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Role of Financial and Non-financial Incentives on Employee's Performance: A Study on the Banking and Insurance Sectors of Nepal

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Abstract

As the banking and insurance are service sector industries, the competence and dedication of the employees of these sectors significantly influence customer satisfaction and organizational success. Therefore, the performance of employees stands as a crucial factor determining the success of banks and insurance companies. This research aims to explore the impact of financial and non-financial incentives on the performance of employees working in the Nepalese banking and insurance sectors. A structured questionnaire was employed to collect the data for the study from 400 sample employees of these sectors by using a non-probability sampling method. For the analysis of data, tools such as Cronbach's Alpha analysis and Regression analysis was carried out to assess the relationship among the variables. In addition, to analyze the findings of ordinal variables, Ordinal Logistic Regression Model was used. The study found a positive correlation between financial incentives (bonuses and fringe benefits) and employee performance. By the value of Ordinal Logistic Regression, factors like age, experience, and job security did not indicate a significant impact on employee performance. In contrast to that, factors like age, experience, and job security did not indicate a significant impact on employee's performance. The findings of the study also challenge the theoretical assumption that higher pay directly leads to improved performance, suggesting that high pay expectations might lead to performance pressure and reduced employee performance. Similarly, while working conditions were not significant, emphasizing upgrades solely based on this factor may not be justified in the banking and insurance sectors based on this research. Recommendations include the necessity for managers or HR professionals to strike a balance between financial and non-financial incentives to optimize employee performance and thereby enhance company productivity.

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Keywords: Employee performance, financial firms, financial incentives, Nepalese financial sectors, non-financial incentives

Introduction

In any economy, the banking and insurance sector play a crucial role in overall development of a nation. A banking system is a group or network of banks and financial institutions that provide financial services. It comprises of various types of financial institutions with distinct functional areas. Banking systems include central banks, commercial banks, development banks, finance companies, and microfinances. Similarly, insurance companies are those financial institutions, which provide financial protections against unpredictable events. They help to mitigate the financial risks of unforeseen events such as fire, accidents, natural disasters etc. In terms of risk area coverage, insurance can be categorized as life insurance and non-life insurance. Life insurance deals with covering risks related with individual's life and death, whereas non-life insurance covers the accidental loss of property damage.

For the success of both banks and finance companies, an employee's performance is a very critical factor. Increasing the current level of pay to high-achiever's employees directly affects the performance of employees. As money is the top priority for any employee to stay in an organization, providing them with a satisfactory level of salaries motivates them and enhances their performance. Besides this, bonuses like performance bonuses, sales commission, annual bonus etc. also motivate employees to make extra efforts in their work. Likewise, the additional compensation given by the company to its employees like health insurance, reimbursements, etc. known as fringe benefits ensures comfort of employees at workplace and is regarded as one of the best opportunities to attract talented and competent candidates from competition job market. Monetary incentives are crucial, non-monetary benefits such as decision-making empowerment, appreciation, and job recognition significantly contribute to enhancing employee satisfaction levels (Haider, et al., 2015)

Moreover, for an employee to feel valued in an organization, they should be provided with career development opportunities by means of promotion. Besides this, job security and favorable working conditions also play a vital role in an employee's decision to stay in any organization. A better working condition includes comfortable working space with all facilities like resources, supplies, lighting, ventilation, etc. The insecure job situation demotivates employees, leading to the condition of resigning from the job. Non-monetary incentives are non-cash awards meant to motivate employees to enhance their performance in a way that furthers the goals of the company (Khan, et al., 2016). Rynes, et al. (2004) concludes that the impact of non-financial benefits cannot be emphasized, even though financial rewards are the primary motivators of people.

Employers who combine monetary and non-monetary awards frequently find the strongest effects on employee performance. Most young people in Nepal are naturally drawn to banking and insurance sector because it is one of the most admired professions (Khanal, 2020).

