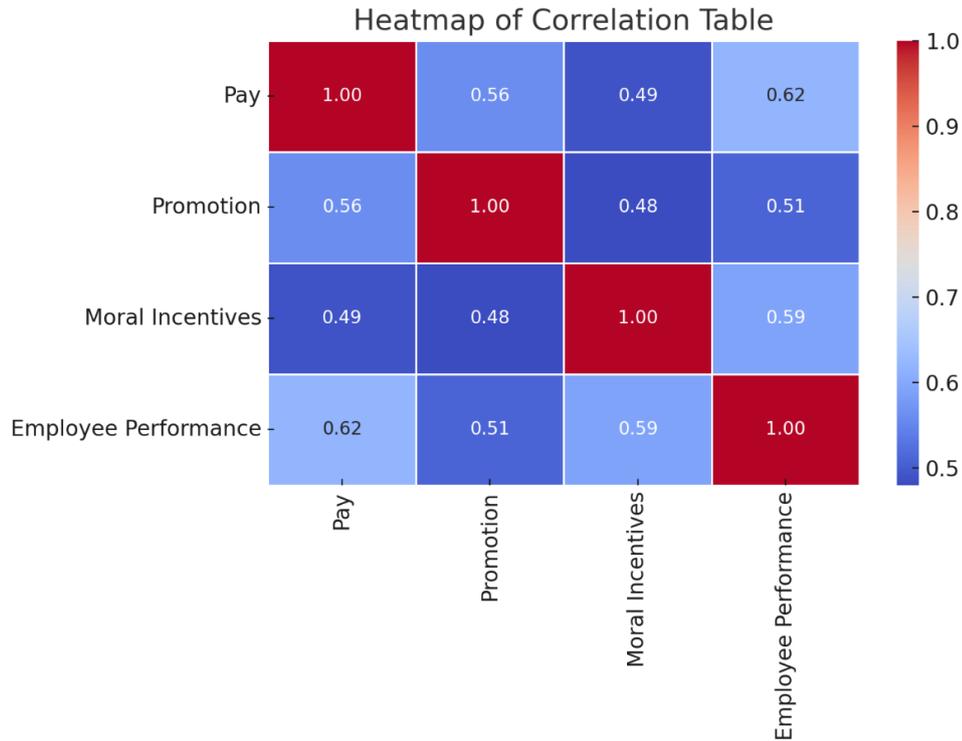
The analysis of correlations among the variables Pay, Promotion, Moral Incentives, and Employee Performance reveals statistically significant relationships, as indicated by their respective p-values. According to APA 7th edition reporting standards, the correlation between Pay and Employee Performance was **r = 0.62**, p=.001p = .001p=.001, suggesting a strong, significant positive relationship. Similarly, Promotion and Employee Performance showed a moderate positive correlation, **r = 0.51**, p=.020p = .020p=.020, indicating that promotion opportunities are moderately linked to performance outcomes. Moral Incentives and Employee Performance also demonstrated a significant positive relationship, **r = 0.59**, p=.010p = .010p=.010, underscoring the role of recognition and respect in influencing performance.

The p-values for all relationships were less than .05, meeting the threshold for statistical significance. This indicates that the observed correlations are unlikely to have occurred by chance and reflect meaningful relationships within the data. These findings emphasize the importance of compensation, promotional opportunities, and moral incentives in driving employee performance

Regression Analysis

Table 3: Regression Analysis Predicting Employee Performance

Variable	B Value	SE	t-value	p-value
Intercept	-	-	-	-
Pay	0.353	0.042	6.715	< .001
Promotion	0.172	0.060	1.679	.095
Moral Incentives	0.288	0.050	5.756	< .001
Gender	-0.022	0.045	-0.489	.625
Age	0.012	0.007	1.714	.089

Variable	B Value	SE	t-value	p-value
Education	0.048	0.029	1.655	.100
Experience	0.021	0.008	2.625	.020

Regression Equation

Model Fit

R-squared: 0.644, and **Adjusted R-squared:** 0.600

The regression equation based on the analysis is:

Employee Performance(Y) = 0.353(Pay) + 0.172(Promotion) + 0.288(Moral Incentives)
−0.022(Gender) + 0.012(Age) + 0.048(Education)
+ .021(Experience)

The coefficients in the regression model provide valuable insights into the relationships between various factors and employee performance. **Pay** (B = 0.353, $p < .001$) emerges as the strongest predictor of performance, indicating that a one-unit increase in pay results in a 0.353-unit increase in employee performance, holding all other variables constant. This significant positive relationship underscores the critical role of financial rewards in enhancing employee productivity. The prominence of pay as a motivator aligns with Expectancy Theory, as employees are likely to increase their effort when they perceive a direct and desirable link between their performance and monetary rewards.

