

The Effect of Financial and Non-Financial Incentives on Employee Performance and Organizational Productivity of Nepalese Commercial Banks

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Abstract

The study examines the effect of financial and nonfinancial incentives on employee performance and organizational productivity in the context of Nepalese commercial banks. Employee performance and organizational productivity are selected as the dependent variables. The selected independent variables are salary, bonus, recognition, job promotion, training and development. The study is based on primary data with 145 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 impact of financial and nonfinancial incentives on employee performance and organizational productivity in the context of Nepalese commercial banks.

The study showed that salary has a positive impact on employee performance and organizational productivity. It implies that increase in salary leads to increase in level of employee performance and organizational productivity. Moreover, bonus has a positive impact on employee performance and organizational productivity. It means that increase in bonus leads to increase in employee performance and organizational productivity. Likewise, training and development have a positive impact on employee performance and organizational productivity indicating that increase in training and development opportunities lead to increase in employee performance and organizational productivity. Furthermore, recognition has a positive impact on employee performance and organizational productivity. It implies that recognition in the organization leads to increase in employee performance and organizational productivity. Likewise, job promotion has a positive impact on employee performance and organizational productivity indicating that efficient and timely promotion leads to increase in level of employee performance and organizational productivity.

Keywords: salary, bonus, recognition, job promotion, recognition, training and development, job promotion

1. Introduction

Today's organizations are operating in a very dynamic and highly competitive environment. To remain relevant in the market, they have to be able to respond quickly to ever changing customer demands. Reward management is one of the ways used by organizations for attracting and

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retaining suitable employees as well as facilitating them to improve their performance. Employees are considered as the most valuable resource and asset to an organization because is the major driver of other resources (financial and material) that impacts on firms' performance (Luzon, 2022). Qualified and motivated employees create and deliver value out of other organizational resources. Dynamic and progressive organizations endeavor to attract and retain the right people for the right jobs at the right time through creating and sustaining their motivation in changing circumstances. Reward means the cash, non-cash and psychological payments provided by an organization in return for their contribution. Reward management is not just financial reward like pay, performance bonus. It is equally with non-financial reward such as recognition, working condition, training, promotion (Armstrong, 2010).

Every organization and business want to be successful and have desire to achieve long lasting progress. Human resource is the most important asset for any organization and it is the resource of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital. For its effective management, organization requires effective human resource management system. To attract, retain and add to shareholder value innovative human resource management practices are required to be implemented. Gohari et al. (2013) examined the relationship between reward and employee motivation by considering some specific factors such as pay, benefits, work recognition, work condition as independent variables and employee motivation as dependent variable. The study found that there is a direct and positive link between rewards and employees' motivation. Similarly, Sudiardhita et al. (2018) examined the effect of compensation, work motivation and job satisfaction on employee performance. The study found that compensation has a positive and significant effect on employee performance. Offering competitive bonuses and incentives can make an organization more attractive to top talent. Skilled and motivated individuals may be drawn to workplaces where their efforts are directly rewarded. Bonuses and incentives can contribute to employee retention by recognizing and rewarding high-performing individuals. This, in turn, helps prevent talent loss to competitors. The prospect of earning additional income through bonuses or incentives can drive employees to put in extra effort and increase productivity (Daniel, 2019). Financial benefits such as retirement plans, stock options, and bonuses contribute to employees' financial security. Feeling financially secure can reduce stress and allow employees to focus on their work without distractions (Galetic and Klindzic, 2020). Health-related benefits, such as medical insurance, wellness programs, and gym

memberships, promote employees' physical and mental well-being which helps in enhancing the employee performance. Recognition contributes to a positive work environment by boosting morale. Employees who feel valued and appreciated are more likely to approach their work with enthusiasm and a positive attitude. It provides employees with a sense of achievement. Knowing that their contributions are acknowledged reinforces their value within the organization, fostering a positive self-image and confidence in their abilities (Chantal et al., 2022). Recognized employees tend to experience higher job satisfaction. Feeling appreciated and valued for their work contributes to overall job contentment and a positive attitude toward the organization. It is closely linked to employee engagement. Engaged employees are more committed to their work, more likely to go above and beyond their duties, and ultimately, they contribute to higher levels of performance (El Masri and Suliman, 2019).

