



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION PROGRAM

ASSESSMENT OF REWARD PRACTICES OF NIB
INTERNATIONAL BANK S.C.

BY:

ADDIS TEFERA

JUNE, 2017

ADDIS ABABA, ETHIOPIA

**ASSESSMENT OF REWARD PRACTICES OF NIB
INTERNATIONAL BANK S.C.**

BY:

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ID; SGS/0075/2008A/**

**A THESIS SUBMITTED TO ST. MARY UNIVERSITY,
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STATEMENT OF DECLARATION

First I declare that this thesis is my genuine work prepared under the guidance of Abraraw Chane (PhD) and that all sources of materials used for this thesis have been duly acknowledge. I declare that this thesis is not submitted to any other institution anywhere for any academic purposes.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university Advisor.

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Signature
June, 2017

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List of Abbreviations and Acronyms

HO/HQ – Head Office/Head Quarter

HR – Human Resource

HRD- Human Resource Division

IS – Information System

NBE – National Bank of Ethiopia.

NIB - Nib International Bank S.C.

SPSS – Statistical package for social science

Abstract

The purpose of this study was to assess the existing reward systems of Nib International Bank S.C. in Addis Ababa city, Ethiopia. The study used both primary and secondary sources of data. A quantitative research approach of the data collection was used. The study used descriptive research design and surveyed 161 employees from Nib International Bank S.C. Addis Ababa city at head quarter and branches, using self-administered questionnaire. Stratified sampling method was used and employees were selected from each stratum with a random sampling technique. The data was analyzed with descriptive statistics and presented as frequency (percentage) distribution tables. The study found that Nib International Bank S.C. has incorporated financial (salary, bonus, mortgage and automobile loan, medical coverage and etc.) and non-financial (promotion, recognitions, training and etc.) rewards to its employees. However, employees were not satisfied with the current reward packages and salary level was viewed low, didn't differentiate high performer, and didn't give additional rewards to high performer and the existing reward system was not capable of retaining skilled and experienced workers. The study further indicated the non-financial rewards were not satisfactory to employees.

Key words: *financial and non-financial reward.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

An organization's integrated policies, processes and practice of rewarding employees in accordance with skills, competencies, contributions and market value without any bias can be a reward system of that particular organization (Armstrong, 2010). It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include arrangements for assessing the value of jobs through job evaluation and market pricing, the design and management of grade and pay structures, performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits. Every organization establishes a reward system which determines how its employees will be rewarded.

Some studies have shown that there is a direct relationship between reward systems and the performance of employees (Ubom and Joshua, 2004). Encouraging the employee to adopt the behaviors required by the organization and following the behaviors exhibited by high performers are seen as a more coherent and useful approach to achieving improved employee performance. In relation to these, Armstrong (2010) stated that the formal reward system in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance. He also noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2010).

Pay is an employee relations issue – employees have the right to determine whether the values, culture and reward systems of the organization match their own (Armstrong, 2007). In any organization, engaged in production or services has needs human resources to accomplish its final results. Employees are an important stakeholder of any organization whether it is large or small. Human resources are the significant among other resources to run the production or services in the company. Satisfied peoples could have increased and perform what he or she do in the company responsibility where as a dissatisfied employees were lose things in the production process which leads to increases the cost of production and downfalls the profitability of the company's. Hence, a person has considered the attractiveness of benefit packages in their organization day today activities.

According to Armstrong (2007) “creating a fun, challenging and empowered work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation and performance; even though, creating such an environment may be more difficult and take more time than simply turning the reward lever”.

In the recent market conditions, competition is becoming stiffer than ever, having the right quality and quantity of employees and rewarding them based on their level of performance and need is very important. A reward system that is designed with appropriate combination of financial and non-financial options and provided depending on the performance needs and values of employees will have greater importance in winning the psychology of employees so as to utilize their maximum potential for the achievement of organizational objectives.

As stated by Armstrong (2007) “Becoming an employer of choice starts with developing the image of the organization, so that, it is recognized as one that achieves results, delivers quality products and services, behaves ethically and provides good conditions of employment. Organizations with a clear vision and a set of integrated and enacted values are likely to project themselves as being rewarding to work for.”

Most companies have developed their own reward system contextual to their environment and based on their organizational culture. A reward system comprises both financial and non-financial rewards. However, in the past, most managers had been emphasized on the financial aspect of reward. The differing value of rewards among employees will influence imbalanced reward practice between financial and non-financial rewards. As a result, companies will fail to achieve the aims of reward system; specifically fostering high work performance behavior. Even though most scholars suggest on the inclusion of financial and non-financial rewards in the total reward system, many companies are still reluctant to either include or implement it. This is mainly because of the differing managerial philosophy and application of different motivational theories. Companies that fail to determine the appropriate mix between the financial and non-financial rewards will not be able to address the needs of their employees.

1.2 Background of the Organization

Nib International Bank S.C., the company on which this study has been carried out, is one of the pioneer private commercial banks that have been providing financial services in the Ethiopian banking sector for the last 17 years. It is a privately owned commercial bank established in 1999 in accordance with the “Licensing and Supervision of Banking Business Proclamation No. 84/1994” of Ethiopia, now superseded by Proclamation No. 592/2008 to undertake commercial banking activities.

The bank obtained its license from the national Bank of Ethiopia (NBE) on 26, May 1999 and started its business activities in the month of October 1999. It operates through its Head Office in Addis Ababa despite the humble start with paid-up capital of Birr 27.6 million in 1999, now it reached a capital of nearly Birr 1.27 billion having over 3,900 shareholders, 105 branches, Birr 9.8 billion in deposit and Birr 6.9 billion in loans. It had a record profit before tax of Birr 440.8 million on June 30, 2015 (NIB 2016/17 Strategic plan). The Bank is engaged in the provision of commercial banking services, mobilizing deposits, providing varieties of credit facilities, letter of credit services, foreign exchange facilities, local and international money transfer. Since the driving forces for success are human beings, NIB has been developing its human resource starting from its establishment.

1.3 Statement of the Problem

According to Marthis and Jackson (2010) ‘tangible rewards of people for their contribution receive in the form of pay, incentive, and benefits from their employers’. Hume (2000) and Shafiq and Naseem (2011) explained that poorly designed reward package provided by the organization may result to employee job dissatisfaction and low motivation. In order to this poorly designed reward system is likely to manifest itself in the recruitment of poor quality staff, undesirable level of employee performance and motivation, and high level of employee turnover. Thus, the unsatisfactory environment frequently results in decreased which will then disrupt the level of performance and employee morale (Quibble, 2005). The success of a pay system depends on linking organizational objectives and strategies to reward so that individuals are encouraged to work in a manner that benefits the company and its stakeholders (Marthis and Jackson, 2010).

Banking industry is highly competitive in the service sectors so as to retain high profit. Nib International Bank S.C. is one of the pioneer banks of 16 private banks in Ethiopia. The Bank considers its employees as the root source of quality and productivity gains by making sure that there is a spirit of cooperation and sense of commitment with in the sphere of its influence. Their satisfaction, competence and commitment largely determine the objectives that the Bank has set for itself and its success in achieving them. In order to make employees retain and make them committed to their jobs, there is a need for strong and effective motivation at the various levels. Employees can give their best only if they are satisfied and their satisfaction leads to customer satisfaction, otherwise unsatisfied employees are usually looking for an opportunity to gain what they have not get in their Bank. Among these features some of them are started to be reflected in Nib Bank according to HR report as of June 30, 2016, 282 employees have resigned from the Bank within one fiscal year. Based on HR personnel informal communication even if the bank has recruited additional staff from the market, a number of experienced worker leave the bank for searching of better pay, promotion, benefits and so they join other banks. Additionally, as per HR Officers said that “majority of employees of Nib resigned were searching of better salary, promotion, benefits and join other banks”.

