

The Effect of Electronic Word of Mouth on Brand Image and Purchase Intention of Youth Customers in Kathmandu Valley

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Abstract

This study examines the effect of electronic word of mouth on brand image and purchase intention of youth customers in Kathmandu Valley. Brand purchase of customer is the dependable variable. The independent variables are brand image, price, information usefulness, source credibility and purchase intention. The primary source of data is used to assess the opinions of the respondents regarding the electronic word of mouth on brand image and purchase intention of youth customers in Kathmandu Valley. The study is based on primary data of 135 respondents. To achieve the purpose of the study, structured questionnaire is prepared. The correlation coefficients and regression models are estimated to test the significance and importance of different factors influencing brand image and purchase intention of youth customers during in Kathmandu Valley.

The study showed that brand image and information usefulness have positive impact on brand purchase of customer. It indicates that increase in brand image and information usefulness leads to increase in brand purchase of customer. Likewise, source credibility has a positive impact on brand purchase of customer. It indicates that increase in source credibility leads to increase in brand purchase of customer. Similarly, purchase intention has a positive impact on brand purchase of customer. It means that increase in purchase intention leads to increase in brand purchase of customer. Moreover, price has a negative impact on brand purchase of customer. It indicates that increase in price leads to decrease in brand purchase of customer.

Keywords: brand purchase of customer, brand image, price, information usefulness, source credibility, purchase intention

1. Introduction

According to Cheung and Thadani (2010), word of mouth has evolved into an entirely new form of communication that exploits modern technology. Sen and Lerman (2007) stated that word of mouth, or WOM is the influence of someone's informal opinion about products and brands derived from consumption experiences. According to Trusov *et al.* (2009), the communication among consumers may occur physically or by distance, and its importance in marketing has long been known by researchers as an alternative to traditional communication tools, as well as a highly persuasive resource. According to Bambauer and Mangold (2011), one of the biggest challenges for both marketing researchers and practitioners is to solve

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complex consumer behaviors. Products, product specifications, brands and shopping atmosphere which has different messages affect consumer perceptions in various ways. Jansen *et al.* (2009) stated that consumers have now the ability to share negative brand product evaluations at a massive scale through the practice of electronic word-of mouth, e-WOM which is especially threatening to the corporate brand value because its perceived value lays in the minds of its consumers. Moreover, negative e-WOM is a form of media content and to consumers; it has a higher degree of credibility than corporate communications.

Bulearca and Bulearca (2010) interpreted that successful brands recognize the power of social media in creating, sustaining, communicating and interacting with potential users in today's interactive marketplace. In the world of social media, fast interaction and communication have steered businesses to become more under the spot lights of consumers. Yasin *et al.* (2011) found that there is insufficient in the extant literature in studying the impacts of different brand equity constructs (including brand loyalty, brand association, brand awareness, brand image and perceived quality) in mediating the inter-relationship between electronic word of mouth and the dimensions of brand equity based on the context of social media. Chow *et al.* (2012) stated that smart-phone technology, with its pervasive acceptance and powerful functionality, is inevitably changing peoples' behavior especially that of young adults. Shabrin *et al.* (2017) found that smart-phones are very popular among the young generation or rather 'Generation-Y' who are technologically oriented and depend on these digital devices. Shabrin *et al.* (2017) found that smart-phones are very popular among the young generation or rather 'Generation-Y' who are technologically oriented and depend on these digital devices.

According to Li and Biocca (2002), purchase intention is a common effective measure used to foresee a response behavior. Arts *et al.* (2011) found a positive relationship existing between purchase intention and relative advantage, price, social influence and product compatibility. Similarly, Dodds and Monroe (1991) stated that purchase intention is a behavioral tendency of a customer who intends to purchase a product. According to Schiffman and Kanuk (2000), there is a high possibility to purchase a particular product when the purchase intention is stronger. Baloglu and McCleary (1999) showed that knowing the factors influencing image would help identify target markets.

Chon (1990) showed that destination image will influence tourists in the process of choosing a destination, the subsequent evaluation of the trip and in their future intentions. According to Sewall (1978), purchase intention helps

them in market segmentation and targeting along with helping them in making crucial product decisions like where the product should be launched. Xie and Chaipoopirutana (2014) stated that purchase intention is a considerable index to predict consumer's behavior. According to Bailey (2004), positive e-WOM enhances purchase intention, negative e-WOM reduces it. According to Phau *et al.* (2010), tourists' information sources have a considerable influence on perceived destination image and destination choice intention. Gursoy and McCleary (2004) stated that more and more tourists are utilizing the Internet and on-line resources for their information needs.

Dellarocas (2003) indicated that online WOM can have important implications for managers in terms of brand building, product development, and quality assurance. Abdel qader (2015) revealed that the effect of social media on buying decision of customers using internet. Hani *et al.* (2018) found that every individual as consumers is influenced by advertisements that involve their favorite celebrity and their endorsement towards the product. Osei-Frimpong *et al.* (2019) found that physical, affective and perceptual attributes of celebrity endorsers generate positive influence on purchase intentions of consumers towards different products. Osei-Frimpong *et al.* (2019) found that physical, affective and perceptual attributes of celebrity endorsers generate positive influence on purchase intentions of consumers towards different products. Carlson *et al.* (2020) found the consumers strongly identifying with an endorse generate favorably response to the endorsement and this identification can be linked with purchase intentions. Jaffari and Hunjra (2017) revealed that the consumer purchase intention is influenced by celebrity endorsements in advertisements. Fatima and Lodhi (2015) concluded that advertisements with celebrity endorsements are very useful promotional tools for creating product awareness among the consumers.

