

**Impact of Job Satisfaction on Performance of Employees Working Nepalese
Life Insurance Companies, Kathmandu, Nepal**

Gunja Kumari Sah¹ and Shiva Prasad Pokharel²

¹Principal author

Lecturer

Faculty of Management, Patan Multiple Campus, Lalitpur, Tribhuvan University,
Nepal

Email: gunja.sah@pmc.tu.edu.np

ORCID: <https://orcid.org/0000-0003-2461-1394>

²Corresponding author

Associate Professor

Faculty of Management, Patan Multiple Campus, Lalitpur, Tribhuvan University,
Nepal

Email: pokhrelshivaji@gmail.com

Abstract

Employee satisfaction is essential for an organization's success and survival. Job satisfaction measures how happy workforces are with their jobs and working environment. Many factors involve improving or maintaining high satisfaction rates, which wise insurance sectors would do well to implement. Employees' job satisfaction is a multi-disciplinary concept that results from their perception of their jobs and the degree to which a good fit exists between them and the insurance sector. This study aims to examine the relationship between job satisfaction dimensions and employee performance, and it also explores how satisfaction influences employee performance in life insurance sectors. Descriptive and causal-comparative research designs were employed to examine the relationship and explore the dimensions. Data have been gathered from the 240 respondents through stratified sampling techniques and entered into SPSS version 20 for the analysis. The correlation result of the study clarified that there was a positive and significant relationship between job satisfaction constructs and employee performance. As per regression analysis, payroll had a higher influence on job performance than other factors and was positively significant. So, the payroll system affected employees satisfaction to increase their performances. It has also reported significant positive relationships between interpersonal relationships and employee performance. However, there was an insignificant relationship between working environment and job performance.

Keywords: employees performance, interpersonal relationship, job satisfaction, pay and working environment

Introduction

Background of the Study

For the last few decades, job satisfaction and employee performance have been researchable issues for practitioners and researchers. Job satisfaction is an essential factor in increasing job performance. Employee performance depends upon the satisfaction level of employees. Every organization seeks to create satisfied employees to manage the organization's competence. However, the total organizational performance depends on the well-organized and valuable performance of individual employees of the organization (Katebi et al., 2022). Prior research has linked job satisfaction and job performance with different sectors. The insurance industry is among them, and during the past ten years, it has been one of the service sector's most sought-after research topics.

Insurance has a long history that predates human civilization. Around 5000 years ago, insurance sectors was developed (Vaughan, 1996). Mutual insurance was first proposed in England in the late 17th century to pay for fire-related losses. The cooperative insurance sector first emerged. Benjamin Franklin founded the Philadelphia contributionship for the Insurance of Houses From Loss by Fire in 1752, which marked the start of the mutual insurance sector in the United States (Wright, Virginia, & Janice, 1994).

The insurance sector in Nepal has a short history. The insurance sector grew during the 20th century. In 1947 (2004 BS), the first insurance company developed, " Nepal Mal Chalani tatha Beema Adda," currently known as Nepal Insurance Company. Nepal Bank Limited and private shareholders jointly developed Nepal Insurance Company. Previous to that, Most Indian insurers' branches were doing business in Nepal, which was unregulated. They sold their policies without registering their agency in Nepal from the 1930s till 1967s and life insurance policies till 1974 (Ghimire, 2020; Sharma, 2017). The insurance Act 1968 was developed to regulate the insurance market, and first, Rastriya Beema Sansthan was established as a national insurance company in 1968 under the particular act.

Currently, 40 insurers (20 non-life, 19 life, and a reinsurer) are in operation. The insurance industry gradually increased, and insurance penetration reached almost 3.2% in FY 2076/77. Thus, the Insurance Act of 1968 was also replaced by the new Insurance Act of 1992 to fulfill the demands of the evolving circumstances (Beema Ain, 2049). More insurance companies mean more career opportunities. Nepal has many career opportunities due to the growth of insurance companies. The insurance company has provided job opportunities to 9,296 employees. In Nepal, there are currently 5,534 people working for life insurance companies (IB, 2021).

Job opportunity provides employees to perform their tasks. Employees are provided with the resources they need to fulfill their job responsibilities, so their performance is always based on how satisfied they are with their employment. This research work established the relationship between job satisfaction dimensions and job performance. Maulana & Susanto (2020) found that job satisfaction is a strong determinant of increasing job performance. Job satisfaction has an impact on work performance both directly and indirectly. The association between job satisfaction and job performance has long piqued the interest of researchers (Ram, 2013).