At present, banks and insurance companies are subject to fierce competition and a variety of difficulties in the rapidly developing financial markets as they try to compete with previously existing financial and non-financial incentives. Considering both the banking and insurance sector, employees in insurance sectors seem to have comparatively high job involvement than employees in banking sector. One of the main elements that improve an employee's performance is the incentives provided to the employees (Shrestha & Prajapati, 2022). Such incentives could be bonuses, proper working conditions and other various facilities. The purpose of the study was to analyze the employee performance levels while also evaluating the different types of financial and non-financial incentives provided by banking and insurance professions. So, from this research, we can identify if an ideal balance between financial and non-financial incentives will help in maximizing the motivation and performance of the employees at the same time manage the cost effectively in the business. Therefore, the major objective of this research was to examine how financial and non-financial incentives affect the performance of employees working in Nepal's banking and insurance companies. The rest of the paper is structured as follows: Following the introduction, section 2 provides related literature reviews, and section 3 presents the research design. Similarly, analysis results are reported in section 4and the final section 5 includes conclusion and implications of the study.

Literature Review

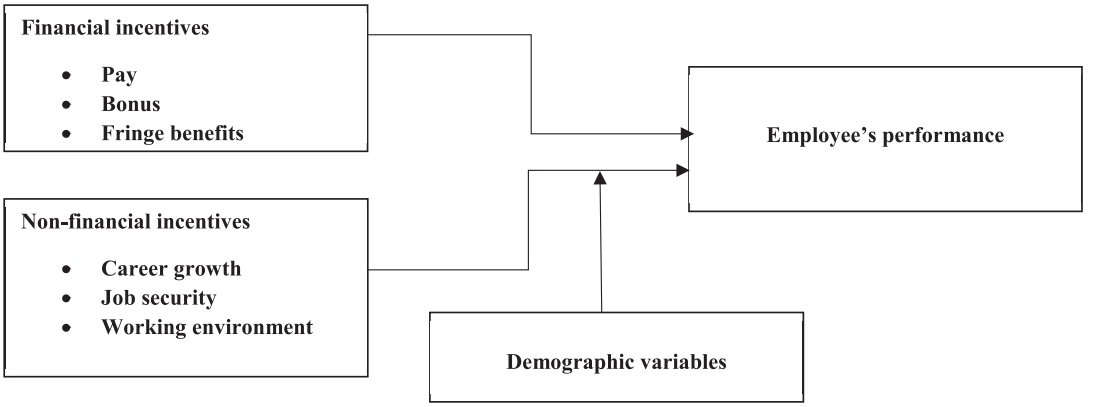
There are studies which cover the issue under study, Mansaray-Pearce et al. (2019) highlighted that appropriate financial rewards significantly enhance worker motivation, echoing the views of Abubakar et al (2020) and Akbar et al. (2018), who emphasized the positive influence of financial incentives on employee satisfaction and performance in different settings. Several other studies, including those of Mathauer and Imhoff (2006) highlighted the importance of non-financial incentives such as recognition, career advancements, and job satisfaction as the factors of influencing employee commitment and motivation. Erbasi and Arat (2012) and Agbenyegah (2019) conducted research comparing the impact of financial and non-financial incentives on employee attitudes and performance, displaying the relative significance of each type of incentive. Studies by Richard and Dennis (2018), Tang (2023), and Sultana & Bhuiyan (2023), highlighted the correlation between both financial and non-financial incentives and employee retention, emphasizing the importance of these incentives in retaining valuable employees.

Studies by Baledi and Saed (2017), G and R (2018), and Sabatini et al. (2021) explored the link between job satisfaction, employee performance, and the influence of incentives, demonstrating that job satisfaction positively impacts employee performance. Studies like Alnsoura and Kanaanb (2021), Supraja (2020), and Mohammed et al. (2019) examined the relationship between incentives and job tenure, productivity, and employee motivation, stressing the importance of incentives in job stability and productivity.

Research by Yousaf et al. (2014), Ibrar and Khan (2015), and Riyanto et al. (2021) studied incentives' impact in different countries and industries, revealing the contextual differences in the significance of financial and non-financial incentives.

Based on the literature survey, this study attempts to argue that various financial and non-financial incentives significantly affect the performance of the employees of banking and insurance sector of Nepal. From the literature review of various articles, it has also been identified that financial incentives like pay, bonus and fringe benefits as well as non-financial incentives like career growth, job security and working environment motivate employees to perform better at workplace. Therefore, the focus of this study is to examine the connection between financial and non-financial incentives on employee's performance in the presence of demographic variables among the bank and insurance employees. Hence, the conceptual framework is built on the assumptions that these mentioned factors play an important role in determining the performance of the employees in an organization.

