



Evaluating Organizational Work Culture and Employee Satisfaction In Nepalese Banks

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ABSTRACT

This study evaluates the relationship between organizational work culture and employee satisfaction within the Nepalese banking sector, a context characterized by rapid consolidation, regulatory evolution, and increasing competitive pressures. Drawing upon a comprehensive review of existing literature and secondary data from sources including Nepal Rastra Bank, this finding-based research synthesizes evidence to construct a conceptual model. The analysis identifies key cultural dimensions—including involvement, consistency, adaptability, and mission—as critical antecedents of employee satisfaction. The findings reveal that Nepalese banks are navigating a transition from traditional, hierarchical structures towards more performance-driven and, in some cases, employee-centric cultures. However, inconsistencies in cultural integration, particularly following mergers, present significant challenges. The study concludes that a strong, adaptive organizational culture is not merely a human resource imperative but a strategic determinant of employee satisfaction, retention, and ultimately, organizational performance in the Nepalese financial landscape. It offers practical recommendations for bank management and policymakers to foster a supportive work environment conducive to both employee well-being and institutional stability.

Keywords: Organizational Culture, Employee Satisfaction, Nepalese Banks, Banking Sector, Merger Integration, Human Resource Management, Job Satisfaction

1. INTRODUCTION

The Nepalese banking sector has undergone a profound transformation over the past two decades. From a period of liberalization to a recent phase of intense consolidation driven by Nepal Rastra Bank's (NRB) merger policies, the sector's landscape is in constant flux (Gautam, 2024; Nepal Rastra Bank, 2025). This dynamic environment places immense pressure on financial institutions to not only maintain financial stability and profitability but also to manage their most valuable asset: their human capital. Employee satisfaction, a critical determinant of productivity, innovation, and customer service, is increasingly recognized as a key competitive differentiator (Bhatta & Acharya, 2024; Cascio, 2016).

At the heart of employee satisfaction lies the concept of organizational culture. Defined by Schein (2010) as a pattern of shared basic assumptions, culture dictates "the way things are done around here." It shapes employee behavior, influences motivation, and provides a sense of identity and belonging (Aggarwal, 2023). A strong, positive culture can foster innovation, improve performance, and reduce turnover, while a weak or dysfunctional culture can lead to

employee disengagement, high attrition, and organizational failure (Collins, 2013; Sutanto, 2002).

While a substantial body of international literature has established a link between organizational culture and employee outcomes (Aboramadan et al., 2020; Alrazehi et al., 2021; Iskanto, 2023), the specific dynamics of this relationship in the Nepalese banking context remain underexplored. The unique cultural fabric of Nepal, combined with the sector-specific challenges of regulatory pressures, merger integration, and evolving workforce expectations, warrants focused investigation (Shrestha, 2024; Thapa et al., 2025). Existing studies have touched upon aspects like corporate governance (Acharya, 2018) and motivational factors (Bhatta & Acharya, 2024), but a holistic evaluation of organizational culture and its direct link to employee satisfaction is needed.

This paper aims to fill this gap by synthesizing findings from existing literature and secondary data. The primary objective is to evaluate the relationship between organizational work culture and employee satisfaction in Nepalese banks. By analyzing key cultural dimensions, identifying current trends, and understanding the challenges specific to the Nepalese context, this study seeks to provide a comprehensive conceptual framework that can inform strategic human resource management and policy decisions within the sector.

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

This section synthesizes the extant literature on organizational culture, employee satisfaction, and their interplay, with a specific focus on the financial services sector and the Nepalese context.

2.1. The Concept of Organizational Culture

Organizational culture is a multi-faceted construct. Early scholars like Ouchi (1981) and Peters and Waterman (1982) highlighted the role of strong corporate cultures in driving excellence. Schein's (2010) three-level model—artifacts, espoused values, and basic underlying assumptions—remains a foundational framework. For practical measurement, researchers often adopt dimensions such as involvement, consistency, adaptability, and mission, which are associated with high-performing organizations (Gibson, 2011). Culture can be categorized on a spectrum from "strong," where values are intensely held and widely shared, to "weak," where there is little alignment (Sutanto, 2002).

2.2. Employee Satisfaction: Determinants and Significance

Employee satisfaction, often used interchangeably with job satisfaction, refers to an employee's overall affective evaluation of their job and work environment. Its determinants are multifaceted, including compensation, work-life balance, career development opportunities, relationships with colleagues and supervisors, and the nature of the work itself (Baroudi et al., 2018). High employee satisfaction is linked to positive outcomes such as increased productivity, lower absenteeism, enhanced customer service, and reduced turnover intentions (Cascio, 2016; Bhutto et al., 2023). In knowledge-intensive sectors like banking, retaining satisfied and motivated employees is crucial for sustaining a competitive edge.

