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Performance Metrics and Job Satisfaction in Life Insurance Industries in Nepal

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Original Article

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ABSTRACT

This study aims to analyze the effect of performance appraisal systems on employees' job satisfaction in life insurers in Nepal. A descriptive-correlational research design was adopted among 86 employees through a five-point Likert questionnaire. The indicators of performance appraisal, included training and development, job analysis and design, performance-based compensation, human resource decision, supervisory understanding and communication, and employee motivation were examined. The correlation, descriptive statistics, and reliability analyses were performed using SPSS Version 20. The finding showed a positive relationship between overall performance appraisal and job satisfaction. The findings indicated that training and development, employee motivation, job analysis and design, and performance-based compensation were significantly associated with job satisfaction in life insurers. Performance-based pay had the strongest relationship with job satisfaction, while supervisory communication and perceived fairness were insignificant. The study concluded that good performance appraisal systems were associated with job satisfaction by enhancing training and development opportunities, reinforcing reward mechanisms, and improving organizational communication. Thus, the life insurers in Nepal could improve performance appraisal systems by increasing transparency, fairness, and aligning appraisal outcomes with rewards.

Keywords: *Performance Appraisal;Training and Development; Job Analysis and Design; Supervisory Understanding and Communication; Human Resource Decision; Employee Motivation.*
JEL Classifications: *J30; J31; M51; M52; G21*

INTRODUCTION

In Nepal, the life insurance business is becoming increasingly competitive. There are more regulations, and customers have higher expectations. Therefore, performance appraisal is

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very important for managing people at work. It helps assess how well employees are performing their jobs, the quality of their work, whether they complete tasks on time, and whether they are efficient and cost-effective. This helps align the insurer's goals match with what each employee wants to achieve, and helps with decisions about promotions, pay, training, career growth and rewards. Performance appraisal can help employees perform at their best and improve life insurance performance. However, the traditional way of conducting appraisals often makes employees unhappy. The appraisal system is often bureaucratic, unfair, and lacking in transparency. This can decrease employees' trust and motivation (Mudashiru et al., 2013; Rathnawere, 2010; Singh, 2004). In developed countries, performance appraisal is related to effectiveness of the life insurers. In Nepal, especially in the life insurance industry, the performance appraisal system still relies heavily on traditional practices. Gautam (2012) revealed that employees are not satisfied due to low pay scales and lack of training and development opportunities.

Lama et al., (2025) concluded that appraisal systems can satisfy employees if they are aligned with the human resource management plan. Karim et al., (2024) found that fair appraisals and effective feedback mechanisms increase employee satisfaction and make employees more committed and engaged at work. Shrestha et al., (2024) found that a fair appraisal process increases employees' satisfaction with the evaluation system. Hence, the study was conducted in life insurance companies in Nepal to examine the effects of performance appraisal on organizational performance. The study also sought to establish the relationship between post-appraisal training and development and performance improvement.

LITERATURE REVIEW

Theoretical Review

Human Capital Theory

Human Capital Theory sets forward the idea that employees are not just workers but valuable assets to an organization, whose abilities and productivity can be improved through investments in their training and development (Becker, 1993). Performance appraisal systems serve as tools for identifying skill gaps and performance deficiencies among emloyees. This, in turn, helps life insurers determine the types of training and development programs needed to enhance employees' capabilities and overall productiviey. When performance appraisals are closely connected with training and development efforts, employees are provided with opportunities to improve their skills and advance their careers, which usually leads to greater job satisfaction. Studies have shown that development activities based on appraisal results tend to enhance not only individual performance but also organizational effectiveness (Rathnawere, 2010; Stone, 2002).

Equity Theory

The Equity Theory, introduced by Adams (1965), explains job satisfaction in terms of how employees perceive the fairness of the distribution of organizational rewards. An employee's perception of fairness at work is determined by the inputs he or she contributes to the job and the outcomes he or she receives in return. Employees might assess their level of effort, performance, and the rewards they receive, such as salary, promotions, and recognition, in exchange for their contributions. In relation to performance management and appraisals, employees' perceptions of the fairness of evaluations and the resulting rewards and recognition play a crucial role in shaping how they feel about their jobs and whether they are satisfied and motivated at work. If employees perceive appraisals to be fair and unbiased,

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they are likely to report higher levels of job satisfaction and motivation. On the other hand, when they perceive unfairness, dissatisfaction and reduced organizational commitment often follow. Previous studies have found that fairness in appraisal and pay systems has a noticeable impact on employee satisfaction (Javed et al., 2010; Murnane & Cohen, 1986).