Gauns *et al.* (2018) found the celebrity endorsements are more attractive and influential, when compared with non-celebrity endorsements, and more importantly celebrity endorsements have a positive relationship with purchase intention. According to Jerome *et al.* (2010), features of online advertising including visuals and video content disseminated through online platforms generate positive influence on purchase intentions. Shim *et al.* (2001) found the factor that influences the consumers' intention to purchase online is their previous online shopping experience. Consumers will continue to shop on the Internet in the future if they are satisfied with their online shopping experience and it was evaluated positively. Lim *et al.* (2016) found the relationship between subjective norm, perceived usefulness and online shopping behavior while mediated by purchase intention. Ibrahim *et al.* (2013) showed that

the antecedents shaped the consumers' purchase intention of smart-phone expressed similar viewpoint as the above-mentioned research works in regard to the influence of social influence on purchase intention of smart-phone buyers. Haba *et al.* (2017) found that the factors leading to consumer perceived value of smart-phones and its impact on purchase intention of working professionals in Malaysian capital of Kuala Lumpur by applying confirmatory factor analysis (CFA) and structural equation modelling (SEM) path analysis.

Naing and Chaipoopirutana (2014) found that these variables have moderate positive relationship between them and indicated that perceived quality is one of the major influencing factors for consumers' smart-phone selection process. Chow *et al.* (2012) found that price, compatibility and social influence have positive impact on the buyers purchase intention of smart-phones, while relative advantage had negative impact. Lay *et al.* (2013) found a significant relationship between the independent variables: price concern, product feature concern and social influence concern with smart-phone purchase decision of Generation-Y in the Malaysian context. Hanzaee and Khosrozadeh (2011) showed that Country of origin has a significantly positive impact on purchase intention.

In the context of Nepal, Rai and Sharma (2013) showed that celebrity endorsements affect consumer purchase intention. Krishnamurthi and Raj (1985) found that advertising has a significant effect on perceptions of the quality of consumers. According to Khatri (2006), celebrity endorsement influences the conduct and decision-making toward the promoted product or brand. According to Khandai and Agrawal (2012), the idea behind utilizing celebrities is that the trustworthiness, expertise, and attractiveness associated with the celebrity endorsing cosmetic products have significant influence on purchase intention. Baniya (2017) examined and established influential relationship between variables such as celebrity endorsements, purchase intention and consumer buying behavior. Likewise, Chaudhary and Asthana (2015) found that celebrity endorsements catch the attention of consumers and when buying products endorsed by a celebrity, endorsements create familiarity with cosmetic products. Pokharel and Pradhan (2018) concluded that celebrity endorsements positively impact consumer buying behavior.

The above discussion shows that empirical evidences vary greatly across the studies concerning the effect of electronic word of mouth on brand image and purchase intention of youth customers. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such evidence using more recent data exists in Nepal. Therefore, in order

to support one view or the other, this study has been conducted.

The major objective of the study is to examine the effect of electronic word of mouth on brand image and purchase intention of youth customers in Kathmandu valley. More specifically, it examines the relationship of brand image, purchase intention, information usefulness, price and source credibility with the brand purchase of customers in Kathmandu valley.

The remainder of this study is organized as follows. Section two describes the sample, data, and methodology. Section three presents the empirical results and final section draws the conclusion and discuss the implication of the study findings.

2. Methodological aspects

The study is based on the primary data. The data were gathered from 135 respondents through questionnaire. The respondents' views were collected on brand image, price, information usefulness, source credibility, purchase intention and brand purchase of customer. The study used descriptive and casual comparative research design.

The model

The model estimated in this study assumes that the dependent variable is BPC indicated by brand purchase of customers. The independent variables are brand image, purchase intention, online consumer review, price and source credibility. The model is presented as:

$$BPC = \beta_0 + \beta_1 BI + \beta_2 PI + \beta_3 OCR + \beta_4 P + \beta_5 SC + e$$

Where,

BPC - Brand purchase of customers

BI - Brand image

PI - Purchase intention

IU - Information usefulness

P- Price

SC - Source credibility

Brand image was measured using a 5-point Likert scale where respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "Advertisement creates good brand image", "I feel secured whenever I decide to buy product with good brand image." and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.736$).

Purchase intention was measured using a 5-point Likert scale where the

respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I think those people will purchase who are aware of brands.”, “I am satisfied with the purchase that I made.” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.720$).

Information usefulness was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “The reviewers’ review of information of product/services is valuable for my purchasing decision of a brand.”, “The reviewers’ rating about a brand is helpful to me in brand purchase decision.”, and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.790$).

Price was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I look for cheaper alternatives while making buying decision.”, “I consider price an important factor for a product advertised.”, and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.759$).

Source credibility was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I believe that people who reviewed about product brands is trustworthy.”, “I believe that people who reviewed about product brands is reliable”, and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.723$).