In relation to the reward practices, many employees complain that the reward program of NIB is not satisfying their needs rather it is being a reason for employees de-motivation and turnover. Employees also complain that they are not rewarded based on their performance. Employees are resigning from the company due to the prevailing reward system. Ahmed (2010) Employees perceived that the compensation and benefits package is not adequate, and it is not periodically updated and communicated to employees. Organizational reward system has positive influences on the employees' satisfaction at the organization they worked for (Rudzi, Mohammad and Baharom 2013). A need exists to examine the employee's attitude of the reward and benefit policy of the organization and how employees differ in their perceptions (Schuster and Zingheim, 1992 as cited by Dulebohn and Martocchio, 1998). Galbraith, 1973 as cited by Yitbarek 2012 claims, the reward system should be aligned to motivate employees' performance that is consistent with the firm's strategy to attract and retain people with the knowledge, skills, and abilities required to realize the firm's strategic goals, and create a supportive culture and structure. In addition, an effective reward practices supposed to be transparent, fair distribution of rewards, consistency, well communicated, ensure equity, and involve flexibility with changes. The problem of the study was what will be the perception of employees towards the reward system of Nib International Bank S.C. in Addis Ababa. Hence, the researcher tried to assess the reward practice of NIB and fill the gap focusing on the current reward practice.

1.4 Research Questions

To address the aforementioned research problem the study entailed to address the following research questions:

- What type of reward system implemented in NIB?
- What is the perception of employees towards reward policy?
- Does the reward system differentiate high performers and low performers?

1.5 Objective of the Study

For any study the final goal is its core value hence this study also has the following general and specific objective.

1.5.1 General Objective

The main objective of the study was to assess the reward system practice in NIB International Bank S.C. employees in the organization.

1.5.2 Specific Objectives

Resulting from the general objectives and research questions, the specific objectives were the following:-

- To identify the type of reward system implemented in NIB.
- To identify employee perception towards reward system.
- To describe the extent to which the existing reward system differentiate between high performers and low performers.

1.6 Significance of the Study

This study was to assess the reward practices of NIB International Bank S.C. In the current time, reward issues become one of the major concerns of many organizations. In the researcher's opinion, the findings of the study are important for both the organization and other people who are interested. From the organization's side, the output of the research work can give clear picture of how the existing reward systems function. It also shows the organization how effective the existing reward practices.

Therefore, this study can be used as a track to identify the attitude and opinion of employees and identify problem areas and solutions such information should help the management of the bank to take remedial action and proactive solutions. Furthermore, this study can be used as a background work for an extensive research in the future, has great contribution to the existing knowledge and in the area of reward system in NIB.

1.7 Delimitation /Scope of the Study

This study examined the reward practices of Nib International Bank S.C. situated in Addis Ababa at the level of Managerial, Professional and Clerical employees. The non-clerical staffs in the banks were not considered because majority of such employees are lacks basic

understanding on how to fill questionnaires and openly participate in the study, so the researcher didn't consider such group of employees. Also employees of working in the bank for less than one year are not included since they are recently employed who have no significant understanding of the banks reward practices and benefit management process. The timeframe that the study covers is also from 2013/2014 fiscal year up to the current one. The assessment mainly focused on reward practices of financial and non-financial rewards. Hence it is difficult to assess the attitude of the whole employees due to time and budget constraint employees of Addis Ababa are incorporated in the study.

1.8 Definition of Key Words

Total rewards; - 'includes all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic'. All aspects of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole (Armstrong, 2007).

Reward system; - “A reward system consists of the interrelated process and practices that combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there” (Armstrong 2010).

Reward; - refers to both financial and non-financial rewards that are provided to employees in return of their contribution (Armstrong, 2007).

Financial rewards:-are rewards that are given to employees that are concerned with pay delivery through base and variable pay and with the provision of employee benefits and pensions (Armstrong and Murlis, 2004).

Non-financial rewards; - are types of rewards that do not involve any direct monetary payments and usually arise from the work an individual employee performs. It may be expressed in terms of achievement, recognition, scope to use and develop skills, training, career development opportunities, and high quality leadership (Armstrong, 2009).

1.9 Organization of the Study

The study paper comprises five chapters that constitute varied sub chapters under each. The first chapter deals with introduction. The second chapter deals with the review of the related literature that support the research conducted. The third chapter deals with the design of the study, the sample size, instrument used, sample, data quality assurance and so on are discussed. Under the fourth chapter, data gathered from employees through questionnaire is analyzed and with the help of tables and description is made under each table. Finally, the last chapter attempt to summarize, conclude and recommend possible solutions to the problems and assesses the limitations and future research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definition of Reward

According to Armstrong (2007) reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

2.2 Reward Management

Reward management as defined by Armstrong and Murlis (2004) deals with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It addresses issues affecting the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance. The main areas of reward management for which strategies are developed consist of processes for valuing jobs, grade and pay structures, pay adjustments, performance management, contingent and variable pay, employee benefits and recognition methods. These may be joined up and associated with other people management practices under the heading of 'total reward'.

Based on Armstrong (2010) reward management is fundamentally about people. It is stakeholder orientated, integrated, Strategic and evidence based. Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards. People are assessed according to the contribution they make to achieving organizational goals and rewarded accordingly. Having defined expectations, reward management can provide for people to be rewarded in line with the degree to which people meet them. Managers should be aware of the results expected from people and the behavior needed to achieve these results and to support the organization’s values. The reward system should ensure that the results and behavior are valued and recognized.

According to Dow and Thomas (2014) ‘Human capital is typically the first or second largest financial expenditure most organizations make, and senior executives have learned that it must be managed strategically and efficiently. This is, in large part, the driving reason why senior management is asking rewards professionals to justify recommendations for pay increases, incentive plans, employee-benefits programs and investments in nonfinancial rewards such as career development, recognition and organization climate improvement. In recent years, senior executives have placed more importance on human capital in terms of optimizing productivity and cost effectiveness, engaging employees, developing and retaining talent and aligning the rewarding of human capital with business strategies’.

2.2.1 Aims of Reward Management

The aims of reward management according to Armstrong (2010) are to:

- Reward people according to the value they create;
- align reward practices with business goals *and* with employee values and needs;
- reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- Help to attract and retain the high-quality people the organization needs;
- Motivate people and obtain their engagement and commitment;
- Develop and support the organization’s a high-performance culture.

- support the achievement of business goals through high performance; culture;
- define what is important in terms of behaviors and outcomes;
- reward people according to what the organization values;

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high performance culture (Armstrong 2010).

2.2.2 Importance of Reward Management

Reward management supports the achievement of business goals by helping to ensure that the organization has the talented and engaged people it needs. It contributes to the achievement of high performance by ensuring that the reward system recognizes and encourages it. Reward management can define expectations through performance management and contingent pay schemes (Armstrong, 2010). Reward management policies in association with HR policies can help to create a working environment that provides for the just, fair and ethical treatment of employees. These are policies about treating people properly and avoiding the creation of unacceptable reward practices that reflect badly on the organization.