Attaining high-performance levels through productivity and efficiency has long been a top concern for organizations. A delighted workforce is an absolute requirement for an organization's growth. Satisfied worker leaders inspire others to put in more effort for job performance, so they work harder and better. For more than a half-century, job satisfaction has been an important research topic for behavioral scientists, managers, and organizations. Job satisfaction is still crucial for firms because employees who are happy with their jobs are likelier to put in extra effort (Bakan et al., 2014).

Employees in insurance sectors play a significant role in the organization's development. The insurance company's success depends on managing and retaining qualified, skilled, experienced, and energetic workers. In today's competitive market, the insurance sector should strive to boost employee job satisfaction by inspiring them while also focusing on company development (Aksu, 2000). Organizations in this competitive era strongly desire to hire and retain qualified people. The insurance companies' performance evaluation has become an absolute necessity for employees and employers in many ways to obtain its objectives. Numerous psychological and behavioral characteristics must be considered when evaluating employees following their professional and social elements (Khanal, 2020).

Research Problems

This evaluation method has evolved into a superior dimension for helping and managing personnel performance in today's Nepalese competitive insurance market. This method invariably values an employee's whole contributions, and so recognizes the critical relationship between employee performance and psychological elements such as job satisfaction. This study aims to determine job satisfaction's effects on employees' job performance in insurance companies. It explores the association between job satisfaction and the respondents' job performance and to examine the impact of job satisfaction on employee performance.

Therefore, this research examines the impacts of job satisfaction dimensions on employees' job performance in the Insurance Industry. It explores the relationship between the dimensions of job satisfaction and the respondents' job performance, thereby cross-checking whether the former influences the latter in a positive sense or not.

The following questions are concentrated in this research:

- What is the relationship between job satisfaction dimensions and employee performance?
- Which dimensions of job satisfaction influences on employee's performance?

Research Objectives

Based on the research question, the primary objectives are:

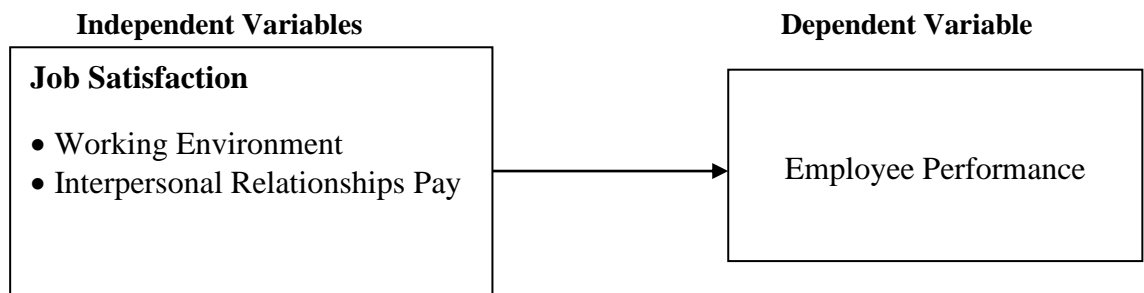
- To examine the relationship between job satisfaction dimensions and employee performance.
- To explores the dimensions of job satisfaction influences on employee performance.

Research Framework

Based on the research objectives, the research framework explains as follows:

Figure 1

Research Framework



Note. (Locke, 1970).

Figure 1 shows the research framework, which includes working environment, interpersonal relationships and pay as independent variables of job satisfaction and employee performance as a dependent variable. The hypotheses were used to test the relationship between independent and dependent constructs.

Research Hypotheses

To explore the link between independent and dependent constructs, hypotheses H₁, H₂, and H₃ were developed. The hypotheses are:-

H₁: Working environment and employee performance are significantly associated

H₂: Interpersonal relationships and employee performance are significantly associated

H₃: Pay and employee performance are significantly associated.

Literature Review

According to a relevant literature study, most studies are based on the individual construct of job satisfaction and employee performance, emphasizing insurance sectors. Analyzing the relationship between job satisfaction and employee performance is critical for Nepal's insurance sector's growth. Job satisfaction consists of primary constructs such as working environment, interpersonal relationships, and pays to examine the impact on employee performance.