Expectancy Theory

Expectancy Theory suggests that employees are motivated when they believe that effort would produce performance and that performance would yield positive rewards (Vroom, 1964). The performance appraisal connects the rewards employees desire, such as salary increases, bonuses, and promotions, to performance. Employees are more motivated and satisfied when they recognize that performance appraisal and rewards are connected in a clear and transparent way. However, appraisal systems that are weak and unclear would disrupt the performance-appraisal-reward relationship and decrease employee motivation and satisfaction.

Social Exchange Theory

Social Exchange Theory (SET) asserts that there are reciprocal exchanges in the employment relationship between employees and organizations (Blau, 1964). As long as employees perceive that the organization is being fair in its evaluations, that it is giving constructive feedback, providing training opportunities, and conferring rewards through the performance appraisal system, then employees respond by increasing their commitment, in both trust and effort, and thus enhance their own job satisfaction and the organization's effectiveness. However, unfair and even inconsistent appraisal practices can undermine trust and diminish employees' desire to go above and beyond their formal jobs (Ali et al., 2014; Robbins & Judge, 2007).

Empirical Review

There is considerable evidence of the positive relationship between performance appraisal systems and employees' job satisfaction and organization's performance. However, effective implementation of performance appraisal system is dependent upon integration of various dimensions of human resource management (HRM) and organizational context. While HR practices individually and collectively enhance employees' job satisfaction, performance appraisal alone is not likely to achieve significant results (Mehta, 2014). The impact of performance appraisal is enhanced when linked with incentives (Saeed et al., 2013). An incentives in the form of monetary or non-monetary rewards are more effective in financial sector; perceptions of transparency and fairness in appraisal process also play crucial role (Marron, 2007). At individual level, various factors: compensation, supervision, job security, and working conditions influence employees' job satisfaction (Adhikari, 2005). The job security and pay are considered most important by employees working in Nepalese financial sector (Pathak, 2015). The performance appraisal system is a means to achieve outcome of training and development; appraisal processes affect employees' satisfaction and retention through training and development (Rathnawere, 2010). The quality of training is also important and influences employees' satisfaction and performance (Stone, 2002). However, various structural constraints such as inadequate human resource capability and absence of linkage between performance appraisal system and training and development programs in Nepalese organizations restrict achievement of positive outcomes (Maharjan, 2013; Binay, 2004).

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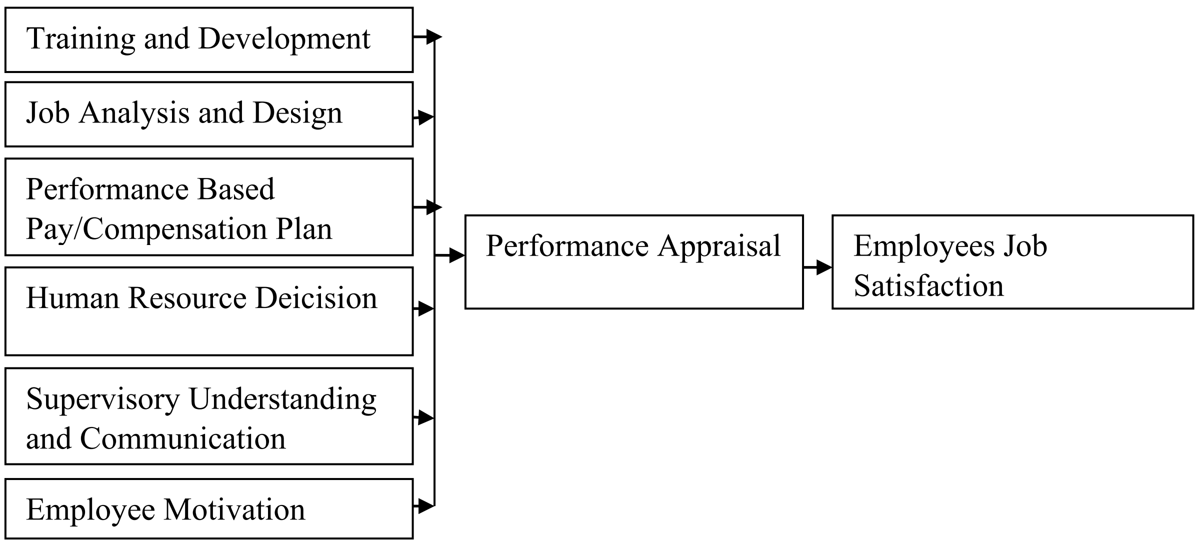
Performance-based compensation is another mechanism central to motivation and employee's satisfaction; equal relationship between performance and compensation enhances motivation and improves employees' satisfaction (Globler et al., 2006). However, there are concerns with respect to biasness of evaluators and fairness of appraisal system (Murnane & Cohen, 1986). Employee's commitment plays important mediating role between integrated HR practices (appraisal, training and development, & compensation) and employees' engagement and performance (Ali et al., 2014; Robbins & Judge, 2007). However, performance appraisal system is the component human resource management and is influenced by design of job, organizational structure, and decisions of managers (Gautam, 2012; Som, 2008). Risal et al., (2022) concluded that a service delivery, quality service, promptness, and customer convenience were the major determinants of life insurance purchase decisions. Pandey et al., (2024) concluded that the service quality in Rastriya Beema Sansthan had no impact on customer satisfaction. Earlier studies conducted in Nepal have analyzed various dimensions of motivation and employees' job satisfaction; however, there is scarcity of study on combined effects of various dimensions of performance appraisal system, i.e., training and development, compensation, design of job, human resource decisions, and communication on employees' job satisfaction in Nepalese life insurance sector. Thus, the present study attempts to fill this gap.