2.3 Significance of Total Reward

Total reward encompasses both the financial and non-financial rewards. Accordingly, its significance has two-fold both the organizations and the employees emanate from its comprehensiveness. According to Armstrong and Stephens (2005), total reward is a means of influencing behavior, enhancing employment relationship, flexibility to meet individual needs and winning the war for talent. In order to this organizations or employers may want to foster high performance work system will reward employees based on their performance. According to this, the reward is utilized as a means of influencing behavior. Explained by Stredwick (2005) total reward which is aligned with the business strategies of

the organization will help to achieve competitive advantages, emphasize performance, encourage flexibility in working practices, oil the wheels of changes, support key competencies, and encourage local decision taking. So, organizational objectives will achieve with the help of alignment of business strategy with each of the functional strategies. Hence, human resource strategy in one organization is one of the functional strategies. Within in the human resource strategies, if the reward strategy supports performance it is possible to achieve competitive advantages through people. Similarly to this, (Torrington, Hall, and Taylor 2008) explained that a reward system that is aligned with the business strategy will help to motivate staff, use as a driving for change, attract skilled employees and retain high performers. As observed from various scholars work, reward is one of human resource management tools that are employed to employees for higher performance.

2.4 Components of Total Reward

Total rewards are different names according to different authors books written at different time thought most authors agree that the classification of total rewards are in to two broad categories. But the naming differs from author to author with similar connotation. To mention some of the classifications are, transactional rewards and relational rewards, financial and non-financial, monetary and non-monetary, extrinsic and intrinsic, tangible and intangible etc. Regardless of the minor difference, all categories discuss about the same thing (Armstrong, 2007). As a result, this study adopts the classification of financial and non-financial rewards. Table 2.1 is developed with some adjustment from (Armstrong, 2009) to indicate the components of total reward.

Table 2-1 Components of Total Reward

<i>Financial</i>	<i>Non-financial</i>
Salary	Career development
Various types of loan	Training
Bonus	Recognition
Medical provision	Promotion

Source: (Armstrong, 2009)

Total rewards encompasses not only traditional or quantifiable elements like salary, variable pay and benefits, but more intangible non- cash elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation provided by the work itself and the quality of working life provided by the organization. As indicated in the table, total reward is classified into two major categories i.e. financial and non-financial.

Financial rewards; is payment refers to payments which are made to employees such as salary, wage, bonus, and employee benefits such as pensions/provident fund scheme, various types of leaves, insurance cover, medical cover, company cars, loan etc. (Armstrong, 2009).

Non- Financial Rewards; These include the rewards which focus on the needs people have to varying degrees for achievements, recognition, responsibility, influence and personal growth. According to Armstrong (2010), non-financial rewards are rewards that do not involve any direct payments and often arise from the work itself, for example, achievements, autonomy, and recognition, scope to use and develop skills, training, career development opportunities and high quality leaderships. Aside the pay given to the employees, employers should also concentrate on the non-monetary aspect. Employees should be given the room to express their views. Employers should also involve employees in decision making. The organization should ensure that employees can develop their careers by taking them through training and development. The working environment should be conducive for employees where they will feel a sense of belongingness i.e. non-financial rewards refer rewards that do not involve any direct payments. They may arise from the work itself, for instance, work autonomy, recognition, training, career development opportunities, achievement, and quality of work life.

Recognition

Recognition of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can

do. Armstrong and Murlis (2004), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards. Organization can also give other forms of recognitions such as long service awards, status symbols of one kind or another, sabbaticals and work related trips abroad.

Achievement

The other type of non-financial reward is achievement. It is defined as the need for competitive success measured against a personal standard of excellence. This is one of the three major needs of employees at managerial position: achievement, power, and affiliation. Employees' achievement motivation can be raised by organizations through processes such as job design, performance management, and skill or competency-related pay schemes (Armstrong and Stephens, 2005).

Promotion

It involves a competitive selection process, and results in the employee's movement in to a different role in a higher pay band. If it is done fairly it enhance employee motivation and competitiveness (Armstrong and Murlis 2004).

Personal growth

Individual employees irrespective of their current level want to upgrade themselves. This is the philosophy of continuous development. The availability of learning opportunities, the selection of individuals for high-prestige training courses and programs and the emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can all act as powerful motivators of employees to higher performance (Armstrong and Stephens, 2005).

2.5 Reward systems

According to Armstrong (2009) "A reward system is an example of a different type of system. It is designed and operated to achieve the reward management objectives of an organization". Reward systems as consisting of an organization's integrated policies, processes, procedures and practices for rewarding employees in accordance with their contribution, skill, competencies and market value. Armstrong, further, explained that

reward system should consist of; Policies that provide guidelines on approaches to managing rewards, Practices that provide financial and non-financial rewards, Processes concerned with evaluating the relative size of jobs (job evaluation) and assessing the individual performance (performance management) and Procedures operated in order to maintain the systems and to ensure that it operates efficiently and flexible and provides value for money (Armstrong, 2010).

The explanation given by Armstrong reveals that rewards given to employees can either be in financial terms or non- financial terms. Managers should, therefore, not reward employees based on their own discretion, but a standard or guideline should be followed in order to reward these employees. This might prevent biases to some extent. The standard or guideline should be able to define the size of the employee's job and an assessment of the employee's performance on the job. The reward system should also contain established methods used to maintain the reward system so that it can easily adapt to changes in both the external and internal environment. The reward system of an organization has outcomes on motivating work when workers are rewarded in a tangible way (cash bonuses, salary increases) or intangible (praise or public recognition) because they have demonstrated behaviors considered desirable for the organization. The main challenge of an effective reward system is related to defining criteria on how the reward should be distributed among people. The use of standards of differentiation that people consider are fair and the consistency of these standards with the context of the organization are essential for there to be commitment to the company and the work to be performed

2.5.1 Job Evaluation

Job evaluation falls in the broader process of reward system, which is very important. Reward system will be incomplete, if there is no job evaluation. Job evaluation provides the basis for achieving equitable pay. It is essential as a means of dealing with equal pay for work. According to Bowen (2000) job evaluation is the process of determining the relative worth of a job in an organization. Job evaluation is important in ensuring that a fair payment system is in place, which is transparent and can be communicated to all employees in organization. Job evaluation is providing a systematic basis for determining

the relative worth of jobs within an organization. It flows from the job analysis process and is based on job description and job specification. Every job in the organization is examined and ultimately priced according to Relative importance of the job, Knowledge, skills and abilities needed to perform the job and Difficulty of the job. Furthermore job evaluation is a formal and systematic comparison of jobs to determine the worth of one job relative to another, and eventually results in a wage or salary structure. This involves weighing the advantages and disadvantage of a job and comparing it to another job. The difference in the comparison will amount to the difference in salary of one job to another job (Perry, Mesch, and Paarberg 2006).

2.5.2 Market Rate Analysis

To ensure that reward systems are competitive, it is necessary to follow the trends of market rate for jobs within the organization especially those that are vulnerable to market pressures because of scarcity factors. Job evaluation is used to determine the worthiness of the job but it cannot price jobs. The market rate analysis is what will guide the employer to price the job. According to Armstrong (2010) market rate analysis is the process of identifying the rates of pay in the labor markets for comparable jobs to inform decisions on the levels of pay within the organization. This focuses on the need to compare the pay rates of different organizations in the labor market in order to choose the best and appropriate reward rates. After the comparison, employees will be able to determine the appropriate reward system (Perry et al., 2006).

