Comprehensive Reward System, Employee Motivation and Turnover Intention: Evidence from Nepali Banking Industry
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Abstract

**Background:** Employee motivation and employee turnover are central issues in the modern organizations as human capital is the most important intangible asset for organizational productivity. Attitude, skills and knowledge of employees create the competitive advantage of the organization. It is the growing challenge for retaining competent and professional employees in the organization within the increasing global opportunities. Employee motivation, satisfaction, job burnout, turnover are being common challenges to the management. To cope with such challenges, organizations should have strategic focus on comprehensive reward system.

**Objective:** This study aims at exploring the factors of comprehensive reward system. More specifically, relationships between the components of comprehensive reward system and employee motivation are examined. Finally, the impact of employee motivation derived from reward system was tested with employee turnover intention.

**Methods:** This study was conducted with descriptive-correlational research design that follows quantitative approach. Primary data for each variable was collected from 200 employees holding different positions in different banks. A 5-Point Likert Scale was used to collect major responses on the variables. Descriptive statistics, Pearson correlation, and regression analysis were used to test the hypothesis. Inferences were made on five per cent and one per cent level of significance.

**Results:** Results of the study revealed that compensation, benefits, work-life balance, performance recognition and empowerment and career opportunity were the major factors as the components of comprehensive reward system. It was found that these factors had significant positive relationship with employee motivation. Results also revealed the negative significant relationship between employee motivation and their turnover intention.

**Conclusions:** Employees of Nepali banking industry strongly believe in comprehensive reward system ranging from economic benefits to the personal growth. It is also concluded, with supporting the theory that employee motivation helps to solve the employee turnover intention.

**Implications:** To solve the high corporate movement of employees in Nepali banks, this study provides a key insight for focusing on comprehensive reward system.

**Keywords:** Comprehensive reward system, motivation, turnover intention, performance recognition, work-life balance.

**Paper Type:** Research paper

**JEL Classification:** G21, J33, J63, M55
Introduction

Employee satisfaction and motivation are the central issues among other business issues of every organization globally. It is the great challenge to retain competent, dedicated and loyal employees in the organization. It is empirically tested that the investment in employees becomes great loss if employees cannot be trained. Only the satisfied employees can be retained in the organization, and only the satisfied employees can be motivated for higher performance. Motivating employees for doing more with less, reward and recognition are most essential (Bowen, 2000). As the employee strengths are considered as competitive advantage of the organization, modern organizations emphasize on human elements for the organizational effectiveness to ensure long term success (Wahab et al., 2014). For attracting competent human resources and retaining the efficient and effective employees, organization should follow effective reward system. Organizations should develop specific reward system in terms of planning and administration of reward policies. Reward system is most important ingredient for managing innovation in a company (Nacinovic, Galetic, & Cavlek, 2009). Reward practices deal with many different recognition programs both intrinsic and extrinsic. Ochenge and Susan (2014) suggested varieties of rewards as mentoring, career development, good working environment, appreciation values for enhanced productivity and performance. Satisfied employees show their strong positive cooperation and trust with employers and customers (Gautam, 2011).

Depending upon the level of employment, social structure, personal status, and other several reasons, different people focus on different forms of rewards (LaBelle, 2005). Rewards preferences of employees may depend on the where they work; for instance, public sector employees prefer extrinsic factors such as pay (Maidani, 1991). Organizations should balance the intrinsic and extrinsic components on the rewards. Misra et al. (2012) revealed the strong positive correlation of employee’s motivation with both financial and nonfinancial rewards. Andrew and Kent (2007) reported that employees possess high level of consciousness towards reward system for their job satisfaction and work motivation. An effective reward system with adequate performance recognition creates employee job satisfaction and enhances the favorable working conditions which serve as key motivator (Danish and Usman, 2010). Schaufeli et al. (2002) suggested that the significance of reward system prevents employee burnout that reduces employee job satisfaction and adversely affects motivation and productivity.