Conceptual Framework



Hypothesis

H1: The performance appraisal system has significant positive effect on employee job satisfaction.
H2: Training and development has a significant positive effect on employee job satisfaction.
H3: Job analysis and design have a significant positive effect on employee job satisfaction.
H4: Performance-based pay/compensation plan has a significant positive effect on employee job satisfaction.
H5: Human resource decisions have a significant positive effect on employee job satisfaction.
H6: Supervisory understanding and communication have a significant positive effect on employee job satisfaction.
H7: Employee motivation has a significant positive effect on employee job satisfaction.

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RESEARCH METHODS

The study adopted descriptive and correlational research design and used survey research methods. Questionnaire were used to collect the data from the respondents. The respondents were from assistant to managerial levels to represent all the levels in hierarchical order. The study used purposive and convenience sampling for selecting the respondents. Five point Likert scale was used to measure all the variables. The respondents were classified into five categories i.e. assistant level, supervisor, management trainee, officer level and managerial level employees. The respondents were selected from the listed life insurance companies in Nepal. The total number of respondents were confined to 86 collected from 10 life insurers. The sample size provided enough statistical power to detect meaningful effect size at a standard alpha level (P<0.05). The reliability of the measurement scale was assessed by using Cronbach's alpha.

Model Specifications:

$$ES=\beta_0+\beta_1TD_1+\beta_2JAD_2+\beta_3PBP_3+\beta_4HRD_4+\beta_5SUC_5+\beta_6EM_6+\mu$$

Where, ES= Employee Satisfaction; TD= Training and Development; JAD= Job Analysis and Design; PCP= Performance Based Compensation Plan; HRD= Human Resource Decision; SUC= Supervisory Understanding and Communication; EM= Employee Motivation.

RESULTS

Demographic and Profile Analysis

Table 1

Demographic Results

Particulars	Frequency	Valid Percent	Cumulative Percent
		Gender	
Male	51	59.30	59.30
Female	35	40.70	100
Total	86	100	
		Age Group	
20-25	12	14	14
25-29	29	33.70	47.70
30-34	25	29.10	76.70
35-39	8	9.30	86
40 and Above	12	14	100
Total	86	100	
		Academic Qualification	
Intermediate and Below	6	7	7
Bachelor's Degree	24	27.90	34.90
Master Degree	53	61.60	96.50
M.Phil/PHD	3	3.50	100
		Organization Position	
Assistant	39	45.30	45.30
Supervisor	8	9.30	54.70
Management Trainee	4	4.70	59.30

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Officer	22	25.60	84.90
Manager	13	15.10	100
Total	86	100	

Table 1 presented that 59.30% of the total number of respondents were male and 40.70% were female. The analysis have implied relatively balanced number of male and female employees participation in the survey. The findings indicate that the largest percentage of number of employees (33.70%) were of 25-29 years of age and were in early stage of their careers and were engaged in operational, functional and executive level of jobs in life insurance sector. The findings indicated that 61.6% had completed their higher education followed by 23.30% were of 30-34 years of age and were in middle stage of their careers. It had indicated that the study included a sample of relatively high academic qualification. The large number of participants were at the assistant level (45.30%). This indicates that the workforce of the life insurers consists of a majority of operational level staff that included entry level to mid level employees who were often officers, managers and specialists. The results had provided more information regarding the views and experiences of the majority of the employees at the lower to mid level life insurers positions. There were not enough participants from the senior levels of leadership within the insurers for the findings to provide any meaningful insights regarding the views and experiences of the senior leadership of the life insurers.

