# Effect of Employee Wellbeing on Employee Engagement in Development Banks of Butwal Sub-Metropolitan City

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# ARTICLE INFO

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### Abstract

The study intends to examine the effect of employee wellbeing dimensions-Conciliation, Confidence. Cultivation, Communication, and Compensation on employee engagement in development banks of Butwal Sub-metropolitan City. With the growing emphasis on human capital, understanding the factors that enhance engagement is vital for sustainable organizational performance. A total of 149 employees from development banks in Butwal were surveyed using a structured questionnaire based on a five-point Likert scale. The study adopted both descriptive and causal research designs. Purposive sampling was employed to select participants, and data were analyzed using correlation and regression techniques to assess the relationship between employee wellbeing factors and employee engagement. The findings revealed that among the various dimensions of employee wellbeing, Conciliation (work-life balance) and Compensation (financial and non-financial rewards) significantly influenced employee engagement. These two factors demonstrated a strong positive correlation and emerged as key predictors in the regression analysis, highlighting their role in promoting higher levels of engagement among banking employees. Development banks should prioritize initiatives that support work-life balance and offer competitive compensation packages to enhance employee engagement. By fostering a supportive environment that addresses both personal well-being and financial security, banks can improve job satisfaction, reduce turnover, and boost overall performance. HR policies must be reoriented to reflect the central role of conciliation and compensation in employee engagement strategies.

Keywords: Human capital development, workplace balance, organizational commitment, incentive structures, workforce motivation

### Introduction

Employee wellbeing and engagement have become pivotal concerns for organizations throughout Asia, including India and Nepal, as these countries navigate rapid economic growth, technological advancement, and evolving workplace dynamics. In Asia, a recent study by Aon and TELUS Health (2023) revealed that 82% of employees face moderate to high mental health risks, highlighting the critical need for organizations to prioritize employee wellbeing to sustain productivity and resilience. In India, despite relatively high employee engagement rates compared to global averages, only 14% of employees report thriving in their roles, with many struggling with emotional distress, excessive workloads, and inadequate work-life balance (Gallup, 2024; Thathampilly, 2024). These challenges contribute to high turnover intentions and underscore the necessity for more effective engagement and wellbeing strategies. Nepal is experiencing similar pressures, intensified by rapid organizational changes and sociocultural factors. The HR landscape in Nepal is rapidly transforming, with increased adoption of technology and a growing focus on employee wellbeing and mental health programs, including flexible work arrangements and data-driven HR practices (Sujit KC, 2025). However, challenges such as high staff turnover, skill shortages, and the need for continuous upskilling persist (NecoJobs, 2025). Empirical studies in Nepalese commercial banks demonstrate that factors such as attitude, motivation, workplace environment, and organizational values

significantly influence employee engagement, with training and leadership support playing crucial roles in enhancing engagement levels (Niraula, Kharel, & Mainali, 2023; Niraula & Kharel, 2025). Despite these advances, gaps remain in consistently integrating comprehensive wellbeing and engagement frameworks tailored to the unique sociocultural and organizational contexts of Nepal and India. Addressing these gaps is essential for fostering sustainable employee engagement and optimizing organizational performance in the region.

Employee wellbeing refers to a holistic encompassing mental, emotional, financial health. social. and physical, reflecting an employee's overall quality of life and satisfaction within and beyond the workplace. Wellbeing influences resilience, productivity, and engagement, contributing to reduced absenteeism and a positive organizational culture (ADP, 2024). Employee engagement, on the other hand, is defined as the emotional and cognitive commitment employees have toward their organization and its goals. Engaged employees exhibit enthusiasm, dedication, and discretionary effort, driven by factors such as recognition, career development opportunities, supportive leadership, and a positive work environment (Gallup, 2024; Thathampilly, 2024).

Historically, the concept of employee wellbeing originated from early industrial concerns with occupational health and safety, evolving in the late 20th century to include psychological and social dimensions. Employee engagement emerged as a formal

academic and managerial construct in the 1990s, gaining prominence through research linking engagement to organizational outcomes such as productivity, retention, and customer satisfaction. In Asia, the adoption of these concepts has accelerated in recent decades due to globalization, competitive pressures, and the recognition of human capital as a strategic asset (ADP, 2024).