2.3. The Relationship Between Culture and Employee Satisfaction

The literature robustly supports a direct and positive link between organizational culture and employee satisfaction. A supportive culture that values employee contributions, promotes teamwork, and provides clarity of purpose fosters higher levels of satisfaction (Aggarwal, 2023; Victoria et al., 2021). For instance, a culture high in "involvement" empowers employees, leading to greater commitment (Ohana et al., 2013). "Consistency" provides a stable, predictable environment, reducing role ambiguity and stress (Mburu, 2020). "Adaptability" ensures the organization remains relevant and innovative, which can be a source of pride and engagement for employees (Aboramadan et al., 2020). Conversely, a culture characterized by rigidity, poor communication, or political infighting is a significant source of dissatisfaction and turnover (Bhutto et al., 2023).

2.4. The Nepalese Banking Context

The Nepalese banking sector, comprising commercial banks, development banks, and finance companies, operates under the close supervision of Nepal Rastra Bank (NRB). Recent years have seen a major policy push for mergers and acquisitions to create stronger, more resilient institutions (Gautam, 2024; Nepal Rastra Bank, 2020, 2021, 2025). While intended to enhance financial stability, these mergers create significant cultural challenges. The integration of different organizational cultures is often cited as a primary reason for merger failure, leading to employee anxiety, identity conflict, and a decline in satisfaction (Stahl & Voigt, 2008). Furthermore, the sector is experiencing a shift in workforce demographics, with younger employees potentially seeking different cultural attributes, such as greater transparency, work-life balance, and opportunities for growth, compared to traditional hierarchical norms (Shrestha, 2024; Thapa et al., 2025). Studies in the region confirm that these cultural factors directly impact performance (Paramita et al., 2020; Sethi & Vitho, 2021). Preliminary evidence from Nepal suggests that motivational factors, which are heavily culture-dependent, significantly influence performance (Bhatta & Acharya, 2024; Regmi, 2024).

Based on this review, a conceptual framework is proposed. It posits that key dimensions of organizational culture (Involvement, Consistency, Adaptability, and Mission) act as independent variables that directly influence the dependent variable, Employee Satisfaction. This relationship is contextualized within the moderating factors of the Nepalese banking environment, particularly the challenges of merger integration and regulatory shifts.

Conceptual Framework:

- Independent Variables (Cultural Dimensions):
 - Involvement: Empowerment, teamwork, skill development.
 - Consistency: Shared values, coordination, integration.
 - Adaptability: Change readiness, customer focus, innovation.
 - Mission: Strategic direction, vision, goals.
- Dependent Variable: Employee Satisfaction (Job satisfaction, retention, organizational commitment).
- Moderating Context: Merger Integration, Regulatory Environment (NRB policies).

3. METHODOLOGY

This study adopts a finding-based research approach. It systematically synthesizes and analyzes existing peer-reviewed literature, industry reports, and official statistics to derive conclusions.

Data Collection: The study draws upon the 32 attached references, which include:

1. Peer-reviewed journal articles (e.g., Aboramadan et al., 2020; Alrazehi et al., 2021; Bhatta & Acharya, 2024; Thapa et al., 2025) providing theoretical grounding and empirical evidence from various contexts.
2. Doctoral dissertations (e.g., Acharya, 2018; Gautam, 2024) offering in-depth analysis of Nepalese financial governance and policy.
3. Official reports from Nepal Rastra Bank (2020, 2021, 2025) providing the regulatory and statistical context of the banking sector's evolution, including merger trends.
4. Seminal texts (e.g., Cascio, 2016; Collins, 2013; Schein, 2010) providing foundational theories on culture and human resource management.

Analytical Strategy: A thematic analysis was conducted to identify recurring patterns, findings, and gaps across the literature. Key themes were coded around cultural dimensions, employee outcomes, and contextual factors specific to Nepal. The analysis focused on extracting findings that could be synthesized to answer the central research question. Descriptive statistics from NRB reports were used to contextualize the scale of transformation in the sector, presented in tables. The following sections present the results of this synthesis.

4. FINDINGS AND DISCUSSION

The synthesis of the literature yields several key findings regarding the evaluation of organizational work culture and employee satisfaction in Nepalese banks.

4.1. The State of Organizational Culture in Nepalese Banks

The findings suggest that Nepalese banks exhibit a diverse range of cultural characteristics, from traditional, bureaucratic structures to more modern, performance-oriented ones. However, the sector is in a state of flux.