Figure 1
Conceptual Framework



On the basis of above-mentioned literature reviews, identification of variables, and conceptual frameworks, following hypothesis has been formulated.

H1: *Pay has a significant effect on employee's performance.*

H2: *Bonus has a significant effect on employee's performance.*

H3: *Fringe benefits have a significant effect on employee's performance.*

H4: *Career growth has a significant effect on employee's performance.*

H5: *Job security has a significant effect on employee's performance.*

H6: *Working conditions has a significant effect on employee's performance.*

H7: *Demographic variables have a significant effect on employee's performance.*

Research Methods

Research Design

This research used quantitative research design, to examine the relationship between employee's performance in terms of financial and non-financial incentives. Employees from insurance companies and other commercial banks were approached for the required number of samples. A structured questionnaire was used to collect primary data from the respondents that consists of demographic information of the samples and the data related with impact of monetary and non-monetary incentives on employee's performance. The reason for using quantitative approach in data collection was to ensure the collection of enough and detailed information from samples so that information regarding employee's perception can be easily compiled for further analysis.

Besides primary data, a number of literatures from various academic publications and journal articles were reviewed. The concepts and theories from previous research assist in finding the linkage of the constructs used in this research regarding the impact of different types of incentives on employee's performance.

Data Collection

In this research, data has been collected using both primary sources. There were no any specific bank or insurance company were taken for this study. Besides, random employees who are currently working in commercial banks and insurance companies were approached for the required number of samples. Also, as a part of literature review, the concepts and theories from previous research assist in finding the linkage of the constructs used in this research regarding the impact of different types of incentives on employee's performance.

Since the exact number of populations involved in banking and insurance companies were unknown, it was assumed that p=.5 (maximum variability). Likewise, it was also supposed that a desired 95% confidence level and ±5% error level. Therefore, the formula used to calculate sample size is applied by Cochran (1963).

$$n_0 = \frac{Z^2 pq}{e^2}$$

$$= \frac{(0.95)^2 \times 0.5 \times 0.5}{(0.05)^2} = 385$$

Where, n_0 = Sample size

Z = confidence level

p = estimated proportion of an attribute

q= 1-p

e^2= error level

As the minimum number of samples as per our calculation is 385, for this research, the sample size of 400 in total was collected through a self-administrated questionnaire, using non-probability sampling technique.

Model Specifications

This study adopts an Ordinal Logistic Regression model to determine the extent to which the financial and non-financial incentives affect employee's performance at banks and insurance companies. Employees' performance was evaluated in terms of financial incentives such as pay, bonus and fringe benefits along with non-financial incentives namely career growth, job security and working conditions. For description of variables, refer to Annex. Hence, the regression model for the study is:

Model I, (Applicable for Banks)

$$EP_{Bi} = \alpha_0 + \beta_1 Pay_{Bi} + \beta_2 Bonus_{Bi} + \beta_3 Fringe\ benefits_{Bi} + \delta_1 Career\ growth_{Bi} + \delta_2\ Job\ security_{Bi} + \delta_3 Working\ conditions_{Bi} + \lambda_i\ Demographic\ factor_{Bi} + \varepsilon_i$$

Model II, (Applicable for Insurance Companies)

$$EP_{Ii} = \alpha_0 + \beta_1 Pay_{Ii} + \beta_2 Bonus_{Ii} + \beta_3 Fringe\ benefits_{Ii} + \delta_1 Career\ growth_{Ii} + \delta_2\ Job\ security_{Ii} + \delta_3 Working\ conditions_{Ii} + \lambda_i\ Demographic\ factor_{Ii} + \varepsilon_i$$

Model III, (Applicable for Combined Analysis)

$$EP_i = \alpha_0 + \beta_1 Pay_i + \beta_2 Bonus_i + \beta_3 Fringe\ benefits_i + \delta_1 Career\ growth_i + \delta_2\ Job\ security_i + \delta_3 Working\ conditions_i + \lambda_i\ Demographic\ factor_i + \varepsilon_i$$

Here, EP = Dependent variable i.e., Employee's performance

α= constant

$\beta_1,\ \beta_2,\ \beta_3,\ \delta_1, \delta_2, \delta_3, \lambda_i$ = Beta coefficient of the regression model