2.5.3 Motivation of Performance

Empirical evidence has shown that when certain specifiable conditions exist, reward systems do have an influence on performance (Gerhart and Milkovich, 1992; Vroom 1964). What are those conditions? Important rewards must be perceived to be tied in a timely fashion to effective performance. Organizations get the kind of behavior that leads to the rewards their employee's value. This occurs because people have their own needs and mental maps of what the world is like. They use these maps to choose those behaviors that lead to outcomes that satisfy their needs. Therefore they are inherently neither motivated

nor unmotivated to perform effectively; performance motivation depends on the situation, how it is perceived, and the needs of people (Lawler, 1993).

2.5.4 Reward Philosophy

Reward strategy is founded based on company's reward philosophy. It expresses what the organization believes the basis upon which people are valued and rewarded. Described by Patricia and Jay (2000), a company's total reward philosophy defines the basic principles and parameters for designing rewards throughout the company. Strategic reward management is based on a well-articulated philosophy – a set of beliefs expressed through guiding principles that are consistent with the values of the organization and help to enact them. These include beliefs in the need to operate in accordance with the principles of distributive and procedural justice. Reward strategies in the past have sometimes focused exclusively on business needs and alignment. Yet unless employees see and experience fairness and equity in their rewards, the strategy is unlikely to be delivered in practice.

The philosophy recognizes that reward management is a key factor in establishing a positive employment relationship, one in which there is mutuality – the state that exists when management and employees are interdependent and both benefit from this interdependency. Such a relationship provides a foundation for the development of a climate of trust.

2.6 Employees' Perception

It is known that behavioral factors are touching all types of rewards. Most of the time employees are working in order to gain rewards based on their efforts and also expect to receive rewards for their efforts. The expectations that receive a reward could be in the form of salary, variable pay, or benefits, the extent to which employees perceives they are receiving fair value often affects their performance, and how they view their jobs and employers. According to this Armstrong and Murlis (2004), stated that experience has shown that the communication of employee schemes greatly affects the employee's perceptions of the scheme and its value. They added further equity and fairness the “felt-fair” principle applies to levels of pay in comparison others in accordance with what people

believe to be the relative size of or importance of the jobs and their perceptions of relative level of performance or contributions.

2.7 Performance Appraisal System

Performance evaluation is a system designed to periodically and regularly measure the performance of the employees against pre-test standards and it involves providing feedback to the employees in which case the result of the appraisal will be used as a basis for administrative decision and development purposes. It is activity used to determine the extent to which an employee performs work effectively. More specifically, a formal performance evaluation is a system setup by the organization to regularly and systematically evaluate employee's performance (Ivancevich, 2004). Employees performance appraisal is a fairly imprecise term /not giving exact details/ and performance management process manifests themselves in many different forms. There is no way of managing performance, it depending on the organizational context, culture, structure, technology, the view of stakeholders and the types of people involved. To define employee performance appraisal practice effect on organizational performance mean you should have to provide important concept and practice as an optimist personality, because it was realized as a process of managing performance.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter deals with the methodology and procedure that was followed to examine the study. The Research Design, Population and sampling techniques, Types of Data and Tool/Instruments of Data Collection, Procedure of Data Collection, and Method of Data Analysis were discussed in this chapter.

3.1 Research Design

A research design is detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected. According to this definition this research design is quantitative research design. The descriptive survey was chosen considering the purpose of the study, the research questions and the magnitude of the target population. Descriptive survey according to (Saunders, Lewis and Thornhill 2009) and Kothari (2004) is a research for which the purpose is to produce an accurate representation of persons, events or situations. It has an advantage of producing good amount of responses from a wide range of people, and it can also be used with greater confidence with regards to particular questions of special interest or values to a researcher.

3.2 Population and Sampling Techniques

3.2.1 Population

The population of the study was limited and surveyed professional staff of Head Office and Addis Ababa Branches of Nib international bank S.C. they are working at clerical level and professionals with a size of 1,183 employees. The target population was selected because of the easy access to data, cost effectiveness and easy manageability of the study. The target populations were incorporated customer service officers, customer service managers, branch managers in 22 Branches and HO of Trade Finance department, Credit Appraisal

department, domestic Banking department, Corporate Banking and Business Development department, Information System department, Human Resource department, Accounts and Finance department and E-Banking department to provide the necessary variety of information required for the study.

3.2.2 Sampling Technique

According to Kothari (2004) “If a population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample. Under stratified sampling the population is divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called ‘strata’) and then we select items from each stratum to constitute a sample. Since each stratum is more homogeneous than the total population, we are able to get more precise estimates for each stratum and by estimating more accurately each of the component parts; we get a better estimate of the whole. In brief, stratified sampling results in more reliable and detail information.”

Hence, the research was focused on staff of Nib International Bank S.C. located at Addis Ababa Branches and Head Office at the level of Managerial, Professional and Clerical employees. The researcher used Stratified sampling technique which the bank are structured into two strata Head office (support staffs) and Branches (operational staff). The non-clerical staffs in the banks were not considered because majority of such employees are lacks basic understanding on how to fill questionnaires and openly participate in the study, so the researcher didn’t consider such group of employees. Also employees of working in the bank for less than one year were not included since they are recently employed who have no significant understanding of the banks reward practices and benefit management process. Stratified sampling technique used to select sample of the study from the existing employees of the bank. This is because the study focus on different groups of respondents and each group of the respondents was required to have its own representative from the total sample size. Stratified sampling guarantee specific groups within a population are adequately represented in the sample.

3.2.3 Sample Size

To determine the size of the sample used Yamane (1967) cited in Israel (1992) formula used. It states that the desired sample size is a function of the target population and the maximum acceptable margin of error (also known as the sampling error). Thus, to determine the sample size at 93% confidence level, degree of variability=0.07 and level of precision /sampling error=7%/.

$$n=N/(1+Ne^2)$$

$$n=1,183/(1+1,183(0.07)^2)$$

$$n=174$$

Where;

“n” is the sample size,

“N” is the population size and

“e” is the level of precision. By using the above formula from the total study population of 1,183 participants, 174 were selected as a sample.

Since the sample frame is heterogeneous, the researcher employed proportionate stratum random sampling to select samples from the existing employees. Stratified random sampling is a sample obtained by separating the population in to homogenous groups these are called strata and then select a sample from each stratum using proportional size of stratum. A stratified random sampling allows us to take into account the different subgroups of people in the population and helps guarantee that the sample accurately represents the population on specific characteristics.

The population of the study was classified in two strata which are head office staffs (support staffs) and city branches office staffs (operation staffs). Samples from each stratum were selected by using the following equation:

$$nh=(Nh/N)*n$$

Where;

nh is the sample size for stratum h,

N_h is the population size for stratum h,

N is total population size, and

n is total sample size

The lists of the participants or respondents were taken from sample frame of the bank. Therefore the sample size for the two categories is depicted the following table;

Table 3.1 Sample size

Stratum	Total Population (N)	Sample Size (n)
Head Office (HO)	264	39
City Branches	919	135
Total	1,183	174

Source; NIB HRD data (as of June 30, 2016).

3.3 Types of Data and Tools/Instruments of Data Collection

3.3.1 Sources of Data Collection

The study was conducted by gathering data from both primary and secondary sources. It was conducted through distributed questionnaires for 174 employees both from the HO and at the city branches of Nib Bank. The required data for the study collected through primary and secondary data collection method. To collect primary data, structured questionnaires used.