Brand purchase of customers was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I would purchase the product brand if the communicator is close to me”, “I would purchase the product brand if referred by the same age group and economic level”, and so on. The reliability of the feature was measured by computing the Cronbach’s alpha ($\alpha = 0.760$).

The following section describes the independent variables used in this study along with hypothesis formulation.

Brand image

According to Aaker (1991), the brand associations as anything linked in memory to a brand. Simonin and Ruth (1998) reported that brand attitude toward specific brands influenced impressions of subsequent alliances

the brand entered into. Yoo and Donthu (2001) showed that brand image is important for companies' future profit and their long-term cash flow, companies' coalition and acquisition decisions, their stock price, sustainable competitive advantage and their success in the market. Keller (1993) showed that the brand image is referred as the sum of connotations accumulated by perceptions regarding a product that is formed in the consumers' mind. Moreover, the study suggested that it was easier to attract customers when the source was more credible. Based on it, the study develops the following hypothesis.

H₁: There is a positive relationship between brand image and brand purchase of customers

Price

Dodds (1991) found that purchase intention tends to be reduced when the actual price on products is higher than acceptable price range and vice versa. The level of price is found to have positive effect the behavioral intentions mainly because price establishes image of the brand in the eyes of the consumers. Foxall (1984) showed that Price is a factor that is playing neither an important role in affecting the distribution of newly product nor services in the market. Hence, setting a price for a new product in the market is difficult. Price is one of the elements in marketing mix, which it is very plays a very heavy role because marketers use price as communication medium with customers where the message is being clearly perceived by customer as what it meant to the marketers (Dickson and Sawyer, 1990). Price maybe resulted in both positive and negative factor in influencing a purchase by customer perception which it may cue to a quality, standing or the consumer's reputation (Lichtenstein *et al.*, 1990). Market price is where the prices are at equal to retailers and also consumers which they do not have the opportunity in paying high prices in store and to found lower price elsewhere (Lucas, 2001)

H₂: There is a positive relationship between price and brand purchase of customers.

Purchase intention

Juha (2008) showed a positive relationship existing between purchase intention and relative advantage, price, social influence and product compatibility. Dodds *et al.* (1991) showed that purchase intention measures the possibility of a consumer's lead to purchase action. Chan and Ngai (2011) showed that e-WOM has an impact on trust and purchase intention across different online platforms. Gefen *et al.* (2003) showed that trusting beliefs

has a significant impact on online purchase intention. Wen *et al.* (2012) showed that trust can have an indirect impact to online purchase intention in some situation. Axelrod (1968) showed that purchase intentions along with other attitude measures used for predicting actual purchase behavior. Shah *et al.* (2012) showed that the purchase intention is a kind of decision-making that studies the reason to buy a particular brand by consumer. Thapa (2011) showed that the customers in this era are targeted by mass media and they change the consumers' way of thinking through emotions, needs, wants and demands. Based on it, the study develops the following hypothesis:

H₃: There is a positive relationship between purchase intention and brand purchase of customers.

Source credibility

According to Pornpitakpan (2004), the main effect studies of source credibility on persuasion seem to indicate the superiority of a high-credibility source over a low-credibility one. Likewise, a highly credible source is commonly found to induce more persuasion toward the advocacy than a low-credibility one (Horai *et al.*, 1974). Thus, a reader who thinks the received review is credible will have more confidence in adopting the eWOM comments and using them for making purchase decisions (McKnight and Kacmar, 2007). Similarly, the study demonstrated a positive effect of the receiver's perceived information credibility on the willingness to accept the information of a website. Gotlieb *et al.* (1987) found that the higher the credibility of the source, the smaller the price change required to attract new customers. Based on it, the study develops the following hypothesis:

H₄: There is a positive relationship source credibility and brand purchase of customers.

Information usefulness

According to Sussman and Siegal (2003), information usefulness is defined as the extent to which the readers perceive the received information as valuable. Similarly, it is a crucial determinant of information adoption and subsequent purchasing behaviors. Luo *et al.* (2013) argued that information quality incorporates two components, i.e., argument strength and completeness, where information completeness indicates whether the information contains a wide range of aspects of the product/service. Zhang *et al.* (2010) revealed that the members are willing to utilize this social network to share their previous purchasing experiences and express their viewpoints about the product/service. Similarly, the study concluded that services people have greater trust and confidence on personal information sources and also,

they prefer personal sources for pre-purchase. Chen *et al.* (2016) revealed that product/service reviews from the third-party sources are more influential than information from manufacturers and retailers. Furthermore, the study concluded that WOM is more influential in product selection rather than information gained from printed media. Cheung and Thadani (2012) stated that the usefulness of the review information as previous research confirms that information usefulness will determine the extent to which the information readers adopt the information and make the final consuming decisions. Gefen *et al.* (2003) concluded that perceived usefulness can determine the extent to which individuals form intention to adopt a behavior or technology. Based on it, the study develops the following hypothesis:

H₅: There is a positive relationship between information usefulness and brand purchase of customers.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall’s Tau correlation coefficients along with means and standard deviations have been computed, and the results are presented in Table 1.