Analysis of Training and Development and Performance Appraisal of Life Insurers

Cronbach's alpha for the entire measurement items was 0.838, indicated the internal consistency and the measurement items used in this study were reliable for the further analysis. Table 2 showed a significant positive connection between performance appraisal and employee's training and development by identifying the performance gaps (87.21%). The majority of respondents agreed that life insurers should invest in training and development to enhance their efficiency and effectiveness (90.69%). The majority of the respondents agreed that the training and development helped employees to acquire self-fulfilling abilities and also helped life insurers to achieve greater efficiency (86.60%). The study revealed that respondents viewed the training and development as an end product of performance appraisal which would not only enhance employees development but also contributed towards the effectiveness of life insurers. The 83.72% of the respondents agreed that on-the-job training was very effective for employees. It helped in their acquiring better job-related knowledge and skills. However, only 60.46% of the respondents agreed on adoption of new technology. It indicated that the respondents had weaker perception regarding immediate adoption of new technology within the life insurers as a result of performance appraisal. The weighted average mean score was found to be 4.174. Thus, there was very high agreement among the respondents for influence of training and development on performance appraisal. Thus, training and development were were prominent factor for enhancing employee competence and overall life insurers effectiveness.

Table 2

Analysis of Training and Development and Performance Appraisal of Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean

Performance appraisal helps identify gaps in employee performance and provides a basis for designing appropriate training and development programs.	0 0 1.16	1 1.20	10 11.60 11.63	44 51.20 87.21	31 36	4.22
Training provided to the employees results in a better understanding of the performance objectives of employees.	1 1.20 1.16	0 0	7 8.10 8.14	53 61.60 90.70	25 29.10	4.17
Investment in training and development should be increased, as it yields greater life insurers efficiency and effectiveness.	1 1.20 3.49	2 2.3	14 16.30 16.28	44 40.70 87.21	31 39.50	4.15
Training and development play a vital role in employee growth by fostering self-enhancing skills and abilities, reducing operational costs, and minimizing life insurers liabilities.	1 1.20 5.81	4 4.7	9 10.50 10.47	32 37.2 83.72	40 46.50	4.23
Performance appraisal leads to adopt the new technology immediately to increase the employee productivity.	0 0 16.28	14 16.3	20 23.30 23.26	30 34.9 60.47	22 25.6	3.70
On the job training helps employees to get the knowledge of their job in a better way.	1 1.20 1.16	0 0	3 3.50 3.49	42 48.80 95.35	40 46.50	4.39
Weighted Mean Score						4.19

Analysis of Job Analysis and Design and Performance Appraisal of Life Insurers

Table 3

Analysis of Job Analysis and Design and Performance Appraisal of Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean
Performance appraisal helps in behavior analysis of the employee i.e. behavior and attitude towards work.	0 0 6.98	6 7	17 19.80 19.77	48 55.80 73.26	15 17.40	3.84
Employee performance appraisal enables life insurers to analyze the nature and design of job roles, which may help in redesigning job descriptions accordingly.	0 0 1.16	1 1.20	18 20.90 20.93	45 52.30 77.91	22 25.6	4.02
Performance appraisal enhances employees' understanding of their roles within the life insurers, clarifying what is expected of them and what actions are required to meet those expectations.	0 0 1.16	1 1.20	15 17.40 17.44	47 54.70 81.39	23 26.70	4.07
Performance appraisal helps to identify the strengths and weaknesses of employees to place right men on right job.	0 0 3.49	3 3.50	4 4.70 4.65	40 46.50 91.86	39 45.30	4.34
Weighted Mean Score						4.07

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Table 3 presented that the majority of the respondents agreed that the performance appraisal helped in analyzing employees' behavior (73.26%). The respondents believed that the performance appraisal had contributed for the job analysis and redesign of jobs (77.91%). The 81.39% of the respondents agreed that the performance management had improved employees' understanding of the roles that they played in the life insurers, enabling them to perform their roles to the best of their ability. On the issue of identifying employees' strengths and weaknesses and thereby ensuring that right people were placed in right jobs to maximize their contribution to organization, 91.86% of the respondents agreed that performance appraisal was essential for these purposes. The weighted mean score value of 4.07 indicated that most employees had observed performance management as facilitating in relation to jobs of great quality that would boost employees' performance and productivity enabling them to be fully utilized to create added value for life insurers thereby promoting higher levels of employee satisfaction that aids effective and efficient organization.