Working Environment on Employee Performance

Job satisfaction as people's emotional orientation toward the role and responsibility they play at work (Vroom, 1964). It is a necessary component for employee motivation and encouragement to perform better. Vroom explained the working environment positively influences employee job satisfaction. Ineffective working conditions make it difficult for employees to demonstrate their abilities and reach their full potential, so businesses must recognize the value of a decent working environment (Raziq & Maulabakhsh, 2015). The working atmosphere of a company is crucial for employee satisfaction. They are constantly uneasy and in an inappropriate situations. The organization's productivity increased by establishing and maintaining a proper work environment (Tahir, 2015). The work aimed to assess the impact of the job satisfaction construct of the working environment on employee performance. This work was done to test the association between working environment and employee performance.

Interpersonal relationship on Employee Performance.

Interpersonal relationships are crucial in building and promoting trust, pleasant feelings, and images among employees in the workplace. Thus, the relationship between a supervisor and a subordinate or coworkers should be strengthened. The relationship expanded for the circumstance to result in job satisfaction. The interaction between leaders and associates can improve job performance and satisfaction. Interpersonal relationships involve the formation of social networks. It implies the development of social friendships and links between individuals at the organization. It can be referred to as the subjective experience of top to lower-level employees in maintaining connections with other individuals (Zolak Poljašević et al., 2021). This research study was also designed to examine the relationship between the interpersonal relationship of job satisfaction on employee performance.

Pay on Employee Performance.

Pay for performance is strongly tied to taking the business to new heights and optimizing the performance (Chaudhary, 2016). Pay is a necessary construct that affects employee job satisfaction in the organization. It also helps to increase employee performance. Job involvement, work inspiration, employee performance, and motivation are all influenced by salary satisfaction. That salary satisfaction positively influences employees performance in both public and private sectors (Chaudhry et al., 2011). The research study also wanted to explore the connection between

Materials and Methods

The descriptive and causal-comparative research design used in the study to address the fundamental concerns linked with job satisfaction's impact on employees' job performance in the Nepalese life insurance sectors. The descriptive research design was used in this study to gather facts and identify relevant information about job satisfaction and job performance of employees in the Nepalese life insurance sectors. This design was deemed appropriate because the study included clearly stated variables and sought to conclude possible correlations between the investigation variables (Cooper & Schindler, 2014).

The causal-comparative research design was also employed in this study to determine the cause and effect link between job satisfaction and employee performance. The causal-comparative research design seeks to discover the reason or implications of existing disparities between variables and the relationship between independent and dependent variables. Samples were taken from all life insurance companies by stratified sampling techniques. The data were collected by primary sources from 240 employees by a standardized questionnaire graded on a 5-point Likert scale, with 1 representing strongly disagree and 5 representing strongly agree. Data were entered into SPSS 20 for further analysis to determine the relationship and its effect. Correlation analysis used to examine the relationship between working environment, interpersonal relationship, pay and employee performance. Regression analysis employed to identified the influential dimension of job satisfaction on employee performance.

Results and Discussion

The research work includes the level of employee satisfaction and their impact on performance based on gender, age group, level of education, and organization position. Table 1 demonstrates the level of satisfaction based on demographic status. Demographic status is shown in table 1, which includes gender status, age group, level of education, and occupation position by level of employee satisfaction.

Table 1

Demographic Profile of Respondents

Demographic Status		Employee Satisfaction			Total %
		Low	Average	High	
Gender	Male	41	57	68	69.17
	Female	26	29	19	30.83
	Total	67	86	87	100

Age Group	18-24	9	4	3	6.67
	25-29	10	10	6	10.83
	30-34	33	43	35	46.25
	35-39	7	16	34	23.75
	40 and above	8	13	9	12.5
	Total	67	86	87	100
Education	Intermediate and Below	9	4	7	8.33
	Bachelor degree	48	56	41	60.42
	Master degree	10	26	39	31.25
	Total	67	86	87	100
Organization Position	Assistant	22	13	17	21.66
	management Trainee	32	34	40	44.17
	Officer	9	37	24	29.17
	Manager	4	2	6	5.00
	Total	67	86	87	100

Note. Field Survey, 2022.