Table 1

Kendall’s Tau correlation coefficients matrix

This table presents Kendall’s Tau correlation coefficients between dependent and independent variables. The correlation coefficients are based on 135 observations. The dependent variable is BPC (Brand purchase of customer). The independent variables are BI (Brand image), P (Price), IU (Information usefulness), SC (Source of credibility) and PI (Purchase intention).

| Variables | Mean | S.D. | BPC | BI | PI | IU | P | SC |
|-----------|-------|-------|---------|---------|---------|---------|---------|----|
| BPC | 4.187 | 0.479 | 1 | | | | | |
| BI | 4.109 | 0.563 | 0.354** | 1 | | | | |
| PI | 4.185 | 0.516 | 0.457** | 0.574** | 1 | | | |
| IU | 4.142 | 0.404 | 0.456** | 0.447** | 0.464** | 1 | | |
| P | 4.120 | 0.439 | 0.439** | 0.452** | 0.396** | 0.465** | 1 | |
| SC | 4.174 | 0.479 | 0.437** | 0.486** | 0.453** | 0.445** | 0.422** | 1 |

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

Table 1 shows the Kendall’s correlation coefficients of dependent and independent variables. The study indicates that brand image is positively correlated to the brand purchase of customer indicating that brand image increases brand purchase of customer. Likewise, price is positively correlated

to the consumer buying behavior. This implies that increase in price leads to the decrease in consumer buying behavior. Similarly, purchase intention is positively correlated to the brand purchase of customer. It indicates that higher the information usefulness, higher will be the brand purchase of customer. However, source of credibility is also positively related to the consumer buying behavior that leads to the increment of consumer buying behavior.

Regression analysis

Having indicated the Kendall’s Tau correlation coefficients, the regression analysis has been carried out and the results are presented in Table 2. More specifically, it presents the regression results of brand image, price, information usefulness, source of credibility and purchase intention on brand purchase of customer in Kathmandu Valley.

Table 2

Estimated regression results of brand purchase of customer, brand image, price, information usefulness, source of credibility and purchase intention provided by electronic word of mouth on brand purchase in Kathmandu Valley

The results are based on 135 observations using linear regression model. The model is $BP = \beta_0 + \beta_1 BI + \beta_2 P + \beta_3 IU + \beta_4 SC + \beta_5 PI + \epsilon$ where the dependent variable is BPC (Brand purchase of customer). The independent variables are BI (Brand image), P (Price), IU (Information usefulness), SC (Source of credibility) and PI (Purchase intention).

| Models | Intercepts | Regression coefficients of | | | | | Adj. R_bar2 | SEE | F-value |
|--------|---------------------|----------------------------|---------------------|--------------------|---------------------|---------------------|-------------|-------|---------|
| | | BI | P | IU | SC | PI | | | |
| 1 | 2.583 (9.487) ** | 0.389 (5.920)** | | | | | 0.203 | 0.428 | 35.051 |
| 2 | 1.582 (4.934) ** | | 0.631 (8.155)** | | | | 0.328 | 3.393 | 66.509 |
| 3 | 1.472 (4.117) ** | | | 0.654 (7.615)*8 | | | 0.298 | 0.402 | 57.985 |
| 4 | 1.665 (5.732) ** | | | | 0.603 (8.715)** | | 0.359 | 0.384 | 75.952 |
| 5 | 1.552 (6.195) ** | | | | | 0.628 (10.571)** | 0.453 | 0.355 | 111.752 |
| 6 | 1.311 (4.001) ** | 0.188 (2.764) ** | 0.509 (5.812) ** | | | | 0.360 | 0.383 | 38.735 |
| 7 | 1.957 (2.697) * | 0.123 (1.690) | 0.380 (3.740) ** | 0.279 (2.378) * | | | 0.382 | 0.377 | 28.620 |
| 8 | 0.455 (1.350) | 0.113 (1.420) | 0.421 (4.540) ** | 0.102 (0.911) | 0.487 (5.293) ** | | 0.488 | 0.343 | 32.894 |
| 9 | 0.389 (1.276) | 0.338 (4.075) ** | 0.271 (3.073) ** | 0.102 (1.006) | 0.372 (4.336) ** | 0.499 (5.463) ** | 0.581 | 0.310 | 38.122 |

Notes:

- i. Figures in parenthesis are t-values.
- ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
- iii. Brand purchase of customer is dependent variable.

The regression results show that the beta coefficients for brand image are positive with the brand purchase of customer. It indicates that brand image has a positive impact on the brand purchase of customer. This

finding is consistent with the findings of Kotler (2000). Likewise, the beta coefficients for brand image are positive with the brand purchase of customer. It indicates that price has a positive impact on the brand purchase of customer. This finding is consistent with the findings of Foxall and Bhate (1984). In addition, the beta coefficients for price are positive with the brand purchase of customer. It indicates that information usefulness has a positive impact on the brand purchase of customer. This result is consistent with the findings of Cheung and Thadani (2012). Further, the beta coefficients for information usefulness are positively related with the brand purchase of customer. It indicates that source credibility has a positive impact on the brand purchase of customer. This finding is consistent with the findings of Kelman and Hovland (1953). Moreover, the beta coefficient for source credibility is positive with the brand purchase of customer which indicates that source credibility has a positive impact on the consumer buying behaviour. This result is consistent with the findings of Thapa (2011). The beta coefficients for price intention are positively related with the brand purchase of customer. It indicates that price intention has a positive impact on the brand purchase of customer.