Banking industry of Nepal faces ups and downs with time in several issues like planning, liquidity management, credit management, employee management, and so on. Employee management is the everlasting challenge in all organizations. Nepal Rastra Bank, to cope with challenges for managing people, has set mandatory provision of HR department in each BFIs. The average turnover rate worldwide is 10.9 per cent (Booz, 2018). Over the last two decades, significant numbers of young and dynamic people have shifted abroad because of educational and career attraction to many European countries and other. Semi-skilled and unskilled employees are frequently flying over to Arabian countries. Within this comprehensive scenario, Nepali banks are continuously facing problem of talent employees. Within banking industries in Nepal, there is a challenge of employee turnover of joining competitor.
banks and talent human shift to other countries. Nepali banks have developed culture of fishing best employees from other banks. Such culture attracts competent employees of competitor organizations. Banks as they have challenge of liquidity uncertainty, performance targets, credit management, etc; such situation enhances challenge to retain human talents. Comprehensive reward system is the must to motivate employees so that employee performance can be enhanced along with ensuring the employee retention. To motivate employees for attaining their targets, banks must ensure the rewards fulfilling employee’s expectation. Unsatisfied employees not only perform low but tend to turn over the bank. Thus, to satisfy and motivate the employees, reward culture of the organization should be effective and efficient. This study, therefore, deals with major issues of identifying components of comprehensive reward system and the relationship between components of comprehensive reward system and employee motivation. This study also identifies the relationship of employee motivation with the employee retention in the Nepali banking industry.

The remaining part of the paper is organized in three sections. In the next section, materials and methods used are discussed. It is followed by a result and discussion of the key issues and finally concluding remarks.

Review of Literature
Reward and motivation system comprises of five basic elements as compensation, benefits, work-life balance, performance and recognition and development and career opportunities. These factors significantly influence on the motivation level of employees and literature supports that the motivated employees show low turnover intention.

**Compensation:** Compensation is the most obvious monetary reward that employees receive from the job. It is paid in terms of monthly, weekly or hourly basis based on the job nature and organizational culture. Salary and remuneration is the most important factor ranked by employees of commercial banks (Gautam, 2016). Richardson (2008) revealed that salary should include the financial compensation, various substantial services and welfare for effective reward system enabling the employee motivation. Konovsky and Pugh (1994) and Vanscotter (2000) reported that salary has the significant role on altruistic behavior as well as job involvement which helps organizations keep competitive, to reduce the turnover rate, to improve productivity and quality of work. Normally, the more compensation leads to higher employee motivation, job involvement and less the turnover intention.

**H1:** There is significant relationship between compensation and employee motivation.

**Benefit:** Benefit as a component of reward and motivation system is the total additional payments for the compensation. It consists of non-monetary pay to an employee in exchange of productive work. Benefits stimulate employees emotionally for better performance and increase the organizational commitment. Benefit as a major consideration in reward and motivation system conveys a message to employees about what the organizations believe to be important and worth encouraging (Lawller, 1986). Bozeman & Gaughan (2011) revealed positive significant relationship between benefit and employee motivation. Employee benefits are normally, non-wage compensation designed to pay to employees in addition to their
normal wages or salaries like group insurance (health, dental, vision, life etc.), disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, paid and non-paid vacation, academic leave, flexible and alternative work arrangements, etc.

**H2:** There is positive relationship between benefit and employee motivation.

Work-life balance: Oktosatrio (2018) revealed that personal life significantly affects the work performance reporting that working for longer hours is the most de-motivating job attribute. An employee generally restricts doing the jobs beyond what they are designed to do as every employee has specific job description (Dixit, 2000). Omolo (2015) focused on the demotivating factors like unreasonable load, long working hours and lack of appreciation from the managers. Results revealed that motivation can be influenced by attending to parties and social times. Mendis and Weerakkody (2017) reported that there is a strong relationship of work life balance with employee satisfaction and employee performance. Results also revealed strong relationship between job satisfaction of employees and their performance. Based on review, following hypothesis can be developed.