Table 1 shows a profile of the life insurance Company employee in Nepal. The majorities of employees were males, 166 with 69.17% highly satisfied. However, the least females were highly satisfied. In terms of age group, most respondents were aged between 30 to 34, with 111 with (46.25 %) moderately satisfied, ages 35 to 39 were highly satisfied, and ages between 18-24, 40 and above were least satisfied. Regarding qualification, most respondents were bachelor's degree holders, 60.42% were moderately satisfied, and the least was from intermediate and below 8.33% were also moderately satisfied; however, master's degree holders were highly satisfied. According to organization position, most employees were management trainee level 44.17% highly satisfied, least of manager and assistant were moderately satisfied level were delighted. However, the majority of officer-level of employees were moderately satisfied.

Descriptive statistics are used to sum up the data. The mean and standard deviation were used to explain the data (Marshall & Jonker, 2010; Thompson, 2009). According to Table 2, the mean scores of the composite variables in this study ranged between 3.801 and 3.399, indicating that nearly all respondents agreed with the job satisfaction components and job performance.

Table 2

The Descriptive Statistics of Different Constructs to Analyze Customer Satisfaction

Constructs	Mean	Std. Deviation
Promotion	3.662	0.759

Working Environment	3.801	0.791
Interpersonal Relationship	3.712	0.844
Employee Job Performance	3.399	0.911

Note. Field Survey, 2022.

Table 2 also denotes a standard deviation of between 0.759 and 0.911. The mean number should be more than 3, and the standard deviation should be less than 1(Thompson, 2009). In table 2, all the constructs had a mean value larger than 3 and a standard deviation less than 1. (Zolak Poljašević et al., 2021) also found mean value was more significant than 3, and the standard deviation value was less than 1.

Correlation analysis is used to test the relationship between two or more constructs. The value of the correlation coefficient varies between +1 and -1. It can be high or low and positive or negative. The correlations coefficients vary from -1 to +1 indicating perfect negative and positive association. A correlation coefficient value of 0 implies there is no relationship. The constructs having correlation coefficient values lower than 0.40 are said to be low. The value between 0.40 and 0.60 indicates a moderate relationship. The value between 0.60 to 0.80 is a high association, and above 0.80 is very strong relationship (Isaac, 2018). The correlation analysis is shown in Table 3.

Table 3

Correlation Analysis to examine the association between WE, IR, Pay and EJP

Item	Working Environment	Interpersonal Relationship	Pay	Employee Job Performance
Working Environment	1			
Interpersonal Relationship	.677** 0	1		
Pay	.747** 0	.638** 0	1	
Employee Job Performance	.536** 0	.543** 0	.583* *	1

** Correlation is significant at the 1% significance level (2-tailed).

b Listwise N=240

Note. Field Survey, 2022.

Table 3 shows job satisfaction dimensions working environment, interpersonal

relationship, and pay are moderately correlated with employee job performance. All the independent constructs are positively significant at 1% level. The working environment is highly correlated with interpersonal relationships and spay. However, it is moderately associated with employee job performance. Similarly, interpersonal relationships are highly correlated with pay factors and moderately correlated with employee job performance. Bakan et al.(2014) also found a moderate positive correlation between job satisfaction with job performance. Asekun, 2016; M. & Durai (2017) also identified a high correlation between pay and satisfaction rate.

The impact of the independent variables on the dependent variable was tested using regression analysis demonstrated in Table 4.

Table 4

Regression Analysis

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
1 (Constant)	0.491	0.246	0.047
Working Environment	0.096	0.107	0.372
Interpersonal Relationship	0.286	0.092	0.002
Pay	0.396	0.081	0.000

a Dependent Variable: Employee Job Performance

R = 0.726; R²= 0.497; S. E. = 0.615; F-value = 50.629,

p-value of F-test = 0.000.

Sig. at 5% level

Note. Field Survey, 2022.

Based on the above findings following regression model has been developed.

$$\hat{Y}=0.491+ (0.096) X_1+ (0.286) X_2+ (0.396) X_3$$

The coefficient analysis in table 4 shows the relationship between the dependent and each independent variables. The regression coefficient of the working environment in the regression coefficient analysis was 0.096, indicating that a 1% change in the working environment leads to a 9.6% positive change in employee job performance in the Nepalese life insurance sector. The corresponding p-value was 0.372, which is greater than the level of significance (α) = 0.05, signifying that the working environment has an insignificant impact on employee job performance in the Nepalese life insurance sector. However, Tahir (2015) argued that the working environment helps enhance employees' productivity. Similarly, Kinzl et al.(2005) explained that more emphasis should be placed on improving

working circumstances, such as giving anesthetists more control over their work pace and schedule, to increase job satisfaction.