4. Summary and conclusion

E-WOM is a mode of communication that was described originally as a means of sharing opinion and comments as regards to the products and services that people were transacting. Word of mouth has evolved into an entirely new form of communication that exploits modern technology. Word of mouth, or WOM is the influence of someone's informal opinion about products and brands derived from consumption experiences. Consumers have now the ability to share negative brand product evaluations at a massive scale through the practice of electronic word-of-mouth, e-WOM which is especially threatening to the corporate brand value because its perceived value lays in the minds of its consumers.

This study attempts to examine the effect of electronic word of mouth on brand image and purchase intention of youth customers in Kathmandu Valley. The study is based on primary data with 135 observations.

The study also shows that brand image, price, information usefulness, source of credibility and purchase intention has a positive relationship with brand purchase of customer. The study concludes that proper brand image, price, information usefulness, source of credibility and purchase intention have a significant role in increasing brand purchase of customer. The study also concluded that the most influencing factor purchase intention followed by source credibility and price that explains the growth of consumer buying behavior.

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Impact of Motivation on Employee Performance: A Case of Nepalese Insurance Companies

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Abstract

This study examines the impact of motivation on employee performance: A case of Nepalese insurance companies. Selection of employee performance is the dependent variable. The independent variables are employee motivation, job design, working condition, reward and salary. The primary source of data is used to assess the opinions of the respondents regarding the impact of motivation on employee performance: A case of Nepalese insurance companies. The study is based on primary data with 120 respondents. To achieve the purpose of the study, structured questionnaire is prepared. The correlation coefficients and regression models are estimated to test the significance and importance of different motivation factors affecting employee performance on Nepalese insurance companies.

The result shows that employee motivation has a positive impact on employee performance. It indicates that higher employee motivation, higher would be the employee performance. Likewise, job design has a positive impact on employee performance. It indicates that higher the job design, higher would be the employee performance. Similarly, working condition has a positive impact on employee performance. It indicates that better working conditions leads to increase in employee performance. Similarly, reward has a positive impact on employee performance. It indicates that increase in reward leads to increase in employee performance. Likewise, salary has a positive impact on employee performance. It indicates that increase in salary leads to increase in employee performance.

Keywords: employee motivation, job design, working condition, reward, salary, employee performance

1. Introduction

Motivation is the key of a successful organization to maintain the continuity of the work in a powerful manner and help organizations to survive (Omollo, 2015). Basically motivation word is derived from Motive. The meaning of motive is needs, wants, and the desire of the persons. So that employee's motivation means the process in which organization inspiring our employee with the shape of rewards, bonus etc. for achieving the organizational goals (Chaudhary & Sharma, 2012). Performance refers to the degree of accomplishment of the task that makes up an employee's job

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(Rue, 2007). Nowadays, the phenomenon of increased competition between firms and their need to respond effectively to rapidly changing operational conditions, as well as to personnel requirements, has escalated the necessity to identify those factors that affect employee performance (EP) (Diamantidis and Chatzoglou, 2019). Tightness of competition on business environment in this globalization era, organizations start to improve and maximize their ability to compete globally (Hutagaol, 2014). The term employee performance signifies individual's work achievement after exerting required effort on the job which is associated through getting a meaningful work, engaged profile, and compassionate colleagues/employers around (Karakas, 2010).

Luthans (2000) defined that two types of rewards which are financial (extrinsic) and non-financial (intrinsic) reward and both can be utilized positively to enhance employees performance. Zahargier *et al.* (2011) investigated the factors affecting employees 'performance in Ready-Made Garments sector in Chittagong, Bangladesh. The study showed that the individual related factors, job related factors and organizational related factors has a strong positive relationship with employees' performance. Ayub (2010) showed that motivation improves academic performance of the students.

Saeed *et al.* (2013) showed that employee motivation, organizational culture, personal problems, job content and working conditions have positive impact on the performance. Hafeez *et al.* (2019) examined the impact of workplace environment on employee performance. The study revealed that employee health is mediating has a positive and significant relationship between workplace environment factors and employee performance. Pawirosumarto *et al.* (2017) observed that there is a positive and significant relationship between leadership style, employee motivation and discipline on employee performance. Rizwan *et al.* (2014) examined the factors effecting the employee motivation and employee performance in Pakistan. The study found that there is a significant positive relationship between employee motivation and employee performance.

Employee motivation is a key challenge to organization. Employee motivation has been recognized as a major impact on many economic and social phenomena. The motivation of bank employee plays a major role in achieving high level of satisfaction among its customers (Patecharak, 2004). Asim (2013) explored the impact of employee motivation on employee performance. The study showed that the relationship between employee performance and motivation, whereby a motivated employee has an intention and drive to work hard and show good results. Additionally, Azar and Shafiqhi (2013) revealed that the work motivation has a positive and significant impact

on performances of employees. Hameed *et al.* (2014) studied the impact of compensation on employee performance (empirical evidence from banking sector of Pakistan). The study found that there is a positive relationship between salary and employee performance.