Analysis of Performance Based Compensation Plan and Performance Appraisal of Life Insurers

Table 4 presented that 73.26% of respondents agreed that the performance appraisal was adopted to determine compensation packages, including bonuses, higher salary, allowances and other benefits. Similarly, 74.42% of respondents had agreed that higher pay positively affects employee performance and indicated as one of the determinants of employee's work output. Only 55.81% of respondents agreed that financial rewards were the primary source of motivation to employees. In terms of effectiveness of performance appraisal system, 67.44% of respondents perceived performance appraisal system as effective in Nepalese life insurers. The weighted mean score of 3.81 indicated a moderate level of agreement on the statements regarding compensation. Hence, performance appraisal had positive but moderate impact on compensation packages in Nepalese life insurers through financial rewards and its performance.

Table 4

Analysis of Performance Based Compensation Plan and Performance Appraisal of Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean
Performance appraisal helps to define compensation packages such as bonus, high salary rate, extra benefits, allowances and pre-requisites.	0	8	15	41	22	3.89
	0	9.30	17.40	48	25.60	
	9.30		17.40	73.26		
Pay rate significantly influences employee performance, whereby higher compensation tends to motivate employees to perform at a higher level.	0	6	14	39	27	4.01
	0	7	16.30	45	31.40	
	6.98		16.30	74.42		
Life insurers in Nepal can efficiently implement the performance based pay system.	6	11	21	31	17	3.49
	7	12.80	24.40	36	19.80	
	19.77		24.40	55.81		
Financial rewards serve as a primary source of motivation for employees, and performance-based pay represents a significant form of recognition and reward for high-performing	1	10	17	30	28	3.86
	1.2	11.60	19.80	35	32.60	
	12.79		19.80	67.44		

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individuals.	
Weighted Mean Score	3.81

Analysis of Human Resource Decisions and Performance Appraisal of Life Insurers

Table 5

Analysis of Human Resource Decisions and Performance Appraisal of Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean
Performance appraisal helps in promotion of outstanding performers for upward movement in life insurers hierarchy.	0 0 5.81	5 5.80	10 11.60 11.06	47 54.70 82.56	24 27.90	4.05
Performance appraisal helps life insurers to transfer employees to achieve a better fit between people and job.	1 1.20 3.49	2 2.30	18 20.90 20.93	49 57 75.58	16 18.60	3.89
Performance appraisal is commonly used to identify low-performing employees and support termination decisions such as dismissal, layoff, or downsizing.	2 2.30 11.63	8 9.30	36 41.90 41.86	26 30.20 46.51	14 16.30	3.49
Performance appraisal helps HR manager to understand the validity and importance of the selection procedure.	1 1.20 9.30	7 8.20	17 19.80 19.77	44 51.20 70.93	17 19.80	3.80
Performance appraisal helps HR manager to make future changes in selection and recruitment.	2 2.30 4.65	2 2.30	13 15.10 15.12	48 55.80 80.23	21 24.40	3.98
Life insurers can use performance appraisal for succession planning to identify managers who are ready to be promoted to higher positions.	0 0 3.49	3 3.50	11 12.80 12.79	42 48.80 83.72	30 34.90	4.15
Weighted Mean Score						3.89

Table 5 presented the role of performance appraisal in human resource decisions. More than the half of the respondents (82.56%) were agreed that performance appraisal supported promotion of outstanding employees to higher levels in the life insurers. Similarly, 75.58% of the respondents supported that performance appraisal facilitated transfer of employees to better jobs. Only 46.51% of the respondents supported that performance appraisal was used for termination of services of employees i.e. dismissal, lay-off or downsizing. The large number of respondents (70.93%) agreed that performance appraisal had evaluated effectiveness of employee selection methods and this would facilitate improvement in recruitment and selection processes to make better hiring decisions. More than three fourth (80.2326%) of the respondents agreed that performance appraisal had supported improvement in recruitment and selection processes. Likewise, 83.7209% of the respondents agreed that performance appraisal was used for succession planning as it helped to identify employees who were ready to be promoted to higher levels in life insurers. The weighted average mean score of 3.89 indicated that there was moderate level of agreement amongst the respondents. It implied that performance appraisal was recognized as very important tool in promotion, in improving employee selection methods, in making better

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hiring decisions, and for effective succession planning. The analysis indicated that performance appraisal was viewed as developmental and administrative tool rather than disciplinary tool in Nepalese life insurers.

