

# An empirical investigation on the interrelationship between employee motivation and human resource practices in insurance industry in Nepal

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**Abstract:** Employee motivation is one of the crucial elements that can help the employer to improve employee and organizational performance. Different conceptual and empirical studies were reviewed to generalize the idea about employee motivation and its interrelationship with human resource practices. The objective of the study was to analyze the relationship between employee motivation and selected human resource practices. The researcher has followed quantitative research paradigm. The total population of the research comprised 2581 employees of the surveyed insurance companies with a sample size of 230 respondents. Likert's five scale questionnaire was used to collect the data and the SPSS was used to analyze the data. The questionnaire had a Cronbach's alpha coefficient of 0.893 suggesting that the instrument was reliable. This article is mainly concerned with employee motivation. The relationship between dependent and independent variables were computed by using the Pearson Correlation. The results revealed there was a significant positive relationship between employee motivation and all four motivators such as rewards, career development, work environment, and job security.

**Key Words:** Employee motivation, rewards, career development, work environment, and job security.

## 1. INTRODUCTION:

Employee motivation is one of the crucial elements that can help the employer to improve organizational performance. Motivated employees can lead to increase productivity and allow an organization to achieve its goal. The introduction topic of the study consists of background, research problem, objective, hypothesis, and conceptual framework.

## 2. BACKGROUND OF THE STUDY:

An employee is a person who has entered works under a contract of employment. He/she is hired by the employer through a hiring process. Employees are popularly known as human resource (HR) in an organization. HR is considered the most valuable asset, but they make a better bottom line only for a few organizations (Pfeffer, 1998, Wimbush, 2005). Especially talent employees are considered as the destiny of organization. Motivation of those employees is one of the significant issues of contemporary context. It is one of the most challenging issues facing organizations. Organization needs favorable HR practices for employee motivation, which lets the key employees stick to an organization and reduce rate of employee turnover. There are several HR practices for employee motivation such as employee rewards, career development, working environment, job security, and so on.

Motivation is a psychological aspect that arouses an organism to act towards a desired goal. It brings purposeful changes in person's behavior. It is a driving force that reinforces an action towards a desired goal. It is an inner drive to behave in a certain manner. Motivated employees look for better ways to do a job, care about their customers, take pride in their work, and are more productive. Motivation is the steering of one's actions towards certain goals and to commit a certain part of one's energies to reaching them (Memmott, 2002). We should recognize employees individual goals, values, and desires to motivate them properly. Motivation is a set of forces, which causes people to behave in a certain manner. It is the complex force starting and keeping a person at work in an organization. It is something that moves a person to action and continues him/her in the course of action, already has initiated (Porter & Lawler, 1968). Motivation gives the answer of following issues: Why and how people work in the workplace? How will they behave? What they feel about the organization? What induces them at work? How people become an effective force? How should they be inspired? And so on. Motivation is something- a need or a desire that causes a person to act (Prasad, 2009). It is an inner desire to satisfy unsatisfied needs of the employees.

Efforts, goals, and needs are the key elements of motivation. Efforts energize and goals direct people's behavior. Efforts are directed towards goal achievement. It is a measure of drive. A need is something that is necessary for an individual to live a comfortable life. Every individual has need and desire to fulfill this need. Motivation is the force that initiates and guides goal-oriented behaviors of the employees in the workplace. It is the process that arouses, energizes, directs, and sustains behavior and performance (Luthans, 1998). It is the set of forces, which initiate work-

related behavior and determine its form, direction, intensity, and duration (Pinder, 1998). Motivation is tremendously complex and what has been unraveled with any degree of the assurance is small indeed (Herzberg, 1987). It is the inner drive that pushes individuals to act or to perform (Mawoli & Babandako, 2011).

### 3. RESEARCH PROBLEM:

Motivation leads to an optimistic and challenging attitude at workplace. It puts human resources into action, improves level of efficiency of employees, leads to achievement of organizational goals, builds friendly relationship, creates foundation for survival, and leads to stability of workforce. It initiates and guides goal-oriented behaviors of the employees in the workplace. There should be employee friendly HR practices to motivate employee in the workplace. The present study attempts to analyze the relationship between employee motivation and HR practices adopted by insurance industry in Nepal. It basically addresses the following issues – is there any relationship between employee motivation and employee rewards? Is there any relationship between employee motivation and career development? Is there any relationship between employee motivation and work environment? And is there any relationship between employee motivation and job security? Such issues are related with the analyzing the relationship of employee motivation with HR practices. It would be great contribution in the knowledge industry.