The primary data was collected from employees through questionnaires. The questionnaire used in this research contains two parts background information of the respondents and information directly focusing on the study. For part one the questionnaire, the respondents asked to tick “√” in the appropriate box. For part two of the questionnaire, the respondent asked to rate as per the given five-point (1-5) likert scale. 1 represents = strongly disagree, 2 represents = disagree, 3 represents = neutral, 4 represents = agree and 5 represents = strongly agree. And also interviews were conducted with HR staffs. The interview conducted was closed-end interview.

Secondary data was collected through the bank records, Reports and from written materials which is related to the research. Moreover various records that are relevant to the study were collected from different literatures about employee reward; different human resource management books and literatures, and other available sources were referred and cited on the study.

Generally all these opportunities during the information collection process had enabled the researcher to collect more information not only about the attitudes and impressions of rewards, but also what Nib Bank is exactly doing on the ground to reward its employees. The secondary data sources were obtained from rewarding and compensation document bulleting of the corporation, books, journals, policy and procedures.

3.3.2 Data Collection Instruments

The study has both primary and secondary sources. The Primary data was collected from the responses overall representatively sampled participants in the company using structured questionnaire quantitatively measured on a five point Likert scale. In addition to this, primary data is gathered using interview with Human Resource personnel. The other type of data gathered and utilized by the researcher is secondary data taken from varied sources. The secondary data is taken from varied reports of the Bank reports, different books, internet and varied organizational manuals such as Policy and Procedure.

In the sampling, identification of those that are made to be part of the sample population was made. These include their job descriptions (whether they are from the HO or Branches). Through the sampling, the study has also tried to identify if there are differences among the sample population with regard to the systems and procedures of reward and its overall contribution to the motivation and improvement of employees performance.

The research instrument was consisted of closed-ended questionnaire. Thus, written structured questionnaire were developed to measure the attitude or feelings of employees towards reward system of the Bank at Head Quarter and Addis Ababa branches. The main

theme of this study instrument is concerning to assess reward system of the bank according to employees attitude.

3.3.3 Procedure of Data Collection

The researcher used self-administered survey questionnaire to collect data from employees of NIB banks. The questionnaires were distributed physically in person to the targeted samples and collected from each employee by the researcher and also interview was made with the HR officer in the form of formal discussion.

3.4 Method of Data Analysis

To meet the objectives stated in the above section, the data collected from the structured questionnaires were analyzed using a Software Package for Social Science version 20.00 (SPSS). In this section, Raw data were transformed into a form that will make them easy to understand and interpret; rearranging, ordering, and manipulating data to generate descriptive information. In this research, both qualitative and quantitative methods of data analysis were used. The first stage of data analysis comprises the preparation of codebooks for the questionnaires. The questionnaires edited, coded, and analyzed using Statistical Package for Social Science 20.00 (SPSS) to answer the research questions were carried out for this research. Descriptive statistics in the form of means, frequencies, standard deviations and percentage were computed to describe what is going on with the data. Data processing (editing, coding, ranking etc.), It involves the transformation of the raw data in to some processed form to facilitate analysis. Highlight the important characteristics of the data, facilitates comparisons and render it suitable for further statistical analysis and interpretations. In this section, the collected raw data was checked and adjusted to identify omissions; eligibility, consistency, completeness, uniformity and accuracy of the response given by the respondents. Editing was taken both at housing and filed to check completeness, consistency and questions answered out of order by respondents.

3.4.1 Validity

According to Kothari (2004) “Validity is the criterion and indicates the degree to which an instrument measures what it is supposed to measure. It is the extent to which differences

found with a measuring instrument reflect true differences among those being tested". So the researcher tried to develop questionnaire containing 44 items, 6 of which are characterization of the respondents. Except the demographic items, all questionnaire items were prepared using a five point-Likert scale. The researcher tried his best to create and develop the links between the objectives of the study with items of the questionnaires. Hence, the researcher was measured adequate coverage of contents of objectives of the study the instrument was given to HR division agreed the entire questionnaire; my best friends also comment on it and finally my advisor comment and approved it. Next the questionnaire was distributed to the sample population.

3.4.2 Reliability

Internal consistency reliability is a measure of consistency between different items of the same construct. Cronbach's alpha is a coefficient of reliability and it is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. For testing the reliability of the data instrument, Cronbach's Alpha was calculated to test the reliability of the research instrument.

The results from analysis indicated that the Cronbach's Alpha value for total reward is 0.741, for Financial rewards of the company is 0.772, for Non-financial rewards is 0.822, policy and procedure of the reward policy of the bank is 0.845 and finally employee perceptions towards reward policy and procedures is 0.868. All the items measured showed that there was internal consistency reliability as indicated in Table 3.3 below. This suggested that the internal reliability in this study was acceptable and signified to be good. Internal consistency of items incorporated in the instrument was checked by using Cronbach's Alpha. It is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability. The following table shows the SPSS result on the Cronbach's Alpha.

Table 3.2 Reliability Statistics of the Instrument

<i>List of items</i>	Cronbach's Alpha	N of Items
Total rewards of the company	0.741	7
Financial Rewards of Nib bank	0.772	9
Non-financial Rewards of Nib Bank	0.822	8
Reward policy and procedure of the company	0.845	7
Employee perceptions towards reward policy	0.868	7

Source: (own field survey, 2017)

3.4.3 Ethical Consideration

Sometimes researchers undertake research without telling the truth about the purpose and nature of the research. This leads respondents mislead about the reality of the study because of fearing of lack of confidentiality. To avoid this problem the researcher paid due regard for ethical principles aspects. So the participants in the study were provided with briefing about the purpose and nature of the research study by the researcher. In relation to this, they were asked for their informed consent to participate in the study. To make the participant free from stress or anxiety the issue of confidentiality was promised for the information that they provided. The data would were collected from willing sample respondents without showing any unethical behavior or forceful action. The results or a report of the study was used for academic purpose only and response of the participants kept confidential and analyze in aggregate without any change by the researcher. In addition, the researcher respects the work of previous investigations or study and cites appropriately those works that used as a source.

CHAPTER FOUR

RESULTS AND DISCUSSION

4. Results of the Finding

The purpose of this study was to assess reward practices of Nib International Bank S.C. located in Addis Ababa city. The data was gathered through questionnaire from Employees of Nib International Bank S.C Addis Ababa city is presented in the next sections and interview with HR personnel. The data collected from employees of the bank using questionnaire distributed is presented with the help of tables. And the data analysis and interpretation is made under each table.

4.1 Background of Respondents Information

(i). Respondents Response Rate

The respondents were employees of Nib International Bank S.C. in Addis Ababa Branches and Head Quarter Workers. The researcher was distributed 174 questionnaires to 8 departments at HO and 22 city branches. The personal information acquired from the completed and returned questionnaire is summarized and described here below. The researcher was 174 questionnaires were distributed and 161 were returned. This represents 92.5% respondents were responses.

(ii) Characteristics of Respondents

This study took into account respondents general characteristics and information, in this study the researcher considered respondents in terms of Gender, Age, Salary Level, Positions, Year of Services and Education Level on Managerial, Professional and Clerical employees of the bank to draw understanding of the Reward System of Nib International Bank S.C. in Addis Ababa city.

(a) Gender of the Respondents

Table 4.1 indicates that 52.2% of respondents are male and 47.8% are female. These results suggest that the sample is reasonably representative.