Analysis of Supervisory Understanding and Communication and Performance Appraisal of Life Insurers

Table 6
Analysis of Supervisory Understanding and Communication and Performance Appraisal of Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean
Performance Appraisal helps to build effective communication between employees and employers.	1	7	27	36	15	3.66
	1.20	8.10	31	41.90	17.40	
	9.30		31	59.30		
Through performance appraisal, the employers can understand and accept skills of employees.	0	3	15	52	16	3.94
	0	3.50	17	60.50	18.60	
	3.49		17	79.07		
Performance appraisal is useful for employees to understand and create a trust and confidence with supervisor.	0	8	18	48	12	3.75
	0	9.30	21	55.80	14	
	9.30		21	69.77		
It also helps in maintaining cordial and congenial labor management relationship.	0	3	23	43	17	3.86
	0	3.50	27	50	19.80	
	3.49		27	69.77		
It develops the spirit of work and boosts the morale of employees and also enhances the working environment in the organization.	0	3	13	48	22	4.03
	0	3.50	15	55.80	25.60	
	3.49		15	81.40		
Performance appraisal provides a feedback to employees regarding their performance and related status.	0	2	10	42	32	4.21
	0	2.30	12	48.80	37.20	
	2.33		12	86.05		
Weighted Mean Score						3.94

Table 6 showed that 59.30% of the participants opined that performance appraisal would lead to effective communication between employees and the employer. The 79.07% of the participants had opined that the performance appraisal had enabled the employer to better understand and to recognize skills of the employees. The 69.77% of the participants had opined that performance appraisal had helped employees to build up trust and confidence with their supervisor, and the performance appraisal was favorable for the cordial labor-management relations. The 81.40% of the participants opined that it was favorable for the higher morale, for the better work spirit and for a good working environment. The 86.05% opined that the performance appraisal was useful for giving and gathering feedback with respect to the performance of the employees and their development. The weighted average mean score of 3.94 implied that performance appraisal had a moderately positive effect for improving the communication between supervisors and employees. Thus, it could be stated that performance appraisal had positive effects on improving the communication and on better understanding of the employee's skills by the employer. Therefore performance

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appraisal was useful for establishing a better and more cooperative working environment that was essential and productive for all employees.

Analysis of Employee Motivation and Performance Appraisal of Life Insurers

Table 7

Analysis of Employee Motivation and Performance Appraisal of Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean
Employees are motivated towards their work if	0	2	7	37	40	
their efforts are ultimately reflected in	0	2.30	8.10	43	46.50	
performance appraisal.	2.33		8.14	89.54		4.15
Employees are motivated if they are	0	6	10	37	33	
financially rewarded for their performance.	0	7	11.60	43	38.40	
	6.98		11.63	81.40		4.13
Life insurers assigns more roles and	0	1	21	44	20	
responsibilities to employees as a form of	0	1.20	24.40	51.20	23.30	
recognition and reward for their high						
performance.	1.16		24.42	74.42		3.97
Performance appraisal helps identify the	2	4	19	37	24	
training programs that employees need and	2.30	4.70	22.10	43	27.90	
look forward to attending.	6.98		22.09	70.93		3.90
Weighted Mean Score						4.04

Table 7 showed that employees prioritized recognitions and financial incentives over developmental and structural rewards. The analysis found that the employees get motivated if their efforts were properly appraised (Response=89.54%). This had confirmed a foundational principle in motivation theory i.e., expectancy theory. It has indicated that employees were more engaged when they believed effort performance recognition was a reliable process. The majority of the respondents were motivated through financial rewards for their performance (Response=81.40%; Mean= 4.13). It has indicated that monetary incentives remained a powerful driver. The respondents get motivated through additional roles and responsibilities and effective reward system (Response=74.42%; Mean=3.97). It has indicated that added responsibilites could be motivating for growth-oriented employees but might feel burdensome to others, especially in high-pressure insurance sales roles. Employees had mixed feelings about whether appraisals effectively diagnosed their devleopment needs (Response 70.93%; Mean=3.90). It might reflect distrust in how appraisal feedback translated into meaningful training, or a perception that training opportunities were limited or misaligned. The weighted mean score of 4.04 confirmed that performance appraisal was broadly perceived as a meaningful motivational tool in life insurance industries.

Analysis of Performance Appraisal and Employees' Job Satisfaction in Life Insurers

Table 8

Analysis of Performance Appraisal and Employees' Job Satisfaction in Life Insurers