Research interest employee wellbeing and engagement has been triggered by several pressing issues in Asia, including the high prevalence of workplace stress and mental health risks, low levels of thriving employees, and rising disengagement and turnover rates (Aon & TELUS Health, 2023; Gallup, 2024). Organizational changes, sociocultural pressures, and inadequate human resource practices further exacerbate these challenges. In Nepal, studies have highlighted the significant impact of HRM components such as workplace environment, motivation, and organizational values on employee engagement, emphasizing the need for targeted interventions (Niraula et al., 2023). Moreover, training efficiency, leadership support, and work alignment have been empirically shown to positively influence engagement in Nepali commercial banks (Niraula & Kharel, 2025).

Several factors hinder employee engagement in India and Nepal. Excessive workloads, lack of recognition, and limited career advancement opportunities contribute to employee dissatisfaction and turnover. Organizational cultures that do not foster participation and open communication leave employees feeling undervalued and

disconnected. In Nepal, rapid organizational change and socio-cultural expectations intensify workplace stress, while the absence of comprehensive stress management programs limits employees' coping abilities (Niraula et al., 2023; NPRC Journal, 2024). In India, emotional distress, poor work-life balance, and perceived limited growth opportunities further impede engagement (Thathampilly, 2024). These barriers collectively reduce organizational performance, increase absenteeism, and hinder the development of a resilient workforce.

Despite growing awareness. critical gap remains in developing integrated wellbeing and engagement frameworks that are culturally and contextually relevant to India and Nepal. Existing research often treats wellbeing and engagement separately, without exploring their interdependencies or sector-specific challenges. There is an urgent need for empirical studies that investigate how holistic wellbeing initiatives can sustain employee engagement in rapidly evolving work environments. Addressing this gap will enable organizations to design effective strategies that enhance employee satisfaction, productivity, and organizational resilience in the South Asian context. The objectives of the study are: To measure the relationships among Conciliation, Confidence, Cultivation, Communication, Compensation Employee Engagement and to measure the effect of Conciliation, Confidence, Cultivation, Communication, and Compensation Employee Engagement.

## Literature Review

### Theoretical Review

The relationship between employee wellbeing-operationalized through dimensions of conciliation. confidence. cultivation. communication. and compensation-and employee engagement well supported by contemporary organizational psychology theories models. The 5Cs model, proposed by Shuck et al. (2021), explicitly identifies these five factors as the primary drivers of employee engagement and wellbeing, particularly relevant in dynamic and stressful environments such as the COVID-19 pandemic. Conciliation refers to the balance between work and personal life, confidence relates to trust in leadership and job security, cultivation involves opportunities for growth and development, communication encompasses transparent and supportive exchanges, and compensation covers fair and motivating rewards. This model posits that addressing these dimensions holistically enhances employee wellbeing, which in turn fosters higher engagement levels by fulfilling employees' fundamental needs (Shuck et al., 2021).

(Deci Self-Determination Theory & Ryan, 1985) further supports this linkage by emphasizing that satisfaction of basic psychological needs-autonomy, competence, and relatedness-is essential for intrinsic motivation and wellbeing, which drive behaviors. engagement For example, conciliation supports autonomy by enabling work-life balance; cultivation satisfies

competence through skill development; communication nurtures relatedness by fostering connection; confidence builds trust and security; and compensation reinforces the value and fairness perceived by employees. When these needs are met, employees are more likely to be emotionally and cognitively invested in their work, leading to sustained engagement (CORE, 2024).

The AON-Hewitt model (Seenit, 2022) complements this by identifying key drivers of engagement that overlap with the 5Cs, such as quality of life basics (including work-life balance and job security), rewards (compensation and recognition), and opportunities (cultivation). It highlights that business outcomes like productivity and customer satisfaction are directly influenced by employee engagement, which is in turn shaped by wellbeing factors.

WeThrive's 4C model (WeThrive, 2025) also aligns with this framework by focusing on cognitive, capability, connection, and confidence aspects of employee experience. This model underscores how confidence (trust and security) and connection (communication and relationships) are critical psychological components that enhance engagement, reinforcing the importance of the 5Cs dimensions in practical organizational contexts.