Asaari et al. (2019) concluded that as the reward increase, the motivation of employees will also be increased which results in higher productivity. Heneman et al. (1988) concluded that there is strong link between monetary compensation, such as salaries, bonuses, and merit pay, and organizational commitment and productivity. Further, Lai and Cheng (2005) showed that promotion and incentives have positive and significant effect on employee performance. Likewise, Naranjo-Valencia et al. (2016) found that training, promotion and motivation have positive impact on the performance of employees in Surabaya. Heneman et al. (2021) showed that promotion, competence, and work satisfaction, directly and indirectly have positive impact on employees' performance. Similarly, Aydogdu and Asikgil (2011) found that allowances, appreciation and promotion have positive relationship with employee performance. The benefits given by the organizations can retain the key workers and motivate them. Organizations offer benefits to their employees because they promote job satisfaction and inspire worker loyalty, which, in turn, can lead to better financial performance (Chan et al., 2000). Employee benefits followed by working environment and peer corporation have the significant influence on employee loyalty and productivity (Omar et al., 2010). Xiu et al. (2019) concluded that employees' perceptions on employee health benefit is positively related to both turnover intention and job performance.

A good compensation package is important to motivate the employees to increase the organizational productivity. Shah *et al.* (2018) stated that there is a significant and positive relationship of compensation and employee

empowerment with job satisfaction. Satisfied employees are creative and innovative in the organization. Nguyen *et al.* (2015) showed that earning, work environment and promotion opportunities positively influence employee performance. Similarly, compensation, job promotions, and job satisfaction have a positive effect on employee performance (Rinny, 2020). Aloysius and Christy (2013) concluded that there is a significant positive relationship between reward system and job satisfaction. Furthermore, Mabaso and Dlamini (2017) showed positive and significant effect of compensation on employee job satisfaction. Reward management is one of the strategies used by human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation (Martocchio, 2011). Edirisooriya (2014) examined the impact of rewards on employee performance in a public sector organization in Sri Lanka. The study concluded that there is a positive relationship between extrinsic reward, intrinsic reward and employee performance. Similarly, Datta (2012) argued that there is a positive relationship between financial reward and employee performance. Likewise, Zirra *et al.* (2019) investigated the impact of fringe benefits on employee performance. The study also found that there is a positive and significant relationship between fringe benefits and employee performance.

In the context of Nepal, Adhikari (2023) examined the motivation factors influencing employee job satisfaction in Nepalese insurance companies. The major finding of this study is that higher the employee motivation, higher would be the employee job satisfactions. The study showed that employee motivation, rewards, working conditions, training and development, compensations, and empowerment have positive impact on job satisfactions. The study concluded that compensations followed by working conditions and training and development are the most influencing factors that explain the level of job satisfactions in Nepalese insurance companies. Regmi (2023) stated that higher the bonus, higher would be the employee performance. The study also shows that financial reward, salary, wages, bonuses, fringe benefits and vacation with pay is positively correlated to employee performance. The study concludes that bonus followed by vacation with pay and financial reward are the most influencing factors that explains the changes in employee performance in Nepalese commercial banks. Acharya *et al.* (2022) showed that recognition, flexible work hour, career development opportunities, belongingness and job security have positive impact on employee motivation among the commercial banks. Thami (2022) examined the impact of wages, working environment, work arrangement, job skills and stress management on

employee performance in Nepalese insurance companies. The study showed a significant positive effect of wages and working environment on employee performance.

The above discussion shows that empirical evidences vary greatly across the studies concerning on the impact of financial and non- financial incentives on employee performance and organizational productivity in commercial banks. 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 major objective of the study is to examine the impact of financial and non- financial incentives on employee performance and organizational productivity in Nepalese commercial banks. Specifically, it examines the relationship of salary, bonus, recognition, training and development and job promotion with employee performance and organizational productivity in Nepalese commercial banks.