### 4. OBJECTIVE OF THE STUDY:

The objective of the study is to analyze the relationship between employee motivation and selected HR practices adopted by public commercial banks of Nepal.

#### 4.1 Research Hypothesis

In order to test the relationship between employee motivation and HR practices adopted by insurance industry in Nepal, we explore the following hypothesis:

H<sub>1</sub>: There is a positive relation between employee motivation and rewards.

H<sub>2</sub>: There is a positive relation between employee motivation and career development.

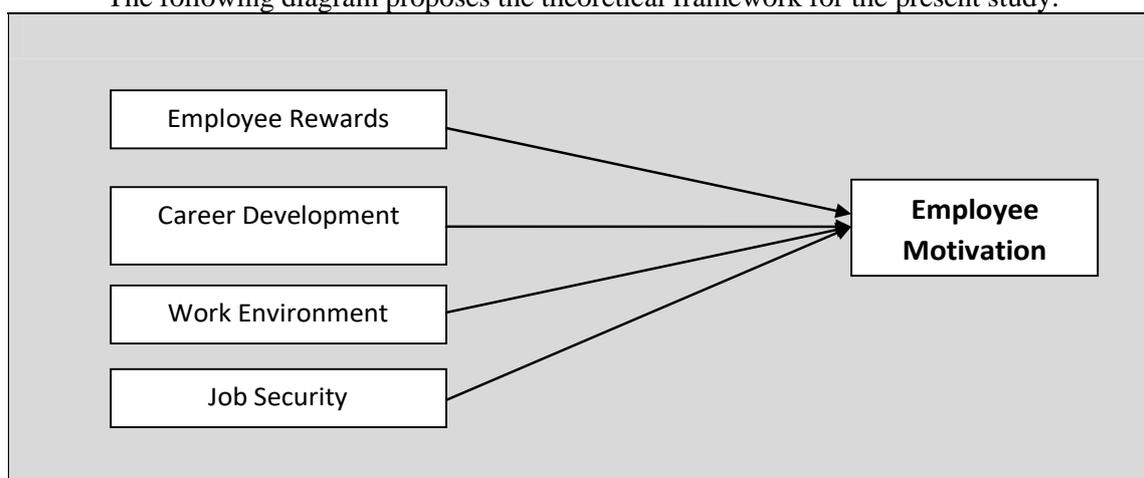
H<sub>3</sub>: There is a positive relation between employee motivation and work environment.

H<sub>4</sub>: There is a positive relation between employee motivation and job security.

#### 4.2 Theoretical Framework

HR practices adopted by the organization plays a vital role to motivate and engaged talent employees in an organization. The organization may provide different kinds of rewards, opportunity for career development, pleasant work environment, job security, and so on to motivate its employees. In the present study, employee motivation is depended on variable and employee rewards, career development, work environment, and job security are dependent variables.

The following diagram proposes the theoretical framework for the present study:



**Figure 1:** Theoretical framework (Based on Wolf & Pant, 2007).

**Employee motivation:** Motivation refers to the initiation, direction, intensity, and persistence of behavior. It is a dynamic state that should not be confused with personality or emotion. It is the desire and willingness to do something. Motivation is dependent variable in this study. It depends on employee rewards, career development, work environment, and job security.

**Employee rewards:** Employee reward is the generic term for the total remuneration paid to an employee in return for work. Employees work in an organization for reward as the form of salary, wages, fringe benefits, service, promotion, interesting work, freedom in works, recognition by managers, participation in decision-making, etc. An organization should manage of rewards considering the knowledge, skills, and abilities of the employees. Organizations provide employee rewards to their employees to motivate them towards the job. Reward is directly related with employee motivation.