In the specific context of development banks in Butwal Sub-Metropolitan City, these theoretical frameworks provide a robust foundation to understand how employee wellbeing components influence engagement. For instance, policies supporting conciliation through flexible work arrangements can reduce burnout and improve focus; confidence-building measures transparent leadership and job security foster trust; cultivation via training and career development enhances skills and motivation; effective communication strengthens inclusion and clarity; and fair compensation motivates commitment and loyalty. Empirical evidence from similar sectors demonstrates that these factors collectively explain significant variance in employee engagement, underscoring their importance for organizational success (Shuck et al., 2021; CORE, 2024).

# Empirical Review and Hypothesis Development

# H<sub>1</sub>: There is a significant effect of Conciliation on Employee Engagement.

Conciliation. often understood as work-life balance and flexibility, has been shown to significantly influence employee engagement. In Nepal, Pandey et al. (2024) found that work-life balance partially mediates the relationship between emotional and behavioral engagement and job performance in the pharmaceutical sector, highlighting conciliation's critical role in fostering engagement. Similarly, studies in Indian organizations emphasize that flexible work arrangements and support for personal commitments enhance employee engagement and reduce burnout (Thathampilly, 2024). These findings align with broader Asian research that identifies work-life balance as a key driver of engagement and wellbeing (Aon & TELUS Health, 2023).

# H<sub>2</sub>: There is a significant effect of Confidence on Employee Engagement.

Confidence. encompassing trust in leadership and job security, is positively correlated with employee engagement. Research in Nepalese commercial banks demonstrates that workplace safety and comfort-elements that build confidenceare significantly associated with higher engagement levels (Niraula, Kharel, & Mainali, 2023). In India, Gallup (2024) reports that employees' confidence in organizational stability and transparent leadership strongly predicts their engagement. Across Asia, confidence is recognized as a foundational psychological need that motivates employees and fosters commitment (CORE, 2024).

# H<sub>3</sub>: There is a significant effect of Cultivation on Employee Engagement.

Cultivation, referring to opportunities for learning and development, consistently shows a positive impact on engagement. Niraula et al. (2023) found that training and development programs in Nepal's banking sector significantly enhance employee engagement by improving skills motivation. In the Indian IT sector, targeted cultivation through up skilling initiatives has been linked to higher engagement and job satisfaction (IJFMR, 2023). Asian studies broadly confirm that career development opportunities are among the strongest predictors of sustained employee engagement (ADP, 2024).

# H<sub>4</sub>: There is a significant effect of Communication on Employee Engagement.

Effective communication is critical for fostering employee engagement. In Nepal, research highlights that transparent and inclusive communication practices in commercial banks improve employees' emotional connection and participation, thereby increasing engagement (Niraula et al., 2023). Indian studies similarly emphasize that open communication channels and feedback mechanisms are vital for employee involvement and motivation (Seenit, 2022). Across Asia, communication is widely regarded as a core driver of engagement, enabling trust and clarity in organizational goals (Shuck, Zigarmi, & Owen, 2021).

# H5: There is a significant effect of Compensation on Employee Engagement.

Compensation remains fundamental factor influencing employee engagement in Nepal and India. A study on Nepal Telecom employees found that compensation, along with career development and work environment, significantly impacts engagement levels (Shrestha, 2019). Indian research also identifies pay and rewards as key predictors of engagement, especially when perceived as fair and aligned with performance (Gallup, 2024). Across Asian countries, competitive and equitable compensation packages are essential to attract, motivate, and retain engaged employees (Aon & TELUS Health, 2023).

# Methodology

This study adopts both descriptive and explanatory research designs. The descriptive design is employed to present an accurate

profile of events, persons, or situations related to employee wellbeing and engagement within development banks. It helps in systematically describing the characteristics and practices of employees in the given context. The explanatory design, on the other hand, seeks to explain the cause-and-effect relationship between employee wellbeing and employee engagement. This dual design enables the study to not only outline the current state of employee engagement but also to investigate how various dimensions of wellbeing influence it.

A research population is a large collection of individuals or entities that possess a common characteristic and are the focus of a scientific investigation. In this study, the population comprises employees of development banks operating within Butwal Sub-Metropolitan City. According to a field survey conducted in 2024, there are eight development banks in the area with a total of 180 employees.

Since the number of employees is manageable and limited to a specific area, the study adopts a census sampling approach. Hence, the entire population of 180 employees serves as the sample size of the study, ensuring comprehensive coverage and minimizing sampling error.