**H3:** There is positive relationship between work-life balance and employee motivation.

Performance recognition: Employees expect appreciation and recognition of their performance from their supervisors and the organization. Performance recognition helps realizing the job and organization are valued, and it increases employee satisfaction and motivation. Rizwan & Tariq (2014) claim that employee recognition program can be a great morale-building tool for any organization. For increased level of satisfaction, motivation and performance, it is essential to develop an effective recognition programs. Effective recognition programs lead to innovation and higher productivity. But, it is important to increase the value of such recognition programs as easily attainable recognition cannot increase the dedication. Recognition consistently correlates with higher retention, higher employee motivation (Elton & Gostick, 2002). Daniel & Metcalf, (2005) revealed a direct correlation between recognition and their motivation and negative correlation with turnover intention. A strong positive correlation between recognition and performance is reported by Stajkovic and Luthans (2003). Based on the discussion, following hypothesis is formulated.

**H4:** There is positive relationship between performance recognition and employee motivation.

**Empowerment and career opportunity:** Employee empowerment is an act of making employees capable of making decision through participating in decision process. It plays vital role in motivational process as increased levels of employee’s participation and self-determination increases the job satisfaction and motivation. Baird and Wang (2010) suggest increasing trust, providing opportunity for decision-making, and breaking the inner boundaries between management and employees. Empowered employees are committed, loyal and conscientious (Honold, 1997). The empowerment of employees has direct relationship with motivation of employees, their job satisfaction and commitment. Meyerson & Dewettinck (2012) revealed empowerment provides efficient managerial control which significantly affects turnover intention as behavior and attitudinal dispositions. Based on it, this study develops the following hypothesis:

**H5:** There is a positive relationship between empowerment and career opportunity and
employee motivation.

Motivation of employees: The motivation of employees is the extent of willingness of employees to devote their efforts for betterment of the organization. Different research reports claim that the motivation of employees is the key source of organizational success. A number of motivation theories suggest a large number of factors for the motivation of employees. Need based theories highlight the needs of employees as the primary source of motivation. Motivation is about giving the employees right mixture of guidance, direction, resources and rewards so that they will be inspired to pay their best effort to the work (Luthans, 1998). Reward is the primary source of motivation. Monetary as well as non-monetary components of the reward fulfill the basic needs as well as growth needs of employees. Equity-based, competitive, growth focused, and progressive reward system is the good source of motivation. Motivated employees show higher level of organizational commitment. In these days, many organizations, large or small, are facing challenges of employee retention due to limited opportunities for advancement (Mullins, 2005). Aguinis and Kraiger (2009) reported that the employee motivation is a fundamental foundation for employee’s intention to apply knowledge for better effectiveness to attain organizational performance.

**H6:** There is negative relationship between employee motivation and turnover intention.

**Research Method**

This study follows quantitative approach. Based on the descriptive and correlational research designs, this study used descriptive and inferential statistics. Primary data was collected using closed-end questionnaire based on 5-point Likert Scale. Convenience sampling technique was used to select respondents from different position holders in their respective banks. Approximately 80 percent response rate was achieved with 200 respondents from Top Ten Nepali banks based on financial performance of 2017-18. Among the respondents, there were 53.5 percent male and 46.5 percent female (gender wise classification), and 51 percent assistant level employees, 38 percent officer level employees and 11 percent manager level employees (position wise classification). Reliability of the data was examined with Cronbach’s Alpha with cutoff value 0.7 as per Nunally (1978) and the responses on each variable were found good in reliability test. For analysis, descriptive statistics i.e. percentage analysis and mean, inferential statistics i.e. Pearson’s correlations, independent sample t-test and regression analysis were used. Descriptive statistics were used to draw conclusions regarding the perception of respondents regarding the variables of interest on conceptual framework. In order to test the hypothesis, inferential statistics were used. Inferences were made on 0.01 per cent and 0.05 per cent level of significance. To conclude the most significant factors of motivation and to judge the role of motivation on employee turnover intention, OLS is used.