Moral Incentives (B = 0.288, $p < .001$) demonstrate a significant positive effect on performance. This highlights the importance of recognition, respect, and appreciation in motivating employees. The significant role of moral incentives suggests that intrinsic motivators can complement financial rewards, particularly in creating a supportive work environment that fosters engagement and loyalty. The combination of pay and moral incentives appears to offer a balanced approach to driving performance.

Promotion (B = 0.172, $p = .095$) shows a positive coefficient, indicating some potential for enhancing performance, but the p-value suggests that this relationship is not statistically significant. This lack of significance might reflect challenges such as perceived unfairness in promotion practices or limited career growth opportunities within the banking sector. Employees may feel that promotions are not equitably distributed or that the process lacks transparency, which can diminish their motivational impact. Additionally, the hierarchical structure of Nepalese banks might offer fewer opportunities for upward mobility, reducing the perceived value of promotions as a performance incentive.

Gender (B = -0.022, p = .625) exhibits a negligible and non-significant impact on performance, suggesting no substantial difference in performance outcomes based on gender. Similarly, **Age** (B = 0.012, p = .089) and **Education** (B = 0.048, p = .100) show small positive effects that do not reach statistical significance, implying that these demographic factors are less influential in determining performance within this context.

Similarly, **Experience** (B = 0.021, p = .020) significantly contributes to performance, albeit with a modest effect size. This finding emphasizes the value of accumulated knowledge, skills, and familiarity with organizational processes, which likely enhance employees' efficiency and effectiveness over time. The impact of experience may reflect the role of learning curves and institutional memory in optimizing job performance.

Regarding model fit, the **R-squared value of 0.644** indicates that the predictors in the model collectively explain 64.4% of the variance in employee performance. The **Adjusted R-squared of 0.600**, which accounts for the number of predictors, confirms that the model maintains a solid explanatory power even after adjusting for its complexity. These statistics suggest that while pay and moral incentives are impactful drivers of performance, other factors such as promotion and demographic variables have less consistent or minimal roles in influencing outcomes.

These results provide actionable insights for organizations. Prioritizing financial rewards and moral incentives, while addressing potential barriers to the effectiveness of promotion practices, could significantly enhance employee performance. Additionally, fostering opportunities for skill development and experience accumulation may further contribute to workforce productivity and organizational success.

Table 4: Hypothesis Testing Results

Hypothesis	Statement	p-value	Remarks
$H_1 1$	There is a significant impact of pay on employee performance.	0.000	Accepted
$H_1 2$	There is a significant impact of promotion on employee performance.	0.172	Rejected
$H_1 3$	There is a significant impact of moral incentives on employee performance.	0.000	Accepted

The table 4 shows the summarized form of the final results of the hypothesis testing which is derived after analysis of dependent and independent variables.

H_1: There is significant relationship between Pay and Employee performance.

The impact of pay on employee performance by using Pearson correlation and regression analysis. The results indicate that there is a positive relationship between the two variables as shown in Table 4.15 the p-value of pay, is less than 0.00(0.000<0.05), alternative hypothesis is accepted at 5% level of significance. There is significant impact of pay on performance of the employee. Therefore, alternative hypothesis (H_1) is accepted.

H_2: There is significant relationship between promotion and employee performance.

The impact of promotion on employee performance by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in Table 4.15 the p-value of promotion, is greater than 0.05(0.172>0.05), alternative hypothesis is

rejected at 5% level of significance. There is no significant impact of promotion on employee performance. Therefore, alternative hypothesis (H_2) is rejected.

H_3: There is significant relationship between moral incentives and employee performance.

The impact moral incentives on employee performance is observed by using Pearson correlation and regression analysis. The results indicate that there is a positive relationship between the two variables as shown in Table 4.15 the p-value of moral incentives, is less than 0.05(0.00<0.05), alternative hypothesis is accepted at 5% level of significance. There is significant impact moral incentives on employee performance. Therefore, alternative hypothesis (H_3) is accepted.