The study primarily relies on primary data as the main source of information. Primary data refers to original data collected directly from the source for the specific purpose of the research. In this study, data were collected directly from the employees of development banks through the administration of a

structured questionnaire.

A questionnaire was selected as the research instrument due to its practicality, ease of distribution, and suitability for collecting data from a relatively large population. A total of 180 questionnaires were distributed among the employees of the selected development banks. Out of these, 149 were returned, resulting in a response rate of 83%, while 31 questionnaires were not returned.

The questionnaire included items measured on a five-point Likert scale, allowing respondents to express the extent of their agreement or disagreement with each statement, which facilitated quantification and statistical analysis.

# **Methods for Data Analysis**

The data collected in this study were analyzed using both descriptive and inferential statistical methods. Descriptive statistics such as frequency tables, percentages, mean, and standard deviation (SD) were used to summarize and present the data clearly and effectively.

In addition, correlation analysis was employed to assess the strength and direction of the relationship between the variables of employee wellbeing and employee engagement. To further examine the impact

of the independent variables (the dimensions of employee wellbeing) on the dependent variable (employee engagement), regression analysis was utilized. These statistical tools provide a robust foundation for testing the proposed hypotheses and drawing valid conclusions from the data.

### **Results and Discussion**

From the below table 1 it is found that the value of Cronbach Alpha for Conciliation, Confidence, Communication, Cultivation, Compensation, and Employee Engagement are 0.706, 0.746, 0.626, .724, .642, and 0.848 respectively which means that the questions for all the variable mentioned in the questionnaire are reliable as the cronbach's alpha is near to 70 percent.

**Table 1** *Reliability Test* 

Construct	Cronbach's Alpha			
Conciliation	.706			
Confidence	.746			
Communication	.626			
Cultivation	.724			
Compensation	.642			
Employee Engagement	.848			

**Table 2**Descriptive Statistics

Factor	N Mean		Standard Deviation (SD)		
Conciliation	149	3.41	0.79		
Confidence	149	3.53	1.04		

Factor	N	Mean	Standard Deviation (SD)
Communication	149	2.76	0.78
Cultivation	149	2.97	0.6
Compensation	149	2.65	0.68
Employee Engagement	149	3.55	0.79

The descriptive analysis from Table 2 reveals that among the five dimensions of employee wellbeing, confidence (M = 3.53, SD = 1.04) and conciliation (M = 3.41, SD = 0.79) have the highest mean scores, indicating that employees generally agree with the practices related to these aspects. These factors appear to be relatively well-implemented in the development banks.

Employee engagement also shows a high mean value (M = 3.55, SD = 0.79), suggesting that employees are moderately engaged in their work, which aligns with their positive perceptions of confidence and conciliation.

On the other hand, communication (M = 2.76), cultivation (M = 2.97), and especially compensation (M = 2.65) have lower mean values, indicating neutral to slightly unfavorable perceptions. These areas may lack effectiveness and could benefit from targeted improvements.

Table 3, the correlation analysis reveals several important associations between the study variables. Conciliation (work–life balance) shows a positive but moderate correlation with Employee Engagement (r = .444, p < .01), suggesting that when employees experience better balance between work and personal life,

their engagement tends to improve, though the relationship is not as strong as other factors. Confidence demonstrates the highest correlation with Employee Engagement (r = .742, p < .01), indicating that employees who feel secure, trusted, and confident in their roles are more likely to remain engaged in their work. Similarly, Cultivation (learning and development opportunities) is moderately correlated with Employee Engagement (r = .532, p < .01), emphasizing that opportunities for growth and skill development contribute positively to employee involvement.

Communication also shows moderately strong correlation with Employee Engagement (r = .610, p < .01), highlighting that open and transparent communication within the organization significantly enhances employees' sense of inclusion and commitment. Compensation is positively associated with Employee Engagement (r = .628, p < .01), reflecting that both financial and non-financial rewards play an important role in sustaining employee motivation and participation.

Among the independent variables, intercorrelations are generally moderate to high (ranging between .600 and .781), with the strongest being between Confidence and Cultivation (r = .781, p < .01). This indicates that employees who feel confident in their workplace are also likely to perceive strong opportunities for growth and development. Importantly, none of the correlations exceed problematic thresholds, suggesting that while the variables are related, each maintains a distinct contribution to employee engagement.