Statements	SDA	MDA	N	MA	SA	Mean

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Performance appraisal is conducted without bias, making its results fair and acceptable to employees.	7 8.10 9.30	1 1.20	26 30.20 30.20	36 41.90 60.50	16 18.60	3.98
Promotions, allowances and benefits should be determined and awarded based on the results of performance appraisal.	1 1.20 4.70	3 3.50	8 9.30 9.30	45 52.30 86	29 33.70	4.14
Performance appraisal fosters a sense of competitiveness among employees, which in turn enhances their productivity and overall performance.	1 1.20 3.50	2 2.30	11 12.80 12.80	47 54.70 83.80	25 29.10	4.08
Performance appraisal should be conducted at the team rather than being limited to the individual assessment of employees.	8 9.30 20.90	10 11.60	22 25.60 25.60	22 25.60 53.50	24 27.90	4.51
Employees satisfaction within the life insurers is considered one of the most significant outcomes and impacts of effective employee performance management.	0 0 2.33	2 2.30	20 23.30 23.30	38 44.20 74.41	26 30.20	4.02
Performance based pay brings high employee motivation and commitment.	0 0 0	0	4 4.70 4.65	32 37.20 95.35	50 58.10	4.53
Weighted Mean Score						4.21

Table 8 showed that performance based pay and team-based appraisal ranked highest, the former by consensus, the latter by controversy. The 60.50% (Mean=3.98) of the respondents agreed that performance appraisal was often biased. This has reflected that employees often wanted appraisals but distrust their objectivity. The 86% of the respondents agreed that promotion, allowances and other benefits should be distributed on the basis of the results of performance appraisal. The 83.80% of the respondents opined that performance appraisal had increased competitiveness between employees and thus would lead to increased productivity. The findings aligned with equity theory. The analysis has indicated that employees expect rewards proportional to performance. The 53.50% of the respondents (Mean=4.51) opined that team-based performance appraisal was effective to enhance the performance of the teams in the life insurers. The 74.41% of the respondents (Mean=4.02) opined that the performance appraisal had significant influenced on employee satisfaction. The 95.35% of the respondents (Mean=4.53) opined that the performance-based pay system had increased motivation and commitment of employees. The weighted average mean score was 4.21. The findings had implied that the employees viewed positively on performance appraisal as a management tool.

Analysis of Performance Management Constructs and Employee Job Satisfaction in Life Insurance Companies

Table 9

Inter-Construct Correlation Matrix

	TD	JAD	PBP	HRD	EM	SUC	ES
TD	1						

JAD	0.484**	1					
PBP	0.295**	0.338**	1				
HRD	0.497**	0.461**	0.324*	1			
EM	0.475**	0.459*	0.306*	0.427*	1		
SUC	0.550**	0.427**	0.274*	0.488**	0.627**	1	
ES	0.402**	0.487**	0.559**	0.398*	0.455**	0.430**	1

Table 9 showed the Pearson correlation coefficient between performance appraisal dimensions and employee satisfaction at 1% and 5% levels respectively. All the performance appraisal dimensions had positive and significant association with employee satisfaction. Thus, H1 is supported. The strongest association between employees motivation and supervisory understanding and communication (r=0.627; P<0.001) indicated that employees who feld understood and well-informed by supervisors were far more engaged and motivated. The performance-based pay/compensation plan had the highest positive association with employee satisfaction (r=0.559; P<0.001). It has indicated that pay based plan functions as a hygiene-factor, its absence would create dissatisfaction, and its presence would actively generate satisfaction. Thus, H4 is supported. The job analysis and design had significant positive correlation with employees satisfaction (r=0.487; P<0.001). It has indicated that poor appraisal design breeds frustration and uncertainty, while well-structured job and appraisal frameworks give employees a sense of order and agency. Thus, H3 is supported. The employees motivation had significant positive correlation with employees satisfaction (r=0.455; P<0.001). It has indicated that motivated employees would tend to be more satisfied, and satisfied employees would tend to stay motivated. It meant life insurance companies should use motivational tools such as goal-setting, recognition, and autonomy as satisfaction indicators. Thus, H7 is supported.

The supervisory understanding and communication had significant positive correlation with employees satisfaction (r=0.430; P<0.001). In the context of life insurance, where agents often deal with rejection, pressure, and performance targets, supervisor support and clear communication can serve as a psychological buffer that sustains satisfaction even under demanding conditions. Thus, H6 is supported. The training and development had significant positive correlation with employees satisfaction (r=0.402; P<0.001). Thus, H2 is supported. Employees who receive relevant training feel invested in and valued by their life insurers that translates into higher satisfaction. The human resource decision had significant positive correlation with employees satisfaction (r=0.398; P<0.005). Human resource decision was the weakest predictor among all predictors. This might reflect the fact that HRD policies were often experienced as distant and institutional rather than personal and immediate. Employees might appreciate HRD frameworks in principle but felt their day-to-day satisfaction was shaped more by tangible factors like pay, appraisal design, and supervisory interaction. Thus, H5 is supported. Table 10 presented the result on test of hypothesis. The analysis confirmed that performance appraisal and its associated constructs had a significant positive effect on employee job satisfaction in life insurance companies. The hierarchy of effect runs from pay-based plan and job analysis and design at the structural level down through motivationa and relational factors suggesting that satisfaction was built from the ground up, fair pay and clear appraisal design form the foundation, while supervisor quality, motivation, training, and human resource decisions layer on top to deepen and sustain it.