A work environment can be identified as the place that one works, which means the milieu around a person. It is the quality of the employee's workplace environment that most impacts on the level of employee's motivation and subsequent performance (Tulenan, 2015). The study showed that work environment and compensation have significant positive effect on employee performance simultaneously. Aboelmaged *et al.* (2012) found that work environment has a positive and significant effect on employee performance which means that work environment can increase employee performance in working from home situation. Shahzadi *et al.* (2014) examined the impact of employee motivation on employee performance. The study found that there is a positive significant relationship between motivation and employee performance. Ali *et al.* (2016) investigated the impact of motivation on the employee performance. The study showed that motivation plays an important role toward the performance of employees. Ekundayo (2018) assessed the impact of in motivation on employee performance selected insurance companies in Nigeria. The study showed that there is a strong relationship between motivation and employee performance. Zameer *et al.* (2014) examined the impact of the motivation on the employee's performance in beverage industry of Pakistan. The study revealed that there is a positive relationship between motivation and employee performance.

Thao and Hwang (2015) studied the organizational factors affecting employee performance. The study showed that there is a positive and significant relationship between training, motivation, and working environment on employee performance. Abdi Mohamud (2017) revealed that there is a positive and significant effect of training, job design on employee performance. Zareen *et al.* (2013) stated the role of job design and employee performance. The study showed that there is a positive and significant relationship between job design and employee performance. Tahir *et al.* (2014) found that the relationship between authentic leadership and employee performance has a significant and positive.

Diamantidis and Chatzoglou (2019) investigated the factors affecting employee performance in an organization. The study showed that job environment and management support have the strongest impacts on employee performance. Kusumaningrum *et al.* (2020) found that training is the most prominent positive factor affecting self-efficacy and self-efficacy has

a significant effect on employee performance. Zafar *et al.* (2017) examined the factors of workplace environment that affects employee performance in an organization. The study observed that there is a positive and significant relationship with working environment, stress, training and development, reward, culture, leadership on employee performance.

In the context of Nepal, According to Thapa *et al.* (2017), employees are regarded as one of the most imperative assets of any organization. The prosperity of any organization depends largely on the employee's qualities, capabilities and skills which can be measured by their performance. The study showed that there is a significant relationship between commercial banks and employee performance. Poudel (2016) examined the impact of employee motivation on organizational performance of Nepalese commercial bank. The study showed that there is a positive impact of employee motivation factors (employee participation, performance appraisal system, training and working environment) on organizational performance. Timilsena and Rimal (2019) found that there is a positive significant relationship of training, motivation and attitude with employee's performance.

Adhikari (2019) examined the determinants of job satisfaction and its impact on employee performance. The study found that work environment employee empowerment and job loyalty have positive and significant effect on employee performance. Shrestha (2018) investigated the impact of training and development on employee performance in Nepalese commercial bank. The study revealed that there is a positive relationship of workplace environment and trainee characteristic with employee performance.

The above discussion reveals that the empirical evidences vary greatly across the studies concerning the impact of motivation on employee performance in insurance companies. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The main purpose of the study is to examine the impact of motivation on employee performance of Nepalese insurance companies. Specifically, it examines the impact of employee motivation, job design, working condition, reward and salary on employee performance of Nepalese insurance companies.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion.

2. Methodological aspects

The study is based on the primary data. The data were gathered from 120

respondents through questionnaire. The respondents' views were collected on of employee motivation, job design, working condition, reward and salary on employee performance of Nepalese insurance companies. Table 1 shows the list of insurance companies selected for the study along with the number of respondents.

Table 1

List of insurance companies selected for the study along with the number of respondents

| S. N. | Name of the insurance companies | Number of respondents |
|-------------------------------------|--|-----------------------|
| Life insurance companies | | |
| 1 | Asian Life Insurance Company | 8 |
| 2 | Citizen Life Insurance Company Limited | 8 |
| 3 | Gurans Life Insurance Company Limited | 6 |
| 4 | Mahalaxmi Life Insurance Company Limited | 4 |
| 5 | Nepal Life Insurance Company Limited | 3 |
| 6 | Prabhu Life Insurance Company Limited | 10 |
| 7 | Prime Life Insurance Company Limited | 5 |
| 8 | Reliance Life Insurance Limited | 5 |
| 9 | Sanima Life Insurance Company Limited | 10 |
| 10 | Surya Life Insurance Company Limited | 6 |
| 11 | Union Life Insurance Company Limited | 10 |
| Non-life insurance companies | | |
| 12 | Everest Insurance Company Limited | 3 |
| 13 | National Insurance Company Limited | 8 |
| 14 | Oriental Insurance Company Limited | 5 |
| 15 | Prabhu Insurance Company Limited | 6 |
| 16 | Prudential Insurance Company Limited | 4 |
| 17 | Sagarmatha Insurance Company Limited | 6 |
| 18 | Sanima General Insurance Company Limited | 5 |
| 19 | Shikhar Insurance Company Limited | 3 |
| 20 | Siddhartha Insurance Company Limited | 5 |
| Total number of respondents | | 120 |

Thus, the study is based on 120 respondents.

The model

The model estimated in this study assumes that the Employee performance depends on the employee motivation, job design, working condition, reward and salary. Therefore, the model takes the following form:

$$EP = \beta_0 + \beta_1 EM + \beta_2 JD + \beta_3 WC + \beta_4 R + \beta_5 S +$$

Where,

EP= Employee performance

EM= Employee motivation

JD= Job design

WC= Working condition

R= Reward

S= Salary

Employee motivation was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I am motivated by our reward system and it makes me perform better, “I regularly receive constructive feedback from my superiors. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.745$).