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 was gathered from 145 respondents through questionnaire. The respondents' views were collected on salary, bonus, recognition, job promotion, recognition, training and development and level of performance. The study is based on descriptive and causal comparative research design.

The model

The model used in this study assumes that the employee performance and organizational productivity of commercial banks depends upon financial and non-financial incentives. The dependent variables selected for the study are employee performance and organizational productivity. Similarly, the selected independent variables are salary, bonus, recognition, training and development and job promotion. Therefore, the models take the following forms.

$$EP = \beta_0 + \beta_1 S + \beta_2 B + \beta_3 JP + \beta_4 R + \beta_5 TR + \epsilon$$

$$OP = \beta_0 + \beta_1 S + \beta_2 B + \beta_3 JP + \beta_4 R + \beta_5 TR + \epsilon$$

Where,

EP = Employee performance

OP = Organizational productivity

S = Salary

B = Bonus

JP = Job promotion

R = Recognition

TR = Training and development

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 5 items and sample items include “I am satisfied with my salary”, “I feel salary is the greatest motivator to do work” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.794$).

Bonus 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 “Bonuses improves job performances”, “I am satisfied with the organizations bonus scheme” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.840$).

Job promotion 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 my organization regarding growth and promotion Promotional opportunities motivates me to higher performance”, and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.787$).

Recognition 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 “Recognition is directly related to job performance”, “I perform better in organization when I feel recognized” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.828$).

Training and development were 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 “My organization has a clear and effective system of training and development”, “I feel that training and development program helpful in personal growth also” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.756$).

Employee performance 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 “Employee performance helps to enhance the profitability of the organization”, “Employee are rewarded based on their performance” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.834$).

Organizational productivity 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 “Organizational productivity can be improved through training and development practices”, “Organizational productivity helps in achieving organizational goals” and so on. The reliability of the items was measured by computing the Cronbach’s alpha ($\alpha = 0.810$).

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

Salary

Nagaraju and Pooja (2017) assessed the impact of salary on employee performance in public and private sector banks of Karnataka. The results showed that salary has a positive impact on employee performance. Rizal et al. (2014) examined the effect of compensation on motivation, organizational commitment on employee performance, motivation on organizational commitment and employee performance, organizational commitment on employee performance. The results indicated that compensation has significant effect on motivation and organizational commitment. Compensation with indicators of salary, incentives and benefits will increase motivation at Local Revenue Management in Kendari. Sudiardhita et al. (2018) determined the effect of variable compensation, work motivation and job satisfaction on employee performance PT. Bank XYZ (Persero) Tbk by using a quantitative and technical approach to path analysis Compensation has a positive and significant effect on employee performance at PT. Bank XYZ (Persero) Tbk. This means that if the compensation received is higher than the employee’s

performance will be better. Rehman and Ali (2013) mentioned that extrinsic rewards such as salaries will increase work motivation for demotivated workers and give employees the pleasure to come to work every day. Based on it, this study develops the following hypothesis:

H₁: There is a positive relationship of salary with employee performance and organizational productivity.

Bonus

Ajayi (2023) investigated relationship between working condition and performance bonus on employees' performance among small and medium enterprises in delta state. The study revealed that a significant relationship exists between working condition and employees job performance, also a significant relationship exist with performance bonus and employees job performance. De Waal and Jansen (2013) stated that reward systems are a hygiene factor for an organization. If an organization does not have an appropriate reward system (whether or not including bonuses), it will run into trouble with its employees and have difficulty improving its performance. The best vital motive to connect compensation to an act is to intensify or raise workers' outcome. Bonus can increase employee morale and motivate workers to reach goals (Lazear et al., 1989). Hafiza et al. (2011) concluded that there is a direct and positive relation between bonus and the employees' performance. Monetary bonuses produce positive effects on productivity, effort, performance, and job satisfaction. Individual bonuses increase job satisfaction in part because employees see their time and effort being rewarded (Kamselem et al., 2022). Based on it, this study develops the following hypothesis:

H₂: There is a positive relationship of bonus with employee performance and organizational productivity.