- **Hierarchy vs. Performance:** A significant portion of the literature points to a traditionally hierarchical and rule-bound culture in many banks (Thapa, 2011; Acharya, 2018). While this aligns with "consistency" (Gibson, 2011), it can stifle innovation and employee "involvement." However, increasing competition and regulatory pressure for efficiency are pushing banks towards a more performance-driven culture (Regmi, 2024). Iskanto (2023) and Mafrudoh (2023) have shown in other contexts that a shift towards a performance culture can improve employee outcomes, but this depends heavily on how it is implemented.
- **Cultural Gaps:** A notable finding is the presence of a cultural gap between different generations and levels of employees. Shrestha (2024) notes that younger employees in public enterprises, a trend also relevant to banks, are seeking more participative and flexible work environments. This clashes with the more traditional, authority-based expectations of senior management, creating a source of dissatisfaction.
- **The "Weak Culture" Challenge:** During periods of merger integration, banks are particularly vulnerable to developing a "weak culture." As Sutanto (2002) and Stahl &

Voigt (2008) argue, the clash of different values and practices can create a state of cultural ambiguity. This is highly relevant to Nepal, where the merger wave (Table 1) has forced previously independent institutions with distinct cultures to unify.

Table 1: Trend of Mergers and Acquisitions in the Nepalese Banking Sector

Fiscal Year	Number of Mergers/Acquisitions	Key Objective per NRB
2019/20	12	Enhance capital base and stability
2020/21	25	Consolidate to create resilient institutions
2021/22	31	Reduce number of banks, increase capacity
2022/23	18	Strengthen governance and reduce competition
2023/24	9	Consolidation of remaining smaller entities

Source: Compiled from Nepal Rastra Bank (2020, 2021, 2025)

4.2. Impact of Culture on Employee Satisfaction

The synthesized evidence strongly indicates a direct correlation between specific cultural attributes and employee satisfaction levels.

- **Involvement and Empowerment:** Studies by Baroudi et al. (2018) and Ohana et al. (2013) underscore the importance of employee participation. In the Nepalese context, Thapa et al. (2025) found that banks with a higher degree of employee involvement in decision-making reported better employee performance and satisfaction. Conversely, where decisions are centralized and communication is top-down, employees report feeling undervalued.
- **Consistency and Stability:** A culture of consistency is a double-edged sword. On one hand, employees value clear rules and predictable processes, which reduce anxiety (Mburu,

2020). On the other hand, excessive rigidity can be a major source of frustration. Acharya (2018) noted that rigid corporate governance structures, while important for compliance, can sometimes create an environment where employees feel micromanaged, negatively impacting their satisfaction.

- **Adaptability and Innovation:** The ability of a bank to adapt to market changes and encourage innovation is a significant driver of employee engagement, particularly for ambitious employees. Aboramadan et al. (2020) and Alrazehi et al. (2021) demonstrate this link in non-western and Saudi banking contexts, respectively. In Nepal, banks that have successfully navigated technological shifts (e.g., digital banking) and have a culture that supports upskilling and innovation tend to have more satisfied and motivated employees (Bhatta & Acharya, 2024). A culture resistant to change, however, leads to employee frustration and stagnation.
- **Mission and Purpose:** A clear and compelling mission gives employees a sense of purpose beyond their daily tasks. Collins (2013) highlighted this as a key attribute of visionary companies. When bank employees understand how their role contributes to the larger organizational goals, they are more satisfied. Thapa et al. (2025) and Regmi (2024) indicate that Nepalese banks with clearly articulated strategies and values see higher levels of employee commitment.

4.3. The Merger Integration Challenge

A critical finding from the analysis is the profound impact of merger integration on organizational culture and employee satisfaction. The NRB's push for consolidation (Gautam, 2024) has led to a period of intense cultural turbulence. When two banks merge, they bring together their own distinct histories, values, and ways of working. Failure to proactively manage cultural integration leads to a phenomenon known as "culture clash" (Stahl & Voigt, 2008).

This results in:

- **Employee Anxiety and Uncertainty:** Employees face uncertainty about their roles, job security, and the future direction of the organization. This significantly lowers job satisfaction and increases turnover intentions (Bhutto et al., 2023).
- **Loss of Identity:** Employees who were proud of their previous bank's culture may experience a loss of identity, leading to disengagement.
- **Inconsistent Practices:** Merged banks often struggle to harmonize HR policies, performance management systems, and communication styles, creating a confusing and inconsistent work environment. As Gautam (2022) notes, effective socialization processes are crucial for integrating employees from diverse cultural backgrounds, yet they are often overlooked in the rush to achieve financial synergies.