Job design was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “This job hardly provides me the chance to define it, “I am required to use a number of high-level skills while conducting my job and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.700$).

Working conditions was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “The culture and emotional climate of the organization is generally positive and supportive”, “My furniture is comfortable enough to enable me perform my job without getting tired” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.748$).

Reward was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I am satisfied with the reward provided by the organization”, “The reward system of my organization is based upon the skills and performance of the employee”, and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.842$).

Salary was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 4 items and sample items include “I am satisfied with the salary provided by the organization”, “Salary system improves

my performance”, and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.713$).

Employee performance measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include “I take part in solving problems in my organization”, “I understand the procedures and policies of my organization” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.745$).

The following section describes the independent variables used in this study along with the hypothesis formulation.

Employee motivation

Employee motivation is considered as a force that drives the employees toward attaining specific goals and objectives of the organization (Shahzadi *et al.*, 2014). The study showed that there is a significant and positive relationship exists between employee motivation and employee performance. According to Omollo (2015), motivation is the key of a successful organization to maintain the continuity of the work in a powerful manner and help organizations to survive. Similarly, Abdi Mohamud *et al.* (2017) showed that motivation has a significant and positive effects on employee performance. Sandhu (2017) revealed that there is a significant positive relationship between employee motivation and employee performance Based on it, this study develops the following hypothesis:

H₁: There is a positive relationship between employee motivations and employee performance.

Job design

Job design is the most important function of human resource management. It indicates that, designing of contents, methods, functions of a job (Aroosiya & Hussain Ali, 2013). The study found that there is a significant and positive relationship between perceived level of job design and perceived degree of employees’ performance in the schools. According to Garg & Rastogi (2006), a dynamic managerial learning framework is required in order to enhance employees’ performance to meet global challenges. Ali & Zia-ur-Rehman (2014) examined the impact of job design on employee performance, mediating role of job satisfaction. The study showed there is a positive relationship between job design and employee performance. Al-Hamed (2016) revealed that that there is a positive relationship between job design and employee performance. Based on it, this study develops the following hypothesis:

H₂: There is a positive relationship between job design and employee performance.

Working conditions

A positive working environment is vital in ensuring employee productivity to avoid unnecessary stress to the employees thus affecting their work performances (Saidi *et al.*, 2019). The study found that there is a significant relationship between the working environment and employee performance. A work environment can be identified as the place that one works, which means the milieu around a person (Gunaseelan & Ollukkaran, 2012). The study found that there is a significant impact upon employee performance and productivity. Aseanty (2016) examined the impact of working ability, motivation and working condition to employee's performance. The study showed that all those three variables; working ability, working conditions and motivation have positive and significant effect on employee performance. Saidi (2019) revealed that there is a significant relationship between the working environment and employee performance. Based on it, this study develops the following hypothesis:

H₃: There is a significant and positive relationship between a working condition and employee performance.

Reward

A reward system is important for the employee performance. As employee performance will be more effective to high reward system. That how to be high performance is base high reward vice versa (Ibrar & Khan, 2015). The study found that there is a positive relationship between rewards (extrinsic and intrinsic) and employee's job performance. Aktar *et al.* (2012) examined the impact of rewards on employee performance in commercial banks of Bangladesh. The study showed that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have positive influence on employee work performance. Ali & Ahmad (2009) revealed that there is a positive relationship between recognition, reward and performance. The study also stated that if reward and recognition are given to employee then there is a huge change in their employee performance. Similarly, Sajuyigbe *et al.* (2013) showed that reward dimensions jointly predict employees' performance, which accounted for 71% variance of performance. Based on it, this study develops the following hypothesis:

H₄: There is a positive relationship between reward and employee performance.

Salary

Salary is very important for the performance of the employees. Therefore they are very important for the organization too. Nagaraju & Pooja (2017) examined the impact of salary on employee performance empirical evidence from public and private sector banks of karnataka. The study showed that salary has a positive impact on employee performance. Divandari *et al.* (2018) investigated the effect of compensation on individual performance. The study showed that the effects of pay for performance on employee performance are higher than fixed payments. Osibanjo *et al.* (2014) showed that salary has a positive impact on employee performance. Mondello & Maxcy (2009) showed that salary has a positive impact on employee performance. Based on it, this study develops the following hypothesis:

H₃: There is a positive relationship between salary and employee performance.

3. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with means and standard deviations have been computed, and the results are presented in Table 2.

Table 2

Kendall's Tau correlation coefficients matrix

This table presents Kendall's Tau correlation coefficients between dependent variable and independent variables. The correlation coefficients are based on 120 observations. The dependent variable is EP (Employee performance). The independent variables are EM (Employee motivation), JD (Job design), WC (Working conditions), R (Reward) and S (Salary).

| Variables | Mean | SD | EP | EM | JD | S | WC | R |
|-----------|-------|-------|---------|---------|---------|---------|---------|---|
| EP | 4.425 | 0.471 | 1 | | | | | |
| M | 4.335 | 0.579 | 0.362** | 1 | | | | |
| JD | 4.325 | 0.529 | 0.465** | 0.557** | 1 | | | |
| S | 4.405 | 0.492 | 0.476** | 0.476** | 0.662** | 1 | | |
| WC | 4.408 | 0.408 | 0.542** | 0.390** | 0.521** | 0.614** | 1 | |
| R | 4.380 | 0.398 | 0.597** | 0.659** | 0.766** | 0.717** | 0.652** | 1 |

Notes: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

Table 2 shows the Kendall's correlation coefficients of dependent and independent variables for Nepalese insurance companies. The study indicates that employee motivation is positively correlated to employee performance.