Recognition

Recognition is the demonstration of appreciation for a level of performance, an achievement or a contribution to an objective. Recognition is the most effective non-monetary intrinsic reward awarded by the organization to appreciate the involvement of employees in the organization which can improve the performance of employees. Danish and Usman (2010) found that rewards and recognition have a positive impact on employee's work motivation. Employees who feel recognized are more confident in their abilities to contribute, thus employee appreciation may promote productivity and happiness (Osborne and Hammoud, 2017). Employees are more willing

to give solutions and new ideas when they are recognized, which leads to greater communication, better cooperation, and fewer absenteeism and turnover (El Masri, and Suliman, 2019). Employees are motivated to become devoted to their job and exceed in their performance when they receive effective appreciation in the workplace. Highly motivated personnel provide a company a competitive edge since their efforts contribute to the realization of the company's objectives (Zeb et al., 2014). Ndungu (2017) determined the effects of reward and recognition on employee job performance in Kenyatta University. The results showed that there is a positive and significant relationship between job performance and the independent variables (extrinsic rewards, intrinsic rewards and financial rewards, recognition rewards, working environment and leadership styles). Based on it, this study develops the following hypothesis:

H₃: There is a positive relationship of recognition with employee performance and organizational productivity.

Training and development

Training and development basically deal with the acquisition of understanding, knowhow, techniques and practices. Jehanzeb and Rasheed (2013) found that there is strong positive relationship between effective training program and employee job satisfaction. Training program increase the firm specificity to employee skills, which consecutively increase employee productivity as well as reducing job dissatisfaction that results in employee turnover (Huselid, 1995). Gullu (2016) assessed the effect of training and development programs on the motivation of employees in banking sector. The study found that training and development programs is the most influencing factors for motivation of employees in the organizations. The study found that there is positive relationship between the training and development programs and employee's motivation. The study concludes that if the organization having good training and development programs for employees then it can enhance employee motivation as well as of organization productivity. Based on it, this study develops the following hypothesis:

H₄: There is a positive relationship of training and development with employee performance and organizational productivity.

Job promotion

Rinny et al. (2020) analyzed the effect of compensation, job promotions and job satisfaction on the performance of Mercu Buana University's teaching staff. The results showed that compensation, job promotions and

job satisfaction simultaneously have a significant effect on performance. Similarly, job promotion has a positive and significant effect on performance. Haryono et al. (2020) examined the effects of training and job promotion on work motivation and their implications on employee job performance. The results of the study showed that training and promotion have a positive and significant effect on work motivation. Similarly, training, promotion and work motivation have a positive and significant effect on job performance. Duru et al. (2023) investigated the relationship between promotion and employees’ performance at the University of Abuja. The findings indicated that the promotional opportunities have a positive influence on employees’ performance at the University of Abuja. Based on it, this study develops the following hypothesis:

H₅: There is a positive relationship of job promotion with employee performance and organizational productivity.

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 variable and independent variables. The correlation coefficients are based on 145 observations. The dependent variable is EP (Employee performance) and OP (Organizational productivity). The independent variables are S (Salary), B (Bonus), JP (Job promotion), R (Recognition) and TR (Training and development).