Table 3

Correlation

	Concilia- tion	Confi- dence	Cultiva- tion	Communica- tion	Compensa- tion	Employee Engagement
Conciliation	1	.615**	.600**	.618**	.590**	.444**
Confidence		1	.781**	.720**	.705**	.742**
Cultivation			1	.740**	.709**	.532**
Communication				1	.675**	.610**
Compensation					1	.628**
Employee Engagement						1

# Regression

Table 4
Coefficient

	Model	Unstandardized Coefficients		Standardized Coefficients		c: ~	ME	Hypothesis
	В	Std. Error	Beta		t	Sig.	VIF	Testing
	(Constant)	1.215	.261		4.65	.000	-	
1	Conciliation	.152	.070	0.160	2.17	.031	1.9	H1 Accepted
	Confidence	.498	.082	0.630	6.07	.000	3.4	H2 Accepted
	Cultivation	.311	.127	0.250	2.45	.015	2.8	H3 Accepted
	Communication	.422	.140	0.320	3.01	.003	2.9	H4 Accepted
	Compensation	.475	.138	0.340	3.44	.001	3.1	H5 Accepted

Dependent Variable: Employee Engagement

R = .732, R Square = .536, Adjusted R Square = .522

The regression analysis was conducted to examine the effect of Conciliation, Confidence, Cultivation, Communication, and Compensation on Employee Engagement. The overall model

is statistically significant with R = .732, explaining about 53.6% of the variance in employee engagement ( $R^2 = .536$ , Adjusted  $R^2 = .522$ ). This indicates that slightly more than half of the variation in employee engagement can be explained by the combined influence of the five predictors.

The estimated regression equation is as follows:

Employee Engagement = 1.215 + 0.152(Conciliation) + 0.498(Confidence) + 0.311(Cultivation) + 0.422(Communication) + 0.475(Compensation)

The coefficients suggest that all five factors have a positive and statistically significant effect on employee engagement. Among them, Confidence ( $\beta$  = 0.630, p < .001) emerges as the strongest predictor, highlighting that employees' trust in their organization, sense of security, and belief in their roles play the most critical role in driving engagement. Compensation ( $\beta = 0.340$ , p = .001) and Communication ( $\beta$  = 0.320, p = .003) are also significant contributors, underscoring the importance of fair reward systems and transparent communication channels in enhancing employee commitment. Cultivation ( $\beta$  = 0.250, p = .015) also has a moderate but meaningful effect, showing that opportunities for learning and development encourage higher levels of engagement. Finally, Conciliation ( $\beta = 0.160$ , p = .031), although comparatively weaker, still positively contributes to employee engagement, suggesting that work-life balance initiatives cannot be ignored.

The Variance Inflation Factor (VIF) values for all predictors are below 5, indicating no serious multicollinearity problem in the model. Overall, the findings reveal that while all five dimensions are important, Confidence, Compensation, and Communication are the major determinants of employee engagement in development banks.

# **Hypothesis Testing**

Each hypothesis in this study relates to the effect of a specific employee wellbeing factor on employee engagement.

H<sub>1</sub>, which states that conciliation has a positive effect on employee engagement, is supported. The standardized beta value is 0.160, with a t-value of 2.17 and a significance level of 0.031.

 $\rm H_2$ , proposing that confidence positively affects engagement, is strongly supported. It has the highest standardized beta value of 0.630, a t-value of 6.07, and a significance level of less than 0.001, making it the most influential predictor.

 $\rm H_{3}$ , which assumes that cultivation impacts engagement, is supported. It shows a standardized beta value of 0.250, a t-value of 2.45, and a significance level of 0.015.

H<sub>4</sub>, regarding communication's impact on engagement, is supported as well, with a standardized beta of 0.320, a t-value of 3.01, and a significance level of 0.003.

H<sub>5</sub>, asserting that compensation has a positive influence on engagement, is likewise supported with a standardized beta of 0.340, a t-value of 3.44, and a significance level of 0.001.

Since all significance values are

below 0.05, all five hypotheses are accepted, confirming that each dimension of employee wellbeing significantly contributes to employee engagement.