Similarly, the regression coefficient of interpersonal relationships was 0.286, reflecting that a 1% change in a relationship leads to a 28.6% change in the performance of employees. Likewise, the regression coefficient of payroll in the regression coefficient analysis was 0.396, indicating that a 1% increase in payroll leads to a 39.6% positive change in employee job performance in the Nepalese life insurance sector. The corresponding p-value of interpersonal relationships and payroll were 0.002 and 0.000, respectively, which was less than the significance level (α) = 0.05, signifying that interpersonal relationship and payroll significantly impacts employee job performance in the Nepalese life insurance sector. Lodisso (2019) also reported a significant relationship between interpersonal relationships and job satisfaction. Chaudhary (2016) also payroll for performance directly and positively impacted job satisfaction at various Delhi/NCR private sector banks.

It also shows that the F-value and p-value of the regression model were 50.629 and 0.000, respectively, which was significant at a 5% significance level. So, the model became linear. R-square of the model was 0.497, which means the model was estimated 49.7 % employee performance variation of job satisfaction constructs and the remaining 50.3% by other constructs. According to the findings of Bakan et al.(2014), job satisfaction had a favorable impact on job performance and occupational commitment. Therefore, improving working conditions, rewards, and benefits significantly increases job satisfaction; nonetheless, increased job satisfaction impacts performance (Yuen et al., 2018).

Conclusion

This research analyzes the relationship between job satisfaction and job performance. Organizations frequently overlook the impact of job satisfaction in terms of working environment, interpersonal relationships, and pay on employee performance. Employee performance always depends upon the satisfaction level of the employees. So, the study's result explained a positive and significant relationship between job satisfaction constructs and employee performance. It also reported that payroll significantly impacts performance rather than other factors. The payroll system influences employees to increase their performance. In the organization, every employee is a human and wants a relationship because it maintains satisfaction and improves job performance. Job

satisfaction has various benefits for employees, including less moral stress, creative thinking, and innovation that leads to high-performance levels, a fresh mind, and strong relationships with coworkers, supervisors, and employees, among other things (Bakan et al., 2014).

Implication

The current study focused solely on companies in the life insurance market. A more significant sample would have been more accurate in representing other insurance industry employees. Another choice is to conduct the same survey among employees from various industries.

The current study limited the number of sectors by focusing primarily on enterprises in the life insurance market. Another alternative is to conduct the same survey on employees from other sectors. This will present a comparable picture of personnel in the life and non-life insurance industries. Furthermore, the current study only included four employee categories. This will lead to more realistic representation in several other areas. This study only looked at how three constructs affect job satisfaction and performance. However, other elements that influence performance, such as leadership, organizational culture, climate, and others.

Limitations of the Study

The research was limited to only the life insurance company, and further research should be carried out on the other category insurance sectors of Nepal to identify the effect of satisfaction on performance.

Reference

- Aksu, A. A. (2000). Hotel management affecting the success of external environmental factors. *Balikesir University of Social Sciences Institute Journal*, 3(4), 269-281.
- Asekun, W. A. (2016). Survey of pay satisfaction, job satisfaction and employee turnover in selected business organisations in Lagos, Nigeria. *Global Journal of Social Sciences*, 14(1), 1–8. <https://doi.org/10.4314/gjss.v14i1.1>
- Bakan, I., Buyukbese, T., Ersahan, B., & Sezer, B. (2014). Effects of job satisfaction on job performance and occupational commitment. *International Journal of Management & Information Technology*, 9(1), 1472–1480. <https://doi.org/10.24297/ijmit.v9i1.668>
- Chaudhary, S. (2016). Job satisfaction and pay for performance (P4P). *IOSR Journal of Business and Management*, 01(01), 55–60. <https://doi.org/10.9790/487X-15010010155-60>

Chaudhry, M. S., Sabir, H. M., Rafi, N., & Kalyar, M. N. (2011). Exploring the relationship between salary satisfaction and job satisfaction: a comparison of public and private sector organizations. *The Journal of Commerce*, 3(4), 1–14.

Cooper, D. R., & Schindler, P. S. (2014). *Business research methods* (Twelfth edition). McGraw-Hill/Irwin.