Pay= First independent variable of financial incentive

Bonus = Second Independent variable of financial incentive

Fringe benefits = Third independent variable of financial incentive

Career growth = First independent variable of non-financial incentive

Job security = Second independent variable of non-financial incentive

Working condition( ) = Third independent variable of non-financial incentive

Demographic factors such as age, gender, education and experience

ε_i = Error term included

Data Analysis Procedures

A self-administrated questionnaire was used to generate responses from the samples. The data from the survey was investigated using Statistical Package for Social Sciences (SPSS Statistics 27). The forms of analysis performed in this study were Descriptive analysis, Cronbach's Alpha analysis, Pearson's Correlation Analysis and regression analysis. A descriptive analysis was done for utilizing analytical tools and they mainly were percentage, frequencies, and its distributions. In addition, Cronbach's Alpha was employed to evaluate internal consistency (or "reliability") as there were several Likert scale questionnaires consisting of constructs on a scale. Likewise, hypothesis testing was done to determine the relationships and effects of the variables. Then, correlation analysis was conducted to assess and evaluate the relationship between employee performance and other variables. Regression analysis on the other hand was carried out to evaluate the specific impact of each independent variable on the dependent variable. Finally, a multiple regression analysis was conducted to analyze the relationship between the independent and dependent variables. Overall, this process systematically guided through different stages of data analysis to meet the objectives of this research.

Results and Analysis

Demographic Distribution of Respondents

Table 1
Demographic Distribution

S.N.	Demographic Variables	Bank	Insurance
1.	Gender		
	Male	(108) (54%)	(84) (42%)
	Female	(92) (46%)	(116) (58%)
2.	Age		
	20-30	(115) (57.5%)	(70) (35%)
	31-40	(81) (40.5%)	(127) (63.5%)
	41-50	(4) (2%)	(3) (1.5%)
3.	Education		
	Bachelor's degree	(93) (46.5%)	(60) (30%)
	Master's degree	(106) (53%)	(139) (69.5%)
	M.Phil.	(1) (0.5%)	(1) (0.5%)
4.	Position		
	Assistant	(103) (51.5%)	(69) (34.5%)
	Officer	(65) (32.5%)	(85) (42.5%)
	Manager	(32 (16%)	(46) (23%)

5.	Job Years		
	Less than one year	(31 (15.5%)	(14) (7%)
	1-2 years	(79) (39.5%)	(68) (34%)
	2-3 years	(59) (29.5%)	(80) (40%)
	3-4 years	(21) (10.5%)	(31) (15.5%)
	4-5 years	(6) (3%)	(5) (2.5%)
	More than 5 years	(4) (2%)	(2) (1%)

Note. Survey Questionnaire (2023)

Table 1 illustrates the demographic information of the respondents. From the table it can be seen that, the banking sector had a prevalence of male employees (54%), while insurance companies had more female employees (58%). Similarly, banking had a prevalence of the 20-30 age group (57.5%), whereas insurance companies had more employees in the 31-40 age group (63.5%). Also, most employees at both banks and insurance companies held a master's degree (53% and 69.5%). Likewise, banks had more assistant level employees (51.5%), while insurance companies had a prevalence of officer group (42.5%). In addition, more employees (39.5%) spent 1-2 years in banks whereas in insurance companies 40% spent 2-3 years.

Financial and Non-financial Incentives

The given table has presented the availability of financial and non-financial incentives for employees in banking and insurance sector. This reflects the importance placed on financial and non-financial incentives to enhance employee's performance in banking and insurance companies.

Table 2

Financial and Non-financial Incentives

S.N.	Variables	Bank	Insurance
1.	Financial Incentives		
	Yes	(200) (100%)	(197) (98.5%)
	No	-	(3) (1.5%)
2.	Non-financial Incentives		
	Yes	(187) (93.5%)	(195) (97.5%)
	No	(13) (6.5%)	(5) (2.5%)

Note. Survey Questionnaire (2023)

The data above indicates that, financial incentives has been provided in both sectors with banks (100%) rate and insurance companies at 98.5%. However, it can be concluded that, there was high prevalence of non-financial incentives in insurance companies (97.5%) compared to the banking sector (93.5%). This indicates that, both banking and insurance companies gives strong emphasis on enhancing the performance of employees in these sectors.