Table 4.1: Characterization of the Respondents

<i>Personal information</i>		<i>Responses</i>	
		<i>Frequency</i>	<i>Percent</i>
Gender	Male	84	52.2
	Female	77	47.8
	Total	161.0	100.0
Position in NIB	Managerial	23	14.3
	Professional	87	54.0
	Clerical	51	31.7
	Total	161.0	100.0
Educational level	Certificate	2	1.2
	Diploma	12	7.5
	BA Degree	122	75.8
	MA Degree	25	15.5
	Total	161.0	100.0
Work experience	1-3 years	60	37.3
	4-6 years	53	32.9
	7-9 years	36	22.4
	10-13 years	10	6.2
	Above 13 years	2	1.2
	Total	161.0	100.0
Age	20-24	20	12.4
	25-29	70	43.5
	30-34	34	21.1
	35-39	23	14.3
	40-44	10	6.2
	Above 45	4	2.5
	Total	161.0	100.0

Source: (own field findings, 2017)

(b) Respondents' Level of Education

Regarding educational status of the respondents, most of the sample 75.8% are first-degree holders, 15.5% are second-degree holder, 7.5% have college diploma and only 1.2% has certificate education. Educational level of respondents of the research result indicates that NIB bank in Addis Ababa have a well-educated workforce as over 75.8% are degree holders and commercially have to provide good reward system to retain them for long time. This reveals that they are able to understand and respond to questions distributed to them through the questionnaire. This implied that the company has well-educated workforces

and further enhances the quality of expected responses that ultimately increase the quality of this study.

(c) Respondents' Service Years in NIB

Concerning respondents' service years in NIB, 37.3% of the samples have been working in NIB for less than four years and 32.9% respondents have been working 4-6 years where as 22.4% are worked 7-9 years the rest 6.2% & 1.2% have working for more than 10-13 years and above 13 years respectively. This indicates most of samples have permanent experience in the bank which will influence both the quality and quantity of the information they provide for a positive effect on the quality of the finding of the study as it incorporates the views of each group. This high experience enables the researcher to find out the right information about the reward systems being functional within the company.

(d) Respondents' Age

Table 4.1 indicates that 12.4% of respondents are between 20 - 24 years. Next 43.5% of respondents are 25 - 29 years. 21.1 % of respondents are 30 – 34 years. These indicated that NIB bank in Addis Ababa have young and energetic employees. 14.3% respondents are 35 – 39 years. 6.2% respondents are 40 – 44 years and 2.5 % were aged above 45 years. These results generally imply that majority of employees of NIB are young and not yet settled, poor reward system to them will cause more turnover so as to find the green pasture and good reward system will retain them. These also revealed that the samples may have a positive effect on the quality of the study as it integrates all age group.

4.2 General Rewards of the Company

The researcher tried to assess the general knowledge and attitude of employees towards the company's total reward system. The respondents were asked to rate about total reward practices provided by the company's using a five Likert scale. In this regard employees indicated their opinion by choosing one of the five alternatives given. All statements were measured on a five-point scale where 1 represents strongly disagree, 2 represents disagree, 3 represents Neutral, 4 represents agree and 5 represents strongly agree.

Table 4.2 Respondents Opinion on Total Reward System of the company.

<i>Items</i>	<i>Likert's rating scale</i>					<i>Mean Rating</i>
	<i>Strongly disagree</i>	<i>Disagreed</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>	
	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	
Nib has incorporated financial and non- financial rewards.	14 (8.7%)	19 (11.8%)	1 (.6%)	99 (61.5%)	28 (17.4%)	3.67
Nib total reward system, financial rewards are greater than nonfinancial rewards.	1 (0.6%)	10 (6.2%)	3 (1.9 %)	111 (68.9%)	36 (22.3%)	1.94
Have you ever been rewarded based on your performance appraisal result?	41 (25.5%)	84 (52.2%)	33 (20.5%)	3 (1.9%)	-	2.84
The reward system has visibly differentiates between high performers & low performers.	32 (19.9%)	102 (63.4%)	- (-%)	24 (14.9%)	3 (1.9%)	2.15
Nib total reward is capable of attracting and retaining competent /high/ performers.	45 (28%)	97 (60.2%)	3 (1.9%)	14 (8.7%)	2 (1.2%)	1.95
Nib has a competitive total reward package that enables to retain its skilled work force.	29 (18%)	84 (52.2%)	- (-%)	39 (24.2%)	9 (5.6%)	2.47
Reward motivates me to increase my performance.	21 (13%)	24 (14.9%)	2 (1.2%)	77 (47.8%)	37 (23%)	3.53

Source: (own field findings, 2017)

Table 4.2 shows that about total reward systems of Nib Bank over, 127(78.9%) of the total respondent agree/ strongly agree that the company's total reward system integrates both financial and non-financial rewards. In contrary to this, 33 (20.5%) of respondents disagree/strongly disagree on the incorporation of the financial and non-financial rewards in the company's total reward system. However, the remaining 1 employee doesn't have any idea about the issue at all. The general implication of the response is more than 78.9%

of the respondents have knowledge of inclusion of financial and non-financial reward types in the company's total reward system. Interview with the HR personnel and discussed about the rewards of Nib compensation program which has include both financial and nonfinancial incentives which the former directly paid in terms of money and the later are given in the form of tangible and non-tangible bases. He further explain that employees in a given organizations expects more than wage and salaries for the accomplishment of works. They want additional considerations that will enrich their lives. So Nib has organized reward packages for new applicants to accept employment offer and also to retain the existing employees.

When we see to the respondents' view on 'financial reward is greater than nonfinancial reward found that 147 (91.3%) of the respondents agree, 11 (6.8%) of the respondent disagree and the remaining 3 (1.9%) of the respondents do not have any idea on the point. This implied that majority of the respondents agree that financial rewards are greater than non financial rewards. According to Armstrong (2007) "Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility". In so doing the company should checks its reward system based on the interest of its employees and equally rewarded both financial and non-financial reward types. However, table 4.3 shows employees response of whether they got a reward based on the results of their performance appraisal result (77.6%) of the respondents respond that they had never got a reward based on their performance appraisal result where as the rest (20.5%) employees remained neutral. The rest (1.9%) respondents agree the issue. Based on the interview made with HR personnel, there is a performance appraisal practice conducted by the bank which is made semiannually and the outcome of the performance appraisal practice is not applicable. Based on this he said that even if the bank measured its employees semiannually but salary and bonus are given to all staffs regardless of their performance appraisal results.

In performance-oriented organization, the company's reward system clearly differentiates between high performers and low performers. High performers will be rewarded according

to their performance better than their counter part. Majority of respondents disagree on the ability of the reward system to differentiate between high performers and low performers. Table 4.2 about the company's total rewards this result indicates that respondents over, 134 (83.2%) disagree about the company's reward system has not differentiate high performer with low performers. In contrary to this, 27 (16.8%) respondents are agree on reward system has differentiate high performer with low performers. The mean result of 2.15 also indicates that majority of the respondents' disagreed on the issue. This implies that the company's total reward system is not related to performance. In the current period, markets are highly competitive in relation to this also employees in the company are highly competitive to do the right thing and the right duty hence employer should measure their employees in line with their performance and give rewards based on their performance.