IB (2021). Annual Report, Insurance Board of Nepal

Isaac, E. (2018). Test for significance of Pearson's correlation coefficient. *International Journal of Innovative Mathematics, Statistics & Energy Policies*, 6(1), 11–23.

Katebi, A., HajiZadeh, M. H., Bordbar, A., & Salehi, A. M. (2022). The relationship between “job satisfaction” and “job performance”: a meta-analysis. *Global Journal of Flexible Systems Management*, 23(1), 21–42.
<https://doi.org/10.1007/s40171-021-00280-y>

Khanal, N. (2020). Review on insurance and their present status in Nepalese economy. *Management Dynamics*, 23(1), 239–252. <https://doi.org/10.3126/md.v23i1.35583>

Kinzl, J. F., Knotzer, H., Traweger, C., Lederer, W., Heidegger, T., & Benzer, A. (2005). Influence of working conditions on job satisfaction in anaesthetists. *British Journal of Anaesthesia*, 94(2), 211–215. <https://doi.org/10.1093/bja/aei035>

Locke, E. A. (1970). Job satisfaction and job performance: A theoretical analysis. *Organizational Behavior and Human Performance*, 5(5), 484–500. [https://doi.org/10.1016/0030-5073\(70\)90036-X](https://doi.org/10.1016/0030-5073(70)90036-X)

Lodisso, S. L. (2019). The effects of interpersonal relationship on employees' job satisfaction: the case of education department, Hawassa city administration. *IOSR Journal of Business and Management*, 21(3), 21–27.

Maulana, M. I., & Susanto, P. (2020). Job satisfaction and job performance: the role of motivation, organizational citizenship behavior and organizational commitment: *Proceedings of the 5th Padang International Conference On Economics Education, Economics, Business and Management, Accounting and Entrepreneurship (PICEEBA-5 2020)*, 152, 831–842.
<https://doi.org/10.2991/aebmr.k.201126.091>

M., Shaju., & Durai, S. (2017). A study on the impact of job satisfaction on job performance of employees working in Automobile Industry, Punjab, India. *Journal of Management Research*, 9(1), 117–130. <https://doi.org/10.5296/jmr.v9i1.10420>

Marshall, G., & Jonker, L. (2010). An introduction to descriptive statistics: A review and practical guide. *Radiography*, 16(4), e1–e7. <https://doi.org/10.1016/j.radi.2010.01.001>

- Ram, D. P. (2013). Relationship between job satisfaction and job performance in the public sector a case study from India. *International Journal of Academic Research in Economics and Management Sciences*, 2(2), 16–35.
- Raziq, A., & Maulabakhsh, R. (2015). Impact of working environment on job satisfaction. *Procedia Economics and Finance*, 23, 717–725. [https://doi.org/10.1016/S2212-5671\(15\)00524-9](https://doi.org/10.1016/S2212-5671(15)00524-9)
- Sharma, P. R. (2017). An overview of insurance services in Nepal. *Janapriya Journal of Interdisciplinary Studies*, 2(1), 12–20. <https://doi.org/10.3126/jjis.v2i1.18061>
- Tahir, M. T. (2015). Impact of working environment on employee's productivity: A case study of Banks and Insurance Companies in Pakistan. *European Journal of Business and Management*, 7(1), 329–346.
- Thompson, C. B. (2009). Descriptive data analysis. *Air Medical Journal*, 28(2), 56–59.
- Vaughan, E. J. (1996). *Risk Management*. New York: Wiley. ISBN 978-0471107590.
- Vroom, V.H., (1964) *Work and Motivation*, New York, John Wiley & Sons
- Wright, J. Virginia, W., Janice, A. (1994). *The History of the National Association of Mutual Insurance Companies, A Century of Commitment, 1895-1995*. Indianapolis, IN: National
- Yuen, K. F., Loh, H. S., Zhou, Q., & Wong, Y. D. (2018). Determinants of job satisfaction and performance of seafarers. *Transportation Research Part A: Policy and Practice*, 110, 1–12. <https://doi.org/10.1016/j.tra.2018.02.006>
- Zolak Poljašević, B., Došenović, D., & Todorović, M. (2021). Interpersonal relationship as a factor of job satisfaction. *Sted Journal*, 3(1), 22–29. <https://doi.org/10.7251/STED2101021Z>