**Career development:** Employees are the most important resource an organization. It is major responsibility of the organizations to provide the opportunity of career development of the employees. Additionally, it is obligation of the organization to address the needs and ambitions of employees and create such job positions where they can accommodate their growing ambitions (Juneja, n. d.). Career mapping, career counseling, providing career ladder, trust and respect, learning opportunities, etc. are the common dimensions of employee career development.

**Work environment:** Work environment is the totality of the interrelationship that exists between the employees and the environment in which the employees work (Akinyele, 2010). Work environment factors such as cleanly room and furniture, healthy atmosphere, co-operative co-workers, sufficient ventilation, etc. contribute positively or negatively to achieving maximum employee productivity (Elywood, 1999) and employee motivation. According to Kohun (1992), work environment comprises the sum of forces, actions, and other influential factors that are currently or potentially contending with the employee's activities and performance. Favorable work environment is essential to motivate the employees in the job.

**Job security:** Job security is an assurance that an individual will keep in the job without the risk of becoming unemployed. It depends on economy, prevailing business conditions, and the individual's personal capacity. Typically, government jobs are considered more secured than private jobs. Secure employees can do their best work for the organization, and they improve its reputation. If you want your employees to work to the highest of their abilities, you need to assure them job security.

## 5. LITERATURE REVIEW:

Employee motivation is a psychological drive to behave in a certain manner, which is related with motivational strategies of the organization. It is one of the “most important factors that can help the employer to improve employee and organizational performance” (Sandhya & Kumar, 2011, p. 1). “It is a basic psychological process and the study thereof include aspects of psychology, social and cultural factors and individual values and beliefs” (Odendaal, 2010, p. 27). Similarly, it is the “process of producing and maintaining goal directed behavior” (Nelson & Quick, 2006, p. 150). Motivation is a reflection of the level of energy, commitment, and creativity of employees. It brings positive changes in the behavior of the employees. It is the steering of one's actions towards particular goals and to commit a certain part of one's energies to reaching them (Memmott, 2002). Motivated employees look for better ways to do a job, care about their customers, take pride in their work, and are more productive (HumanResource, 2013). Motivation is the outcome of everything we do right (Ramlall, 2008). It attains benefits such as customers' satisfaction, better service, lower costs (Reichheld, 1995), lower price sensitivity, positive word-of-mouth, higher market share, higher productivity and higher efficiency (Zineldin, 2000).

Psychology of the motivation is tremendously complex (Herzberg, 1987). It is the inner drive that pushes individuals to act or to perform for the organizational success. Mawoli & Babandako (2011) have conducted a study taking sample 141 of the academic staffs of the University from a population of 219; the study has revealed, the academic staffs were highly motivated at work and also highly satisfied with the present working environment. Motivation theories like Maslow's Hierarchy of Needs, Herzberg's Motivator- Hygiene, Clayton Alderfer's ERG theory, Theory, Adams' Equity Theory, Vroom's Expectancy, Dauglas McGregor's Theory X and Theory Y etc. can be used to enhance retention rate of the key employees in an organization.

Hierarchy of Needs theory was developed by Abhraham H. Maslow. This theory has purposed hierarchy of five human needs such as physiological, safety, social esteem, and self-actualization needs. This hierarchy of needs theory relates to the motivation of employees towards job and their retention for long time. Similarly, Motivation-Hygiene Theory was propounded by Frederick Herzberg. This theory was developed from the data collected through interviews with many engineers and accountants in the Pittsburgh area. “Intrinsic factors are related to job satisfaction whereas extrinsic factors are related with reduction of job dissatisfaction” (Robbins & Coulter, 2006, p. 365). In other words, intrinsic factors such as achievements, recognition, work itself, responsibility, advancement, and growth are motivating factors and extrinsic factors such as company policies, supervision, relationships, working conditions, salary, and security are hygiene factors.

The employer must utilize positive reinforcement to maximize employee satisfaction and minimize employee turnover. Likewise, Alderfer (1972) has developed ERG (Existence, Relatedness, and Growth) theory of motivation.