Bank and insurance companies had varied preferences for specific types of financial and non-financial incentives to improve their employee's performance. The different types of financial and non-financial incentives employees are receiving currently at banking and insurance sectors of Nepal is given below:

Table 3

Types of Financial and Non-financial incentives

S.N.	Variables	Bank	Insurance
1.	Financial incentives		
	Annual Bonuses	(78) (39%)	(48) (24%)
	Pay raise	(49) (24.5%)	(58) (29%)
	Performance based incentives	(58) (29%)	(59) (29.5%)
	Profit sharing	(50) (25%)	(64) (32%)
	Others (Medical claim, Provident fund and Leave allowances)	(3) (1.5%)	-
	Doesn't provide	-	(1) (0.5%)
2.	Non-financial incentives		
	Flexible working hours	(11) (5.5%)	-
	Employee recognition programs	(105) (52.5%)	(102) (51%)
	Employee wellness programs	(87) (43.5%)	(111) (55.5%)
	Others (Health insurance and other benefits)	(13) (6.5%)	(22) (11%)
	Doesn't provide	(2) (1%)	-

Note. Survey Questionnaire (2023)

As per the table, it shows that most of the employees at banks were provided with an annual bonus (39%), followed by performance-based incentives (29%), profit sharing (25%), and a pay raise (24.5%). However, in the case of insurance companies, employees received profit sharing (32%) as a primary type of financial incentive followed by performance-based incentives (29.5%), pay raise (29%), annual bonus (24%) and other incentives (1.5%). Therefore, in case of financial incentives, there was dominance of profit sharing and performance-based incentives, especially in insurance sector. In addition, for non-financial incentives, incentives such as employee wellness programs and recognition programs were implemented to influence employee's performance.

Employees Perception towards Financial and Non-financial Incentives

Although, financial and non-financial incentives play a major role in motivating employees and enhancing their performance. However, the effectiveness of these incentives varies depending upon the type of incentive and organizational context. The given table depicts the effectiveness of these incentives provided and how employees perceive these incentives in terms of motivation and performance.

Table 4
Effectiveness of Financial and Non-financial Incentives

S.N.	Variables	Bank	Insurance
1.	Effectiveness of Financial Incentives		
	Ineffective	(27) (13.5%)	(21) (10.5%)
	Not so effective	(59) (29.5%)	(78 (39%)
	Neutral	(24) 12%)	(21 (10.5%)
	Somewhat effective	(66) 33%)	(68 (34%)
	Very effective	(24 12%)	(12 (6%)
2.	Effectiveness of Non-Financial Incentives		
	Ineffective	(32) (16%)	(19) (9.5%0
	Not so effective	(64) (32%)	(87) (42.5%)
	Neutral	(27) (13.5%)	(27) (13.5%)
	Somewhat effective	(65) (32.5%)	(62) (31%)
	Very effective	(120 (6%)	(5) (2.5%)

Note. Survey Questionnaire (2023)

According to the data in the Table 4, the employees at banks finds financial incentives somewhat effective (33%) while those in insurance companies found them less effective (39%). Similarly, employees at banks opined those non-financial incentives somewhat effective (32.5%) while those in insurance found them not so effective (42.5%).

Cronbach's Alpha Analysis

Cronbach's alpha gives a simple way to measure whether or not a score is reliable. It is used under the assumption that we have multiple items measuring the same underlying construct. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. A higher value of Cronbach's alpha indicates higher internal consistency and reliability of the items within the scale. The table given below depicts the Cronbach's Alpha value and number of items used in this survey.

Table 5

Cronbach's Alpha Analysis

S.N.	Variables	Cronbach's Alpha	No. of Items
1.	Employee Performance (EP)	.767	10
2.	Pay(P)	.781	5
3.	Bonus (B)	.729	5
4.	Fringe Benefits (FB)	.764	5
5.	Career Growth (CG)	.777	5
6.	Job Security (JS)	.827	5
7.	Working Condition (WC)	.775	5

Note. Survey Questionnaire (2023)

The Cronbach's Alpha value of all constructs (Employee performance, Pay, Bonus, Fringe benefits, Career growth, Job security and Working conditions) fall under the range of good reliability (more than 0.70). Therefore, the instrument is found to be reliable to measure what is intended to measure.