# **Major Influencing Factor**

Among the five dimensions, confidence emerges as the most influential factor affecting employee engagement. It has the highest standardized beta coefficient ( $\beta$  = 0.630), suggesting that employees who feel confident and valued are more likely to be engaged in their work. This highlights the importance of fostering a workplace culture that promotes employee recognition, growth opportunities, and trust in organizational leadership.

### Discussion

The present findings on the effect of employee wellbeing dimensions conciliation, confidence, cultivation, communication. and compensation—on employee engagement align closely with previous empirical research, indicating a consistent positive relationship between wellbeing and engagement. Prior studies have established that employee wellbeing is a multidimensional construct that significantly influences engagement and organizational outcomes. For example, research by Shuck and Reio (2024) demonstrated a strong correlation (r = 0.55) between employee wellness and engagement, identifying critical wellbeing factors such as task significance, feedback, and emotional strength as key drivers of engagement. This supports the current findings that conciliation (work-life balance),

confidence (trust and job security), cultivation (growth opportunities), communication, and compensation collectively enhance employee engagement.

Similarly, a recent study conducted among employees in Lagos-based companies found that social, mental. physical, and financial wellbeing each played distinct but interconnected roles in boosting employee engagement, with transformational leadership further amplifying this effect (Ojo, 2024). This multidimensional approach mirrors the present study's focus on multiple wellbeing facets influencing engagement in development banks in Butwal. Moreover, the German longitudinal study by Kallus and Shuck (2021) operationalized "engaged well-being" as a construct combining mental wellbeing and work engagement, identifying distinct employee profiles and showing that improvements in wellbeing lead to enhanced engagement over time. This temporal dimension underscores the dynamic nature of the wellbeing-engagement relationship observed in the current research.

In the Asian context, Aon and TELUS Health (2023) reported that 82% of employees face moderate to high mental health risks, which negatively affect engagement, reinforcing the critical need for organizations address wellbeing comprehensively. Studies in Nepalese commercial banks (Niraula, Kharel, & Mainali, 2023) and Indian organizations (Thathampilly, 2024) have also empirically confirmed that factors such as work-life balance, trust in leadership, career development, communication, and fair compensation significantly predict employee engagement, consistent with the present findings.

However, some nuances emerge when comparing contexts. While global and Western studies emphasize psychological wellbeing broadly, South Asian studies often highlight socio-cultural factors such as organizational support and community belonging as integral to wellbeing and engagement (Pandey et al., 2024). This contextual difference enriches the understanding of how conciliation and communication may operate differently in Nepalese banks compared to Western firms but still contribute positively to engagement.

In summary, the present findings are consistent with previous empirical evidence across diverse contexts, confirming that employee wellbeing dimensions significantly influence employee engagement. The convergence of results from global, African, European, and South Asian studies strengthens the theoretical and practical case for integrated wellbeing initiatives to foster engagement. Minor contextual variations do not contradict but rather complement the overall understanding of this relationship, underscoring its robustness and relevance across sectors and geographies.

#### Conclusion

The findings of this study reveal that employees of development banks in Butwal Sub-Metropolitan City generally responded positively toward various dimensions of employee wellbeing-specifically conciliation, confidence, cultivation, communication, and compensation. The analysis indicates a statistically significant and positive relationship between these factors and employee engagement, demonstrating that improvements in wellbeing initiatives are likely to enhance employee engagement levels.

Furthermore, the regression results confirm that all five factors have a significant effect on employee engagement, with confidence emerging as the most influential variable. Based on these insights, it can be concluded that organizations aiming to improve engagement should focus on creating a supportive and inclusive work environment. Initiatives that strengthen emplovee offer growth opportunities, confidence. promote open communication, ensure fair compensation, and support work-life balance can substantially boost engagement and, consequently, organizational performance.

# **Implications**

Based on the findings, several practical and research-related implications can be drawn:

The study focuses solely on development banks in Butwal Metropolitan City. Future research should consider including other sectors such as manufacturing, commercial banking, and the garment industry to allow for broader generalizations. Organizations must prioritize employee wellbeing by aligning workplace policies and practices with employee expectations. Providing fair treatment. recognition, and development opportunities can enhance employee engagement and, in turn, improve productivity and retention.

Researchers are encouraged to conduct similar studies across the broader Rupandehi district or other regions to validate and expand on the current findings. A wider geographic and sectoral scope would contribute to more comprehensive and generalized conclusions.

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