Table 10

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Test of Hypothesis

Hypothesis	Correlation Coefficient	Decision	Strength
H1-Performance Appraisal	0.402**	Supported	Strong
H2-Training and Development	0.402**	Supported	Moderate
H3-Job Analysis and Design	0.487**	Supported	Moderate-Strong
H4-Performance-Based Pay	0.559**	Supported	Strong
H5-HR Decisions	0.398*	Supported	Weak-Moderate
H6-Supervisory Understanding and Communication	0.430**	Supported	Moderate
H7-Employee Motivation	0.455**	Supported	Moderate

DISCUSSIONS

Empirically, performance appraisal relates to higher job satisfaction when it is part of boarder HRM practices as Singh (2004) also discovered, which Rathnawere (2010) further elaborated by suggesting linkages with career development as was the case in Mudashiru et al., (2013). For example, among key appraisal dimensions, training and development scored the highest, agreeing with previous empirical studies that stress learning in appraisal sessions and its link to employees' satisfaction such as those by Stone (2002) and Lama et al., (2025). Motivation was rated higher than performance-based rewards however, this did not mean that employees were not keen on being rewarded for their good performance as earlier findings revealed and as Robbins and Judge (2007) and Saeed et al., (2013) support in this study. Job analysis and design received high ratings, which probably indicates that employees perceive job-related evaluation standards as critical factors for their overall job satisfaction, agreeing with earlier findings by Malos (1998). However, aspects of compensation and human resource decisions by management would need to be addressed to account for employees' perception of fairness and organizational justice as expressed earlier by Murnane and Cohen (1986) and Shrestha et al., (2024). Finally, the way supervisors communicate with employees during the appraisal session obtained the lowest ratings of all appraisal aspects in this study. This finding may indicate that organizational appraisal practices are primarily focused on evaluation of employees as reported earlier by Hameed (2015) and Chapagai (2011). As stated by DeNisi and Pritchard (2006) to achieve employee satisfaction, performance appraisal should be a fair, development-oriented, and communication-intensive process embedded within the wider framework of an organization's HRM system (Gautam, 2012).

CONCLUSIONS

Performance management through performance appraisal has a positive and significant influence on employees' job satisfaction in the Nepalese life insurers. Effective performance management through appraisal system is crucial to life insurers growth and development as it identifies employees' training needs, informs human resource decisions, awards compensation, fosters effective supervisory relationships, and motivates employees to perform better. By awarding performance-based pay, employees are more satisfied when they perceive a fair and transparent link between their hard work, performance, and rewards. Performance management through performance appraisal also creates platform for effective two-way communication between managers and employees, which is critical in creating a positive work environment. In the Nepalese life insurance sector, where human capital is key to the sustainable growth, the implementation of a fair, transparent, and well-structured performance appraisal system is fundamental to driving both employee effectiveness and long-term organizational success.

IMPLICATIONS

The findings of this study have important practical implications for Nepalese life insurers and the financial sector as a whole. The major practical implication of this study is that performance appraisal systems in life insurers should be used as an integral part of overall human resource management and should be linked with other HRM practices such as training and development, compensation, promotion, and other HR decisions. Since this study found that there is significant positive relationship between training and development and employee's job satisfaction and life insurers performance, it implies that life insurers should conduct training programmes on a regular basis. The needs of employees should be assessed systematically, and effective training methods such as apprenticeship training, on-the-job training, and job instruction training should be adopted. Performance-based compensation is equally important, and competitive salaries, financial incentives, profit sharing, medical benefits, pension schems, and various forms of non-financial rewards can enhance employee satisfaction and motivation. The design of appraisal systems should be transparent, unbiased, and fair so that employees feel they are being treated equitably.. Regular two-way feedback between supervisors and employees is also essential to promote learning and performance improvement within life insurers. This study also carries important implications for policy makers and human resource practitioners. A standardized and fair appraisal system should be designed and implemented in life insurers in a manner that translates into employee development and improved life insurers performance. Furthermore, this study contributes to the limited body of literature on performance appraisal practices in Nepalese life insurers. It also provides a foundations for future research employing larger sample sizes drawn from a broader range of financial institutions, incorporating gender as a variable to compare appraisal practices, and applying different analytical techniques to cross-validate and extend the findings.

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