Hypothesis Testing

Hypothesis testing was conducted to assess the relationship between financial and non-financial incentives with employee performance as well as the influence of demographic variables like gender and age. Based on the literature reviews, and conceptual framework, hypothesis was formulated to examine the significant effects of financial incentive such as pay, bonus and fringe benefits along with non-financial incentives such as career growth, job security and working conditions, in presence of demographic variables on employee performance. The table below presents the results of hypothesis testing for this survey.

Table 6

Hypothesis Testing (Chi-square Test of Variables)

S.N.	Variables	Chi-Square	df	P-value
1.	Pay and Employee Performance	350.788	16	.000
2.	Bonus and Employee Performance	497.504	16	.000
3.	Fringe Benefits and Employee Performance	234.706	16	.000

4.	Career Growth and Employee Performance	79.800	16	.000
5.	Job Security and Employee Performance	63.784	16	.000
6.	Working Conditions and Employee Performance	64.081	16	.000
7.	Gender	14.992	8	0.59
8.	Age	5.108	4	.276

Note. Survey Questionnaire (2023)

This research performed Chi-square test and found that financial and non-financial incentives have a significant relationship with employee's performance. Similarly, demographic variables like age and gender have insignificant relationship with employee performance with a p-value of 0.59 and 0.276 at 5% significance level.

Correlation Analysis

The Pearson coefficient of correlation was used to assess the relationship between Employee performances with Pay, Bonus, Fringe Benefits, Career growth, Job security and Working conditions. The result of Pearson correlation analysis has been presented in the table below:

Table 7
Pearson Correlation Coefficient Analysis

	Employee Performance	**Pay**	**Bonus**	**Fringe Benefits**	**Career Growth**	**Job Security**	**Working Conditions**
Employee Performance	1.000						
Pay	.257**	1.000					
Bonus	.541**	.353**	1.000				
Fringe Benefits	.398**	.193**	.395**	1.000			
Career Growth	.277**	.256**	.329**	.661**	1.000		
Job Security	.288**	.313**	.255**	.500**	.659**	1.000	
Working Conditions	.261**	.335**	.269**	.455**	.550**	.662**	1.000

Note. Survey Questionnaire (2023)

The Pearson correlation analysis demonstrated significant positive relationships between in-

dependent factors and employee performance (dependence variable). Specifically, the analysis revealed that both financial such as pay had low positive correlation with R-value .257** and p-value <0.01. Likewise, bonus and fringe benefits had a moderate positive correlation with R-value .541** and .398** respectively with a p-value <0.01. Similarly, non-financial incentive such as career growth, job security and working conditions had a low positive correlation with R-value of .277**, .288** and .261** respectively with p-value <0.01. Here, the strongest correlation is of bonus with R-value .541** and weakest correlation is of pay with R-value .257**. Therefore, it can be concluded that, the independent variables have positive and significant relationship with employee performance which indicates that improvement in any of these areas can enhance the performance of the employees to various degrees.

Conclusively, the findings from the Pearson's correlational analysis suggest that the factors like pay, bonus, fringe benefits, career growth, job security, and working conditions provided to the employees positively linked with the performance of banking and insurance sectors in: Nepal and move in accordance with employee performance.

Regression Analysis

Regression analysis among from the dependent and independent variables was carried out for both banks and insurance companies. The results revealed the influence and significance of independent factors on employee performance. From model 1, in banking sector, it was concluded that, bonus, fringe benefits and education level significantly affected the employee's performance. Likewise, in model 2, in case of insurance companies pay and career satisfaction significantly affects the performance of employees. Finally, while combining both sectors in model 3, it was found that, bonus and fringe benefits significantly affects the employee's performance at both sectors. The detailed analysis of each model is presented below:

Model I Analysis – Bank

This model analyses the impact and perception financial incentive such as pay, bonus, and fringe benefits, and non-financial incentives such as career growth, job security and working conditions alongside with the influence of demographic factors in the performance level of employees at banking sector of Nepal. The table below is the result of ordinal regression analysis for banking sector to examine the relationship between the variables.