The ERG theory is based on work of Maslow. So, it has much in common with it but also differs in some important aspects (NetMBA, 2013). Existence needs correspond to the physiological and security needs of such as hunger, thirst, and sex or Maslow's first two levels (physiological and safety needs). Relatedness needs focus on social and external esteem needs of such as involvement with friends, co-workers, and managers or Maslow's third and fourth levels (social and esteem needs). Similarly, growth needs focus on higher level needs such as self-actualization, self-esteem, being creative and an exemplar or Maslow's fourth and fifth levels (esteem and self-actualization needs). Accordingly, Adams (1965) has developed a motivation theory named Adams' Equity Theory. This theory is based on fairness and equity among employees. According to this theory, an individual's motivation level is correlated to perception of equity, fairness, and justice practiced by the management (Anuj, 2013). "An employee compares his/her job's input-outcomes ratio with that of relevant others and then corrects any inequity" (Robbins & Coulter, 2006, p. 403). Whenever employees perceive inequity, they'll act to correct the situation (Dittrich & Carrel, 1979). Adams' Equity Theory emphasizes expected behavior of employees to retain them in the organization. Higher the individual's perception of fairness greater is the motivation level and vice versa. Management expert Victor Vroom developed an Expectancy Theory in the field of employee motivation. This theory has three variables; valence, instrumentality, and expectancy (Vroom, 1964). This theory explains the relation of expectations and behavior of employees. It suggests that motivation depends on two things, how much we want something and how likely we think we are to get it (Griffin, 2000). Motivation is based on self-interest of an individual who wants to achieve maximum satisfaction and who wants to minimize dissatisfaction. It stresses expectation, emphasizes on rewards or payoffs, and focuses on psychological extravagance. A management Professor and Psychologist, Douglas McGregor (1960) has developed contrasting models of employee motivation, Theory X and Theory Y, which are based on certain assumptions. Theory X assumes the average person (i) dislike work and attempt to avoid it, (ii) have no ambition, want no responsibility, and would rather follow than lead, (iii) self-centered and do not care about organizational goals, (iv) resist change, and (v) gullible and not particularly intelligent (NetMBA, 2013). Similarly, Theory Y assumes the average person (i) work can be as natural as play and rest, (ii) will be self-directed to meet their work objectives if they are committed to them, (iii) will be committed to their objectives if rewards are in place that addresses higher needs such as self-fulfillment, (iv) will be sought responsibility, and (v) can handle responsibility because creativity and ingenuity are common in the population (NetMBA, 2013).

## 6. RESEARCH METHODOLOGY:

This study is co-relational in nature with cause and effect approach. The population of this study was the employees of telecom sector of Pakistan.

This study is co-relational in nature with cause and effect approach. Research methodology of this study consists of research design, population and sampling, and collection and analysis of data. It also deals about reliability of questionnaire. The philosophical worldview or ontological assumption of the study regarding employee motivation is single reality not multiple realities and the epistemological assumption of the study is objective not subjective.

### 6.1 Research Design

The present study used the quantitative research paradigm which involves counting and measuring of events and performing the statistical analysis of a body of numerical data (Smith, 1988). It is a social research that employs empirical methods and empirical statements (Cohen, 1980). It adopts a scientific approach and focuses on measurement and proof. It is based on the premise that something is meaningful only if it can be observed and counted (Hesketh & Laidlaw, n. d.). It refers to the systematic empirical investigation of social phenomena via statistical, mathematical, or computational techniques (Lisa, 2008).

### 6.2 Population and Sampling

The population of this study was the employees of insurance industry in Nepal. The industry has altogether 2581 employees (nepjol.info). Thus, the population of this study is 2581 employees working in the industry. The present study used simple random sampling technique, in which every employee of the total population chance of being chosen, to analyze the employee motivation in the insurance industry. The present study comprised of 230 employees from the target population.

### 6.3 Collection and Analysis of Data

The major tool of data collection for the present study was structured questionnaire. The researcher has designed questionnaire in Likert five scales closes ended format like strongly disagree (1), disagree (2), neither (3), agree (4), and

strongly agree (5). Apart from this, keeping in mind the objective of the study, multiple sources of data were used in the present study. The researcher visited several libraries, insurance companies, Central Bureau of Statistics, and many places for the purpose of procuring relevant documents during secondary data collection for the study purpose. The researcher also used several related journals, e-journals, and websites. The SPSS for Window was used to analyze the data.