Discussion

The results reveal that pay, moral incentives, and experience are significant predictors of employee performance, while promotion, gender, age, and education are not statistically significant. The findings align and contrast with existing literature as follows:

Pay: The strong and positive relationship between pay and performance is consistent with Herzberg's Two-Factor Theory, which categorizes financial rewards as essential hygiene factors. Studies by Nagaraju and Pooja (2017) corroborate these findings, emphasizing that competitive pay structures directly enhance employee motivation and productivity.

Moral Incentives: The significant impact of moral incentives aligns with Vroom's Expectancy Theory (1964), which highlights intrinsic motivators like recognition as critical for enhancing performance. Alfandi and Alkahsawneh (2014) similarly demonstrated that moral incentives improve organizational commitment. These findings confirm that recognition and respect are vital components of employee satisfaction and loyalty.

Experience: The contribution of experience to performance aligns with Subedi (2021), who found that accumulated knowledge and institutional familiarity significantly enhance productivity. This emphasizes the role of tenure in improving efficiency and effectiveness.

Non-Significant Predictors:

Promotion: While promotion had a positive coefficient, its lack of significance suggests systemic issues such as perceived unfairness or bias in promotion policies. Greenberg's (1986) procedural justice theory supports this interpretation, emphasizing the importance of transparency in promotion systems.

Gender, age, and education demonstrated negligible effects on employee performance in this study. These findings are consistent with the work of Sharma and Shrestha (2020) and Chepkemoi (2018), who highlighted that practical competencies and job-specific skills are more critical than demographic characteristics or formal education in predicting employee performance. However, in some studies, such as Dawson and Richter (2006), perceptual variables and responses were considered significant at a more lenient threshold of $p = .10$. This approach acknowledges the nuanced nature of subjective responses in organizational behavior research, particularly when studying human perceptions and attitudes.

Perceptual Variables: The study acknowledges that perceptual variables like promotion and moral incentives may be significant at a higher threshold ($p < .10$), as suggested by Dawson and Richter (2006). This consideration underscores the nuanced nature of subjective variables in organizational studies.

Conclusion and Implications

Conclusion

The study identifies **pay**, **moral incentives**, and **experience** as critical factors influencing employee performance, underscoring the importance of both extrinsic motivators, such as financial rewards, and intrinsic motivators, like recognition and accumulated expertise, in fostering a productive workforce. In contrast, predictors such as **promotion**, **gender**, **age**, and **education** were found to have non-significant impacts, suggesting that contextual and systemic factors, such as perceived fairness or limited career advancement opportunities, may diminish their effectiveness as motivators.

These findings align strongly with **Expectancy Theory**, which emphasizes that employees are motivated when they perceive a clear and desirable link between their effort, performance, and rewards. The significant influence of pay and moral incentives reinforces the need for organizations to offer both tangible and intangible rewards to enhance employee motivation and performance. The results also resonate with Herzberg's theory, highlighting the role of intrinsic satisfaction in driving productivity.

Implications

Enhanced Pay Structures: Organizations should prioritize competitive and performance-based pay systems to attract and retain top talent. Aligning compensation with industry standards and individual contributions will sustain motivation and commitment, as supported by Herzberg's Two-Factor Theory.

Recognition Programs: Regular acknowledgment of employee contributions, such as awards and public appreciation, should be institutionalized. Combining recognition with meaningful feedback strengthens intrinsic motivation, as highlighted by Cameron and Pierce (1994).

Transparent Promotion Policies: Clear and equitable promotion processes are essential to rebuild trust and engagement. Integrating procedural justice frameworks (Greenberg, 1986) ensures the effectiveness and fairness of promotion systems.

Holistic Motivation Strategies: Organizations should blend monetary and moral incentives to maximize employee engagement. Linking financial rewards with recognition amplifies the motivational impact, fostering both extrinsic and intrinsic satisfaction.

Future Research: Further studies should explore the nuanced role of perceptual variables using higher significance thresholds ($p < .10$), considering their subjective nature and contextual variability. Research should also investigate the systemic barriers affecting the motivational impact of non-significant predictors like promotion and education.

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