Table 8

Ordinal Logistic Regression for Bank

	Estimate	Sig.	95% Confidence Interval	
			Lower Bound	Upper Bound
[Performance = Agree]	10.799	.000	7.845	13.752
[Performance = Neutral]	14.472	.000	11.737	17.207
Experience	.193	.310	-.179	.564
Age group	.017	.664	-.061	.095

[Pay= Agree]	.391	.546	-.880	1.662
[Pay= Neutral]	.408	.334	-.420	1.236
[Bonus= Agree]	-4.992	.000	-6.738	-3.247
[Bonus= Neutral]	-4.121	.000	-5.871	-2.372
[Fringe= Agree]	-1.962	.001	-3.151	-.774
[Fringe= Neutral]	-.959	.095	-2.083	.166
[Career= Agree]	-.222	.742	-1.542	1.099
[Career= Neutral]	-.277	.622	-1.378	.824
[Job security= Agree]	1.009	.233	-.651	2.669
[Job security= Neutral]	-.351	.503	-1.376	.675
[Working condition=Agree]	-.799	.344	-2.453	.855
[Working condition= Neutral]	.870	.078	-.097	1.837
[Education: bachelor's degree]	15.229	.000	14.236	16.221
[Education: master's degree]	14.598	.	14.598	14.598
Female	-.563	.133	-1.297	.171

Note. Survey Questionnaire (2023)

Based on model I, it was found that neither experience nor age significantly influences employee performance at banks. This contrasts with theoretical assumptions. Similarly, increased pay correlates with employees disagreeing about improved performance but lacks statistical significance. In addition, bonuses and additional benefits significantly enhance perceived performance, implying a stronger motivational impact than basic salaries. Despite the perceived positive impact, it lacks statistical significance, indicating that career advancement does not significantly affect performance. Regarding job security and working conditions, neither of these factors exhibits a statistically significant influence on employee perception of performance. Similarly, a higher education level correlate with employees disagreeing about improved performance, while gender does not show statistical significance.

Model II Analysis- Insurance Companies

This model analyses the impact and perception financial incentive such as pay, bonus, and fringe benefits, and non-financial incentives such as career growth, job security and working conditions alongside with the influence of demographic factors in the performance level of employees at insurance companies of Nepal. The table below is the result of ordinal regression analysis for insurance companies to examine the relationship between the variables.

Table 9

Ordinal Logistic Regression for Insurance

			95% Confidence Interval	
	Estimate	**Sig.**	**Lower Bound**	**Upper Bound**
[Performance = Agree]	-6.427	.045	-12.715	-.138
[Performance = Neutral]	-2.913	.355	-9.082	3.257
Age group	-.028	.619	-.139	.083
Experience	.174	.402	-.233	.581
[Pay= Agree]	-.770	.421	-2.645	1.106
[Pay= Neutral]	1.231	.002	.454	2.009
[Bonus= Agree]	-4.215	.000	-5.689	-2.742
[Bonus= Neutral]	-2.987	.000	-4.449	-1.526
[Fringe= Agree]	-.630	.281	-1.774	.514
[Fringe= Neutral]	-.148	.788	-1.229	.932
[Career= Agree]	-1.432	.037	-2.779	-.085
[Career= Neutral]	-1.308	.010	-2.307	-.310
[Job security= Agree]	-1.561	.238	-4.157	1.034
[Job security= Neutral]	.584	.219	-.346	1.514
[Working condition= Agree]	1.886	.083	-.245	4.018
[Working condition= Neutral]	.149	.742	-.737	1.034
[Education=bachelor's degree]	-1.916	.413	-6.501	2.669
[Education=master's degree]	-2.159	.335	-6.546	2.229
Female	-.050	.885	-.732	.631

Note. Survey Questionnaire (2023)

Similar to Model I, experience and age lack statistical significance in determining employee performance at insurance companies. Both higher and moderate pay do not exhibit statistical significance in affecting employee performance. Likewise, Bonuses significantly influence perceived performance, while fringe benefits do not hold statistical significance. In terms of career growth, growth opportunities significantly influence perceived performance in this sector. However, neither job security nor working conditions significantly affect employee performance. Likewise, the education levels and gender both lack statistical significance in determining performance.

Model III-Combined Analysis

This model combines the banking and insurance sector to analyses the impact and perception financial incentive such as pay, bonus, and fringe benefits, and non-financial incentives such

as career growth, job security and working conditions alongside with the influence of demographic factors in the performance level of employees. The table below is the combined result of ordinal regression analysis for banking and insurance sector to examine the relationship between the variables.