Nib's competitiveness towards its reward practices that enables to retain its skilled work force. One importance of a given reward system is to retain skilled employees. The mean score of 1.95 indicated that majority of respondents do not agree on the strength of the existing reward package to retain best performers. In other words 142 (88.2%) of the respondent disagree on the capability of the company's reward system to retain its best performers. Contrary to this, 16 (9.9%) respondents agree on the capability of the reward system to retain best performers. The remaining 3 (1.9%) do not know about the idea. Further, 113 respondents were disagree about the company has competitive reward package that enables to retain its skilled work force though 48 respondents were accepted that the company has attractive reward packages. This implies that mass of the respondents replied that the reward practices of the company don't retain its skilled workforce.

It is vital for a company to know what its competitors are rewarding their employees. The above response calls the bank to look what its reward package is and to compare it with other similar companies within the industry. Currently, there are about 16 private banks and all banks are launched branches across the country this leads to increases needs of skilled and experienced workers in the market. Hence, all banks are scramble experienced workers in the market to achieve the current branch expansion programs. Most of these banks snatch experienced employees with higher salary. In the current period market is

becoming more competitive than ever. Companies are fighting to get skilled and experienced personnel in order to enhance its productivity and get more profit in the sector. As we know that human resource is a vital element in the company to achieve its aim. Service giving organizations, like banks, mainly depend on the skills and abilities of their human resources. One way of keeping and attracting skilled employees are by designing a reward system that is competitive to the external market mainly to the industry. Otherwise, employees will leave the organization in searching of better pay and the existing employees' motivation will be lower. Hence, the company should take timely correction or revision of the total reward system.

In general, results in the company total reward system call the attention of the bank to review the reward system. As we have seen it even if majority of respondents agree on the existence of both financial and non-financial reward types in the total reward system and also financial reward is greater than nonfinancial reward, however, the reward system is not capable to retain best performers and not differentiate high performers and low performers. Generally speaking, employees who do not see any value in the reward system will not be motivated through it. Implication of the above result of the study is that employees of the company are not motivated by the reward system of the company.

4.3 Financial Rewards provided by Nib Bank

Table 4.3 shows that about 131 (81.4%) of respondents claim that employees are not rewarded based on their individual performance, 25 (15.5%) agree. But, 5 (3.1%) of respondents have no any idea on this point. As we have seen in the previous discussion these result suggested that majority of employees (81.4%) consider employee performance are not a focal point for providing financial reward in the bank. This is because the system is not consider employees performance rather pay without any measurement means pay to all employees without any performance evaluation. As per the interview conducted with the HR personnel the bank has performance evaluation program semiannually but didn't consider to the system to differentiate high performer with low performers and also didn't apply during rewards rather pay to all staffs regardless of their performance. In the below table 4.3 described as 146 (90.7%) respondents are disagree higher performer are entitled

for additional pay for their performance while 15 respondents agree on this issue. This response revealed that higher performers aren't entitled for additional payment.

According to table 4.3 with regard to the sentence 'Bonuses are a great role to enhance the motivation of the employees' from the total respondents 156 agree on this sentence whereas 5 respondents of the sample disagree on this point. These results imply that majority (96.9%) of employees are satisfied with bonus is countless role on the employees motivation in their works. According to Nib Benefit Package 'Annual bonus is granted to employees based on the profitability of the Bank. The Board of Directors, upon the request of the President, decides the amount'. Hence, Bonus is motivated employees in their organization. But, from the above table 4.3 with the sentence 'Bonus is given only to high performer'. According to the sample respondent answer 153(95%) of the total respondents are disagree on this sentence which means the company's bonus system is not differentiate high performance in contrary to this 8 (5%) respondents are agree on this issue bonuses are given only to high performer. These result shows that the company's Bonus reward system don't special consider to a high performer workers in the company. This reveals that Nib Bonus system has weakness to separate higher performance worker to lower one. Moreover, As indicated that table 4.3 shows that the sentence 'Bonus is given to all employees regardless of their performance' from the view point of the respondents 144 (89.4%) are agree on this point of idea in contrary to this 14 (8.7%) respondents are disagree on the issues. The remaining 3 (1.9%) respondents are kept silent. This implies that the company trend shows that bonus is given to all staffs without considering their performance. Interview was made with the HR personnel and stated that annual bonus is granted to employees based on the profitability of the bank. So every budget year bonus is allowed to employees. The Board of Directors, upon the request of the President, decides the amount. In addition to this also board of directors approved salary increments to the staff end of every budget year.

Table 4.3 Respondents Opinion on financial Rewards of the company.

Items	Likert's rating scale					Mean Rating
	<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>	
	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	
Employees are rewarded based on his/her individual Performance.	80 (49.7%)	51 (31.7%)	5 (3.1%)	20 (12.4%)	5 (3.1%)	1.88
Higher performer will get additional pay for their performance.	36 (22.4%)	110 (68.3%)	- (-%)	10 (6.2%)	5 (3.1%)	1.99
Bonuses which are given have a great role to enhance the motivation of the employees.	- (-%)	5 (3.1%)	- (-%)	117 (72.7%)	39 (24.2%)	4.18
Bonus is given only to high performer.	85 (52.8%)	68 (42.2%)	- (-%)	6 (3.7%)	2 (1.2%)	1.58
Bonus is given to all employees regardless of their performance.	3 (1.9%)	11 (6.8%)	3 (1.9%)	125 (77.6%)	19 (11.8%)	3.91
Provision of medical coverage will help to retain experience and well done employees.	6 (3.7%)	27 (16.8%)	6 (3.7%)	100 (62.1%)	22 (13.7%)	3.65
The company's housing and automobile loan policy is attractive to retain experienced and higher performance.	11 (6.8%)	27 (16.8%)	- (-%)	106 (65.8%)	17 (10.6%)	3.56
I am satisfied with my salary compared with that of other employees work in a similar position.	30 (18.6%)	114 (70.8%)	2 (1.2%)	13 (8.1%)	2 (1.2%)	2.02
The transportation allowance is fair.	88 (54.7%)	46 (28.6%)	4 (2.5%)	20 (12.4%)	3 (1.9%)	1.78

Source: (own field survey, 2017)

Based on the above table 4.3, with the sentence 'Provision of medical coverage will help to retain experience and well done employees'. The Bank cover medical expenses, incurred by the employee locally and abroad, medical coverage is one of the company's financial rewards to provide its staff and Nib has provides 90% of medical coverage to all employees. The medical benefits are also extended to spouse of the employee who does not receive medical benefit from other organization. Considering to this from the total respondents of the company 122 (75.8%) are agree on this idea while 33 (20.5%) respondents are disagree on this sentence. However, the others 6 (3.7%) are remain any

idea on this issue. This revealed that majority of respondents are interested and agreed that medical coverage of the bank reward has retain experience and well done workers. The mean result of 3.65 also shows that majority of respondents were interested and agreed that medical coverage of the bank reward has retain experience and well done workers in the company. In addition to this, Table 4.3 stated about the sentence 'the company's housing and automobile loan policy is attractive to retain experienced and higher performance'. The company provides various types of financial rewards provision of Housing and Automobile loan is also one type of financial rewards. It provides to the staff at the lowest interest rate is the one that is common to most employees and pays within 25 and 10 years respectively based on their stay in the bank. An employee who served the Bank for one full year shall be entitled to residential house construction or Purchase Loan and automobile loan. Hence, majority of respondents agree that the housing and automobile loan policy of the company is attractive. Hence, majority of respondents agree that the housing and automobile loan policy of the company is attractive as indicated by mean result of 3.56. In terms of number of respondents about 123 (76.4%) agree on the attractiveness of the housing and automobile loan policy. This means the perception of employees is positive towards the housing loan policy of the company. Contrary to this respondent of 38 (23.6%) disagree that the company's housing and automobile loan policy is not attractive to retain experienced and higher performance workers. Therefore, this loan is a long-term loan i.e. for 25 and 10 years, the company should use it as a method of retaining its employees.