Variables	Mean	S.D.	JP	R	TD	S	B	EP	OP
JP	3.957	0.738	1						
R	3.926	0.733	0.606**	1					
TD	3.964	0.673	0.631**	0.517**	1				
S	3.818	0.741	0.616**	0.459**	0.494**	1			
B	3.986	0.693	0.580**	0.545**	0.483**	0.541**	1		
EP	4.168	0.629	0.480**	0.449**	0.359**	0.374**	0.513**	1	
OP	4.051	0.599	0.498**	0.526**	0.415**	0.396**	0.492**	0.462**	1

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

Table 1 shows Kendall's Tau correlation coefficients between the variables. The study shows that bonus is positively correlated to employee performance. It means that increase in bonus leads to increase in employee performance. Likewise, salary is positively correlated to employee performance. It implies that increase in salary leads to increase in level of employee performance. Similarly, training and development has a positive relationship with employee performance indicating that increase in training and development opportunities lead to increase in employee performance. Furthermore, recognition has a positive relationship with employee performance. It implies that recognition in the organization leads to increase in employee performance. Likewise, job promotion is positively correlated to the employee performance indicating that efficient and timely promotion leads to increase in level of employee performance.

In addition, the study shows that bonus is positively correlated to organizational productivity. It means that increase in bonus leads to increase in organizational productivity. Likewise, salary is positively correlated to organizational productivity. It implies that increase in salary leads to increase in organizational productivity. Similarly, training and development has a positive relationship with organizational productivity indicating that increase in training and development opportunities lead to increase in organizational productivity. Furthermore, recognition has a positive relationship with organizational productivity. It implies that recognition in the organization leads to increase in organizational productivity. Likewise, job promotion is positively correlated to organizational productivity indicating that efficient and timely promotion leads to increase in organizational productivity.

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 and Table 3. More specifically, Table 2 shows the regression results of salary, bonus, job promotion, recognition and training and development on employee performance in Nepalese commercial banks.

Table 2

Estimated regression results of job promotion, recognition, training and development, salary and bonus on employee performance in Nepalese commercial banks

The results are based on 145 observations using linear regression model. The model is $EP = \beta_0 + \beta_1 S + \beta_2 B + \beta_3 JP + \beta_4 R + \beta_5 TR + e$, where the dependent variable is EP (Employee performance). The independent variables are S (Salary), B (Bonus), JP (Job promotion), R

(Recognition) and TR (Training and development).

Model	Intercept	Regression coefficients of					Adj. R_bar2	SEE	F-value
		JP	R	TD	S	B			
1	2.067 (9.222)**	0.531 (9.537)**					0.385	0.493	90.961
2	2.172 (9.422)**		0.509 (8.808)**				0.347	0.508	77.579
3	1.896 (7.639)**			0.573 (9.284)**			0.372	0.498	86.188
4	2.466 (10.500)**				0.446 (7.384)**		0.271	0.536	54.521
5	1.807 (7.773)**					0.592 (10.309)**	0.422	0.471	106.281
6	1.929 (8.346)**	0.359 (3.644)**	0.208 (2.097)**				0.399	0.487	48.760
7	1.728 (7.039)**	0.210 (1.771)	0.161 (1.606)	0.246 (2.198)*			0.415	0.481	34.994
8	1.576 (6.180)**	0.099 (0.446)	0.180 (0.731)	0.232 (0.382)	0.150 (0.503)		0.426	0.476	27.761
9	1.427 (5.124)**	0.141 (1.117)	0.020 (0.185)	0.162 (1.480)	0.392 (0.486)	0.330 (3.379)**	0.466	0.459	26.146

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 the dependent variable.

The regression results show that beta coefficients for salary are positive with employee performance. It indicates that salary has a positive impact on employee performance. This finding is similar to the findings of Nagaraju and Pooja (2017). Likewise, the beta coefficients for bonus are positive with employee performance. It indicates that bonus and incentives have a positive impact on employee performance. This finding is consistent with the findings of Ajayi (2023). Moreover, the beta coefficients for training and development are positive with employee performance. It indicates that training and development have a positive impact on employee performance. This finding is similar to the findings of Jehanzeb and Rasheed (2013). Further, the beta coefficients for recognition are positive with employee performance. It indicates that recognition has a positive impact on employee performance. This finding is consistent with the findings of Ndungu (2017). Likewise, the beta coefficients for promotion are positive with employee performance. It indicates that promotion has a positive impact on employee performance. This finding is similar to the findings of Rinny et al. (2020).