#### 6.4 Reliability of Questionnaire

The questionnaire was tested through “Cronbach’s alpha” to confirm its reliability. Cronbach's alpha value of thirty items was 0.893 suggesting that data collection questionnaire is reliable. Factors, such as methods and tools of data collection and analysis, testing, interaction, response of respondents, bias of researcher, etc. directly affect in the quality of the research. The researcher has given keen attention in these matters and evidenced by reliability for standard quality research.

### 7. RESULTS AND DISCUSSION:

The present study has dependent and independent variables. Employee motivation is dependent variable and employee rewards, career development, work environment, and job security are dependent variables. This topic analyzed with the correlation between dependent variable and independent variables. Table 1 shows the results of correlation.

**Table 1**

**Correlation between Dependent and Independent Variables**

		Correlations				
		Employee Rewards	Career Development	Work Environment	Job Security	Employee Motivation
Employee Rewards	Pearson Correlation	1				
	Sig. (2-tailed)					
Career Development	Pearson Correlation	.478**	1			
	Sig. (2-tailed)	.000				
Work Environment	Pearson Correlation	.346**	.432**	1		
	Sig. (2-tailed)	.000	.000			
Job Security	Pearson Correlation	.404**	.487**	.636**	1	
	Sig. (2-tailed)	.000	.000	.000		
Employee Motivation	Pearson Correlation	.377**	.525**	.282**	.377**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

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

Table 1 shows correlation between employee motivation and each four motivators such as employee rewards, career development, work environment, and job security. These correlations are computed by Pearson Product Moment method. This table also consists of t-tests for each pair of variables based on 1 percent level of significance with 230 sample sizes. The p-values are also displayed along with their respective t-tests. The t-test, tests the null hypothesis there is no correlation between employee motivation and employee rewards, career development, work environment, and job security.

#### 7.1 Correlation between Employee Motivation and Rewards

The correlation between employee motivation and employee rewards was computed by using the Pearson Product Moment method. The results showed there was a positive relationship between employee motivation and employee rewards ( $r=.377$ ,  $n=250$ ,  $p<.01$ ). The relationship between two variables is significant at 1 percent level of significance. The relationship is significant with slightly lower than moderate correlation. However, hypothesis 1 is accepted.

## 7.2 Correlation between Employee Motivation and Career Development

The correlation between employee motivation and career development was computed by using the Pearson Product Moment method. The correlation of career development was investigated against employee motivation. The results showed there was a positive relationship between the two variables ( $r=.526$ ,  $n=230$ ,  $p<.01$ ). The relationship is significant with slightly higher than moderate correlation. Hence, hypothesis 2 is accepted.

## 7.3 Correlation between Employee Motivation and Work Environment

The correlation between employee motivation and work environment was computed by using the Pearson Product Moment method. The result showed there is a positive correlation between employee motivation and work environment at 1 percent level of significance ( $r=.282$ ,  $n=230$ ,  $p<.01$ ). The relationship is significant with lower than moderate correlation. However, hypothesis 3 is accepted.

## 7.4 Correlation between Employee Motivation and Job Security

The correlation between employee motivation and job security was computed by using the Pearson Product Moment method. The result showed there was a positive relationship between employee motivation and job security at 1 percent level of significance ( $r=.377$ ,  $n=230$ ,  $p<.01$ ). The relationship is significant with slightly lower than moderate correlation. However, hypothesis 4 is accepted.

## 8. CONCLUSIONS:

Motivation improves level of efficiency of employees, leads to achievement of organizational goals, builds friendly relationship, and leads to stability of workforce. Thus, it is essential to study about employee motivation and to analyze its relationship with human resource practices, so that organization can re-evaluate its existing human resource practices. In this article, we have solved correlation to investigate the relationship of motivators, such as employee rewards, career development, work environment, and job security with employee motivation. The study revealed there was a significant positive relationship between employee motivation and all four motivators. Thus, the following research hypotheses were accepted: (i)  $H_1$ : There is a positive relationship between employee motivation and rewards, (ii)  $H_2$ : There is a positive relationship between employee motivation and career development, (iii)  $H_3$ : There is a positive relationship between employee motivation and work environment and, and (iv)  $H_4$ : There is a positive relationship between employee motivation and job security.

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