**Data Analysis and Result**

Results of the study reveal that majority of the respondents with weighted average 4.25, agree upon the role of compensation for employee motivation. Likewise, respondents have shown their agreements on the statements stating benefits on employee motivation with average response of 3.73. The organization is reported to give much less preference to work-life bal-
ance, as the average response is reported as 3.62 on the statements. Respondents have shown above the average satisfaction level i.e. 3.75 on the statement for examining performance recognition. Likewise, respondents have shown their satisfaction on the empowerment and career opportunity with average response level of 3.82. Employees are motivated for better performance at their job with the weightage average satisfaction i.e. 4.15. Regarding the turnover intention of the employees, the average satisfaction level observed is 2.9 indicating the low willingness to turnover. Pearson's correlation is used to analyze the relationship between reward practice and employee motivation.

**Table 1: Correlation coefficient between variables**
This table reveals Pearson's correlation coefficient between Turnover intention (TOI), Employee motivation (EM) with components of reward system i.e. Compensation (Com), Benefits (Ben), Work-Life Balance (WLB), Performance Recognition (PR), Empowerment & Career opportunity (E&C).

<table>
<thead>
<tr>
<th></th>
<th>TOI</th>
<th>EM</th>
<th>Comp</th>
<th>Ben</th>
<th>WLB</th>
<th>PR</th>
<th>E&amp;C</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOI</td>
<td>1.00</td>
<td>-0.36**</td>
<td>-0.35**</td>
<td>-0.29**</td>
<td>-0.45**</td>
<td>-0.32**</td>
<td>-0.46**</td>
</tr>
<tr>
<td>EM</td>
<td>1.00</td>
<td>0.62**</td>
<td>0.57**</td>
<td>0.61**</td>
<td>0.54**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Correlation table provides evidence that the turnover intention has negative relationship with employee motivation and components of the reward system. Components of the rewards system have the positive association with employee motivation. Based on the result, work-life balance has maximum negative relationship with turnover intention stating that the employees seek balance between professional life and the family life. Similarly, empowerment and career opportunity is the strongest factor causing turnover intention. Likewise, benefits cause comparatively low turnover intention. Regarding the employee motivation, compensation and work-life balance have greater influence on employee motivation.

**Table 2: Regression of reward system factors on employee motivation**
This table shows stepwise regression analysis results run as the motivation dependent variable and compensation, benefits, work-life balance, and performance & career opportunity as independent variables. The model assumed was EM= α+β1Com+β2Ben+β3WLB+β4PR+β5E&C+e where, dependent variable is EM (Employee motivation) and independent variable are Com (Compensation), Ben (Benefits), WLB (Work-life Balance), PR (Performance recognition), E&C (Empowerment & Career opportunity). The reported results also include the values of F-statistics (F) and coefficient of determinants (R2).

Result reveals that compensation, benefits, work-life balance, performance recognition, empowerment and career opportunity individually have positive and significant impact on employee motivation at 1 percent level of significance. It reveals that higher the factors of comprehensive reward system higher would be the employee motivation. R2 value i.e. 0.65 indicates that 65 percent variation in response is explained by the model. The model becomes EM= 1.426 + 0.185Com + 0.131Ben + 0.318WLB + 0.102PR + 0.201E&C + e. This indicates that the factors of reward system have positive significant relationship to the employee motivation.
Table 3: Model summary for predicting turnover intention by employee motivation

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R2</th>
<th>Adjusted R²</th>
<th>Std. Errors of the estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.36</td>
<td>0.130*</td>
<td>0.125</td>
<td>0.603</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), motivation

Table 3 represents the variations in employee turnover. As the adjusted R² is 0.126, only 12.6 per cent variation in the employee turnover is predicted by the model. The value of F-statistic is statistically significant at 1 per cent level of significance.