It indicates that increase in employee motivation leads to increase in employee performance. Likewise, job design is positively correlated to employee performance. It indicated that higher job design leads to increase in employee performance. Similarly, salary is positively correlated to employee performance. It indicates that higher salary leads to increase in employee performance. Similarly, working condition is positively correlated to employee performance indicating higher working condition leads to increase in employee performance. Likewise, reward is positively correlated to employee performance which indicates that reward leads to increase in employee performance.

Regression analysis

Having indicated the Kendall’s Tau correlation coefficients, the regression analysis has been carried out and the results are presented in Table 3. More specifically, it shows the regression results of employee motivation, job design, management style, working conditions, and training and development on employee performance.

Table 3

Estimated regression results of employee motivation, job design, salary, working conditions and reward on employee performance

The results are based on 120 observations using linear regression model. The model is $EP = \beta_0 + \beta_1 EM + \beta_2 JD + \beta_3 S + \beta_4 WC + \beta_5 R + \epsilon_i$ where the dependent variable is EP (Employee performance). The independent variables are EM (Employee motivation), JD (Job design), WC (Working conditions), R (Reward) and S (Salary).

| Models | Intercepts | Regression coefficients of | | | | | Adj. R _{bar} 2 | SEE | F-value |
|--------|--------------------|----------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|-------|---------|
| | | EM | JD | S | WC | R | | | |
| 1 | 2.923 (9.861)** | 0.346 (5.111)** | | | | | 0.174 | 0.429 | 26.122 |
| 2 | 2.914 (8.861)** | | 0.349 (4.626)** | | | | 0.146 | 0.435 | 21.402 |
| 3 | 2.908 (7.963)** | | | 0.365 (4.181)** | | | 0.122 | 0.441 | 17.478 |
| 4 | 1.410 (3.713)** | | | | 0.584 (7.971)** | | 0.345 | 0.381 | 63.544 |
| 5 | 0.920 (2.601)* | | | | | 0.800 (9.945)** | 0.451 | 0.349 | 98.897 |
| 6 | 2.608 (2.979)** | 0.241 (5.244)** | 0.179 (7.036)** | | | | 0.191 | 0.424 | 15.047 |
| 7 | 2.529 (6.839)** | 0.227 (2.466)* | 0.144 (1.245) | 0.066 (0.545) | | | 0.186 | 0.425 | 10.070 |
| 8 | 1.306 (3.386)** | 0.208 (2.572)* | 0.004 (0.034) | 0.179 (1.572) | 0.685 (5.901)** | | 0.370 | 0.374 | 18.460 |
| 9 | 1.533 (1.275)* | 1.000 (3.703)** | 1.000 (2.100)* | 1.000 (0.686) | 1.000 (0.761) | 5.000 (5.058)** | 0.621 | 0.345 | 16.886 |

Notes:

- i. Figures in parenthesis are t-values.
- ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
- iii. Employee performance is dependent variable.

Table 3 shows the beta coefficients for employee motivation are positive with employee performance. It indicates that employee motivation has a positive impact on employee performance. This finding is consistent with the findings of Rizwan *et al.* (2014). Likewise, the beta coefficients for job design are positive with employee performance. It indicates that job design has a positive impact on employee performance. This finding is consistent with the findings of Zia-ur-Rehman (2014). In addition, the beta coefficients for salary are positive with employee performance. It indicates that salary has a positive impact on employee performance. This result is consistent with the findings Divandari *et al.* (2018). Further, the beta coefficients for working conditions are positive related with employee performance. It indicates that working condition has positive impact on employee performance. This finding is consistent with the findings of (Saidi *et al.*, 2019). In addition, the beta coefficients for reward has as a positive impact on employee performance. It indicates that reward has a positive impact on employee performance. This finding is similar to the findings of Sajuyigbe *et al.* (2013)

4. Summary and conclusion

Performance is the overall outcome or success of a person during certain periods of duty compared to the standard of the work, the targets or criteria that have been determined in advance and have been agreed. performance does not stand alone but is related to job satisfaction and compensation, influenced by the skills, abilities and individual traits. In other words, employee performance is determined by the ability, desire and environment. Employee performance is influenced by various characteristics of each individual. In the development of a competitive and globalized era, companies certainly require employees who are high achievers.

This study attempts to examine the impact of motivation on employee performance: A case of Nepalese insurance companies. The study is based on primary data of 22 Nepalese insurance companies with 120 respondents.

The study showed that employee motivation, job design, working conditions, reward and salary have a positive impact on employee performance. The study also concludes that the reward followed by working conditions and employee motivation are the most influencing factor that explains the impact of motivation on employee performance of Nepalese insurance companies.

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