Table 10

Combined Ordinal Logistic Regression for Bank and Insurance

			95% Confidence Interval	
	Estimate	**Sig.**	**Lower Bound**	**Upper Bound**
[Performance = Agree]	-4.145	.030	-7.898	-.392
[Performance = Neutral]	-.710	.707	-4.410	2.989
Experience	.162	.230	-.102	.427
Age group	.003	.908	-.055	.062
[Pay= Agree]	.021	.966	-.931	.972
[Pay= Neutral]	.726	.008	.193	1.260
[Bonus= Agree]	-4.452	.000	-5.529	-3.374
[Bonus= Neutral]	-3.376	.000	-4.446	-2.305
[Fringe= Agree]	-1.279	.001	-2.064	-.494
[Fringe= Neutral]	-.559	.142	-1.304	.187
[Career= Agree]	-.682	.129	-1.563	.200
[Career= Neutral]	-.669	.056	-1.356	.017
[Job security= Agree]	.564	.387	-.713	1.842
[Job security= Neutral]	-.025	.939	-.678	.627
[Working condition= Agree]	-.203	.742	-1.412	1.005
[Working condition= Neutral]	.522	.103	-.106	1.149
[Education=bachelor's degree]	-.150	.921	-3.135	2.835
[Education=master's degree]	-.446	.762	-3.335	2.443
Female	-.193	.415	-.657	.271

Note. Survey Questionnaire 2023

Across banks and insurance companies, none of the factor i.e. Experience, Age Group, Pay, Bonus, Fringe Benefits, Career Growth, Job Security, Working Conditions, Education, and Gender consistently demonstrate significant influence on perceived employee performance.

Discussions

In the first model focusing on banks, the study finds that experience and age group did not significantly affect employee performance, contrasting theoretical expectations. However, bonuses and fringe benefits exhibited a notable influence, positively affecting perceived performance. Higher pay indicated employees' disagreement regarding performance improvement,

whereas higher education levels correlated with disagreement about enhanced performance. Gender did not show statistical significance.

Similar observations were made in the second model concentrating on insurance companies. Experience, age groups, and pay did not significantly affect employee performance, whereas bonuses significantly influenced employees' agreement regarding improved performance. Fringe benefits lacked significance. However, career growth was significant, signifying that career opportunities positively affect performance. Gender (female) exhibited significance, indicating that females are more likely to agree on improved performance.

The third model, combining bank and insurance company data, echoed the previous findings. Age group, experience, and pay remained insignificant in influencing employee performance. Bonuses, fringe benefits, and career growth were significant, aligning with their positive impact on perceived performance. However, job security, working conditions, higher education, and gender remained statistically insignificant.

Overall, the findings of this research support the positive impact of financial incentives such as bonuses and fringe benefits on employee performance in both sectors. However, they contradict previous literature by indicating the lack of significant influence of age, experience, and job security on performance. Career growth positively influences performance but lacks statistical significance. The findings of the study also challenge the theoretical assumption that higher pay directly leads to improved performance, suggesting that high pay expectations might lead to performance pressure and reduced employee performance. Similarly, while working conditions were not significant, emphasizing upgrades solely based on this factor may not be justified in the banking and insurance sectors based on this research.

Conclusion

This study contributes significantly to the understanding of financial and non-financial incentives influencing employee performance within Nepalese banks and insurance companies, marking a distinct contribution to the existing literature. Several key implications emerge from this research, encompassing theoretical, practical, and methodological aspects. For Nepalese banks and insurance companies, this research offers practical insights. It suggests restructuration of non-financial incentives by including components such as paid leaves, vacations, and family insurance to enhance the incentive system. Furthermore, it advocates the utilization of feedback mechanisms to promote fairness and transparency in performance evaluation, ultimately reducing employee turnover.

The study underscores the significance of financial and non-financial incentives in shaping employee performance in Nepalese financial institutions. By bridging the gap in existing literature within this context, it emphasizes the multi-dimensional nature of incentives that affect employee engagement and commitment. In summary, this study not only sheds light on the intricate relationship between incentives and employee performance but also serves as a catalyst for future research endeavors in the realm of human resources and organizational dynamics.

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Appendix

Table A1.
Questionnaire Items

Variable type	Variable name	Variable symbol
Explained variable	Employee performance	EP
Explanatory variable	Pay	P
	Bonus	B
	Fringe Benefits	FB
	Career growth	CG
	Job security	JS
	Working conditions	WC
	Gender	
	Age	
	Education	
	Experience	

Note. Survey Questionnaire (2023)