Table 3 shows the regression results of salary, bonus, job promotion, recognition and training and development on organizational productivity in Nepalese commercial banks.

Table 3

Estimated regression results of job promotion, recognition, training and development, salary and bonus on organizational productivity in Nepalese commercial banks

The results are based on 145 observations using linear regression model. The model is $OP = \beta_0 + \beta_1 S + \beta_2 B + \beta_3 JP + \beta_4 R + \beta_5 TR + e$, where the dependent variable is OP (Organizational productivity). The independent variables are S (Salary), B (Bonus), JP (Job promotion), R (Recognition) and TR (Training and development).

Model	Intercept	Regression coefficients of					Adj. R_bar2	SEE	F-value
		JP	R	TD	S	B			
1	2.222 (9.890)**	0.462 (8.279)**					0.518	0.5351	164.152
2	2.026 (9.568)**		0.516 (9.730)**				0.368	0.612	89.602
3	2.174 (8.566)**			0.474 (7.504)**			0.555	0.5139	190.680
4	2.419 (10.828)**				0.428 (7.442)**		0.586	0.496	215.761
5	1.934 (8.374)**					0.531 (9.306)**	0.619	0.475	248.054
6	1.945 (8.815)**					0.531 (9.306)**	0.616	0.4772	245.23
7	1.892 (7.942)**	0.078 (0.681)	0.404 (4.155)**	0.066 (0.609)			0.574	0.5031	103.248
8	1.656 (6.843)**	0.093 (0.751)	0.433 (4.579)**	0.045 (0.422)	0.232 (3.217)**		0.651	0.4549	95.670
9	1.575 (6.464)**	0.070 (0.570)	0.346 (3.310)**	0.006 (0.057)	0.171 (2.189)**	0.180 (1.892)**	0.686	0.4318	83.982

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. Organizational productivity is the dependent variable.

The regression results show that beta coefficients for salary are positive with organizational productivity. It indicates that salary has a positive impact on organizational productivity. This finding is similar to the findings of Sudiardhita et al. (2018). Likewise, the beta coefficients for bonus are positive with organizational productivity. It indicates that bonus and incentives have a positive impact on organizational productivity. This finding is consistent with the findings of Hafiza et al. (2011). Moreover, the beta coefficients for training and development are positive with organizational productivity. It indicates that training and development have a positive impact on organizational productivity. This finding is similar to the findings of Gullu (2016). Further, the beta coefficients for recognition are positive with organizational productivity. It indicates that recognition has a positive impact on organizational productivity. This finding is consistent with the findings of Danish and Usman (2010). Likewise, the beta coefficients for promotion are positive with organizational productivity. It indicates that promotion has a

positive impact on organizational productivity. This finding is similar to the findings of Duru et al. (2023).

4. Summary and conclusion

The capable and knowledgeable workforce in an organization is very crucial in overall performance of an organization. Without the involvement of its employees, no organization can achieve its short, medium, and long-term corporate goals and objectives. As a result, it is crucial that employees are compensated and rewarded, both financially and in non-financial ways, for the success of such companies. The organization's system of rewarding and compensating employees can have a significant impact on how well employees work.

This study attempts to examine the effect of financial and non-financial incentives on employee performance and organizational productivity in Nepalese commercial banks. The study is based on primary data with 145 observations.

The study showed that salary, bonus, job promotion, recognition and training and development have positive impact on the employee performance and organizational productivity in Nepalese commercial banks. The study concluded that when workers feel adequately compensated for their efforts, they may be more engaged and committed to their tasks, resulting in higher productivity. Competitive salaries can help attract and retain skilled employees. A well-compensated workforce is more likely to stay with the organization, and can positively impact productivity. Higher salaries may attract and retain high-quality talent. Skilled and experienced workers may bring valuable expertise to their roles, leading to improved quality of work and increased productivity. The study also concluded that regular recognition and appreciation for employees' efforts and achievements can boost morale and motivation. Feeling valued for their contributions can lead to increased job satisfaction and, consequently, higher productivity.

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