Table 4: Coefficients of regression model

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>0.63</td>
<td>0.882</td>
<td>8.441</td>
</tr>
<tr>
<td></td>
<td>Motivation</td>
<td>-0.913</td>
<td>0.219</td>
<td>-3.024</td>
</tr>
</tbody>
</table>

From table 4, we conclude that the motivation has negative relation with employee turnover intention at 1 per cent level of significance. The regression model becomes: TOI = 0.63 – 0.913 Motivation + e. The result reveals that the motivation has significant negative influence on employee turnover (sig. 0.000). Regression value -0.913 suggests that an increase of one unit in motivation would reduce the employee turnover intention by 0.913 units. The result has the implication that to decrease the turnover we need to increase the motivation level. From the statistics, we conclude the hypotheses testing as:
Table 5: Hypothesis testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: There is a significant relationship between compensation and employee motivation.</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2: There is a positive relationship between benefit and employee motivation.</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3: There is a positive relationship between work-life balance and employee motivation.</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4: There is a positive relationship between performance recognition and employee motivation.</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5: There is a positive relationship between empowerment and career opportunity and employee motivation.</td>
<td>Accepted</td>
</tr>
<tr>
<td>H6: There is a negative relationship between employee motivation and turnover intention.</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Conclusion

The study concludes that the comprehensive reward practice variables play a prominent role in determination of employee motivation and turnover intention. Compensation, work-life balance, empowerment and career opportunity and performance recognition are the most influencing factors for determining employee motivation in chronological order of correlation. Compensation can immediately benefit the employees to maintain their living expenses and economic progress. In growing inflation rate, it could be natural to have the first priority to have better compensation package. In Nepali practice, pay level of the banking industry is comparatively higher than other industries. Work-life balance, as many employees report that the work pressure at their bank is tremendously high, is reported to be the second strongest factor influencing employee motivation. Poor work-life balance could cause high job stress, poor family relations and social values, which cause to have low satisfaction and low employee motivation. Research reports suggest that the priority of millennial people is shifting significantly. Thus, management should work for improving the work-life balance of the employees. If it could do so, comprehensive reward practices could be the source of organizational productivity and competitive advantage.

Positive association between dimensions of comprehensive reward system and motivation indicates that higher the factors of comprehensive reward system i.e. compensation, benefits, work-life balance, performance recognition, and empowerment and career opportunity increases the employee motivation. Findings reveal employee motivation has negative significant association with turnover intention which indicates that higher positive motivation leads to decrease in employee turnover intention. Such results give significant insights to the managers on how to reduce the turnover ratio, they should work for improving the components and intensity of comprehensive reward system.

The reason behind the positive association between components of comprehensive reward system and employee motivation could be the reason of stress management of employees through fulfillment of personal needs of each employee. Li, et al. (2017) reported the reciprocal relationship between stress and performance. Findings of this research are supported by the study as the comprehensive reward system helps to settle the stress of the employees. At least, the comprehensive reward system causes low stress on employees, which increases the performance. Similarly, conclusion of the study has congruency with the conclusion of Kiruja & Mukura (2013) that increasing motivation of the employee also increases the employee performance. Study revealed that the work life balance contributes more to
employee motivation as suggested by Herzberg. Similarly, the findings agree with the arguments of the Herzberg that to increase the job enrichment, the component of comprehensive reward system to motivate employees and to increase their performance level must increase. Relationship between training opportunity and organizational citizenship behavior could be moderated by intrinsic motivation (Dysvik & Kuvaas, 2008) which indirectly agrees with the findings of the study. Intrinsic motivation helps to reduce the turnover intention so that the managers can focus on increasing the intrinsic motivation of the employees though several other components of comprehensive reward system that have positive relationships with employee motivation.

Scope for the future research
This study intends to uncover the role of comprehensive reward system in employee motivation and turnover intention. Based on the delimitations of the study, future researchers can extend the scope of this research by applying the same concept in bottom ten commercial banks, other industries like manufacturing, tourism, insurance, hotel, etc. Researchers can also test the moderating effects of different profiles of the respondents e.g. age, gender, position, etc.

Conflict of Interest
The author declares no conflict of interest in preparing this article.

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