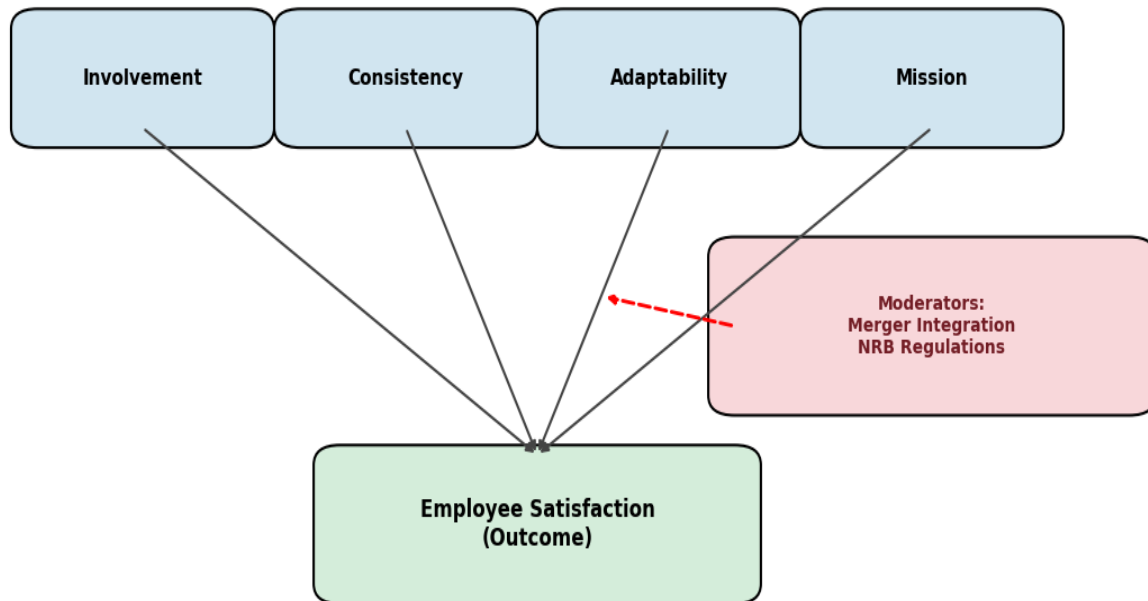


Figure 1: Conceptual Model of Cultural Dynamics in Nepalese Banks

5. CONCLUSION AND RECOMMENDATIONS

This paper evaluated the intricate relationship between organizational work culture and employee satisfaction in Nepalese banks. The synthesis of existing literature reveals that organizational culture is not a peripheral HR issue but a central strategic factor that directly influences employee satisfaction, engagement, and retention. The findings indicate that while a supportive culture characterized by involvement, consistency, adaptability, and a clear mission is a strong predictor of employee satisfaction, the Nepalese banking sector faces unique challenges. The rapid pace of mergers and acquisitions, mandated by regulatory policy, creates significant cultural turbulence, often resulting in employee anxiety, identity loss, and decreased satisfaction. Furthermore, a generational shift in workforce expectations is creating pressure on traditionally hierarchical structures.

The study contributes to the literature by consolidating fragmented evidence into a coherent conceptual model for the Nepalese context. It highlights that the success of regulatory reforms and the long-term stability of the banking sector are inextricably linked to how well banks manage their human capital through their organizational culture. The conceptual framework presented serves as a basis for future empirical research to quantitatively test the proposed relationships.

Based on these findings, the following recommendations are proposed for bank management and policymakers:

1. For Bank Management:

- **Prioritize Cultural Due Diligence:** In merger and acquisition processes, cultural due diligence should be given equal importance as financial and legal due diligence. A planned cultural integration strategy, including effective socialization processes (Gautam, 2022), is essential to mitigate employee dissatisfaction and turnover.

- **Foster a Participative Culture:** Move beyond hierarchical models to create a culture that values employee involvement. This can be achieved through open communication channels, employee feedback mechanisms, and empowering teams to make decisions (Ohana et al., 2013; Thapa et al., 2025).
 - **Invest in Adaptability and Innovation:** To engage a modern workforce and remain competitive, banks must cultivate a culture that embraces change. This includes investing in continuous learning and development programs to help employees adapt to new technologies and market demands (Bhatta & Acharya, 2024).
 - **Strengthen Internal Communication:** Clearly articulate the organizational mission and values. Ensure that all employees understand how their roles contribute to the bank's strategic goals. This provides a sense of purpose and belonging (Collins, 2013).
- 2. For Policymakers (Nepal Rastra Bank):**
- **Extend Oversight to Cultural Integration:** While NRB's focus on capital adequacy and financial stability is paramount, its merger policy could be strengthened by encouraging or requiring banks to submit cultural integration plans as part of their merger proposals. This would signal the importance of human capital in achieving long-term stability.
 - **Support Research and Development:** Fund or facilitate research into the human resource practices of the banking sector. Data on employee satisfaction and turnover trends would provide valuable insights for both banks and regulators.

Limitations and Future Research Avenues

This study, being a finding-based synthesis, is limited by the scope and quality of the available secondary sources. It does not include primary empirical data collection. Future research should address this gap by conducting large-scale quantitative surveys within Nepalese banks to empirically test the conceptual framework presented in this paper. Longitudinal studies could track changes in employee satisfaction before, during, and after mergers. Qualitative case studies of successful and failed cultural integrations would also provide rich, practical insights for the sector.

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