Table 4.3 also shows that about the sentence 'I am satisfied with my salary compared with that of other employees work in a similar position'. Salary is one of the rewards offered by the bank, Table 4.3 shows that 144 (89.5%) of respondents disagree about they are not satisfied with their salary compared with that of other employees work in a similar position. 15(9.3%) of respondents are agree on this point but 2 (1.2%) respondents haven't any idea. These results suggest that majority of employees (89.5%) consider the salary made in their company is not fair and it leads to increases dissatisfaction of the employees in the company. This leads to increases turnover of the staff which is experienced and skilled employees are moved to other banks and it increases costs to the bank.

As shown in the table 4.3 above with the sentence, 'the transportation allowance is fair'. About 134 respondents are disagree on transportation allowance of Nib is fair, contrary to this 23 employees are agree transportation allowance is fair and 4 respondents don't give any idea rather they simply silent their feelings. This result shows that majority of respondents are disagree on the existence of transportation allowance is fair. This implies that even if the transportation allowance is exist, however the existing transportation reward is not sufficient or up to the expectations of the employees.

4.4 Non-Financial Rewards Provided By Nib Bank

Employee benefits are optional, non-wage compensation provided to employees in addition to their normal wages or salaries. Non- financial rewards are invisible rewards. The questionnaire was also incorporated some non-financial rewards in order to assess its existence and employees perception towards it.

Based on the response rate obtained from table 4.4 'Supervisors inspired well-done workers,' regarding to this about 109 respondents are disagree where as 47 respondents are agree but, 5 respondents keep silent the issue. This result suggested that supervisors are not inspired their well-done workers. So it calls to the bank managers to motivate the well-done worker to perform better in their work forever and also it leads to increases other to perform better.

Table 4.4 regarding to the issues 'Proper recognition of high performers will motivate low performers to work hard,' as revealed by the mean result of 3.62, majority of the respondents have been interested proper recognition can motivate low performer to work hard. In other way majority 116 of the respondents have been interested proper recognition can motivate low performer to work hard where as 27 respondents disagreement and the rest 18 respondents were don't have any idea. This research revealed that proper recognition for high performers will motivate low performers to their work. The findings indicated that if the bank used proper recognition for high performer workers it leads to motivate and increase the performance of low performed workers.

Table 4.4 Respondent’s Opinion on the Non-Financial Reward Type of the Company

<i>Items</i>	Likert’s rating scale					Mean Rating
	<i>Strongly disagree</i>	<i>Disagreed</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>	
	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	
Supervisors inspired well-done workers.	21 (13%)	88 (54.7%)	5 (3.1%)	38 (23.6%)	9 (5.6%)	2.54
Proper recognition of high performers will motivate low performers to work hard.	8 (5%)	19 (11.8%)	18 (11.2%)	97 (60.2%)	19 (11.8%)	3.62
I’m satisfied with the promotion system of the bank.	28 (17.4%)	106 (65.8%)	3 (1.9%)	15 (9.3%)	9 (5.6%)	2.20
I receive new training which are related with my work.	30 (18.6%)	87 (54%)	3 (1.9%)	37 (23%)	4 (2.5%)	2.37
The organization encourage employees to develop new way of doing things.	27 (16.8%)	108 (67.1%)	2 (1.2%)	20 (12.4%)	4 (2.5%)	2.17
There is clear career development opportunity in the company.	30 (18.6%)	113 (70.2%)	1 (0.6%)	13 (8.1%)	4 (2.5%)	2.06
Usually the company fills vacant position in the form of internal promotion.	12 (7.5%)	22 (13.7%)	3 (1.9%)	115 (71.4%)	9 (5.6%)	3.54
The company provides adequate training to develop employees’ future career.	19 (11.8%)	107 (66.5%)	4 (2.5%)	25 (15.5%)	6 (3.7%)	2.33

Source; (own field survey, 2017)

Employees promotion perception result gained from table 4.4 with the sentence ‘I am satisfied with the promotion system of the company’ about 134 respondents are disagree contrary to this 24 respondents are agree where as the remaining 3 respondents are neutral. Considering to this issue promotion is one type of nonfinancial rewards however the result reveals that majority of the sample respondents are not satisfied with the promotion system of the company. The respondent response rate indicated that the bank should strictly check and update its promotion system and also give the right promotion to the right person at the right time and the right position.

Regarding to 'I receive new training which is related with my work,' in this regard the indicated table 4.4, shows that the mean score of 2.37 also indicate that majority of the respondent do not agree. over 117 respondents, claim that the company did not give new training related to works, 41 and 3 respondents were agree and do not have any idea on the point respectively. This indicates that majority of the respondents' disagreed on the idea. From table 4.4 below regarding to the sentences 'the organization encourage employees to develop new way of doing things,' around 133 sample respondents are disagree, 2 are don't know the issue and the remaining 24 respondents are agree. This clearly indicates that the company doesn't encourage employee participation and creativity in the working environment. Regarding to the sentence 'There is clear career development opportunity in the company' Employees were asked about the existence of clear career development opportunity. Accordingly, 88.8% of respondent were disagreed on the career development opportunity of staffs were not clear. The mean result of the study 2.06 revealed that respondents do not agree on the existence of clear career development opportunity. It revealed that respondents do not agree on the existence of clear career development opportunity. Contrary to this 17 employees agreed while 1 respondent don't have any idea on the issue. However, majority 124 of respondents have agreed that, 'Usually the company fills vacant position in the form of internal promotion,' where as 34 disagree and the rest 3 respondents are no idea.

According to Armstrong (2010), non-financial rewards are rewards that do not involve any direct payments and often arise from the work itself, for example, achievements, and recognition, scope to use and develop skills, training, career development opportunities and high quality leaderships. Aside the pay given to the employees, employers should also concentrate on the non-monetary aspect. Employees should be given the room to express their views. Employers should also involve employees in decision making. The organization should ensure that employees can develop their careers by taking them through training and development. The working environment should be conducive for employees where they will feel a sense of belongingness i.e. non-financial rewards refer rewards that do not involve any direct payments. They may arise from the work itself, for

instance, work autonomy, recognition, training, career development opportunities, achievement, and quality of work life.

Based on the items, the company provides adequate training to develop employees' future career. As per the response rate 126 respondents are dissatisfied with this issue, the remaining 31 and 4 are agree and neutral respectively. As indicated the mean result 2.33 majority of respondents are dissatisfied with this issue. An employee working in the company has a target that he/she want to reach in the future. Whenever they perform better, whenever the company recognizes their effort, and their promotion confirms their progress towards their future career what they aim for. Employees should be clearly communicated about their future career development and companies should design mechanisms to develop employees' future career.

4.5 Reward Policy and Procedure of Nib

Policy and procedure of reward system in one company is the first thing in order to run fair and just rewards. So designing of appropriate reward policy and procedure could be clearly and fairly distributed company's resources appropriately to the employees. First designing the right policy then procedure how to implement this reward policy should be clearly articulated in a way all employees can understand. All employees should communicate about the policy and procedure. However, in our country many policies and procedures are kept under lock of the manager or supervisor. Many of them are not willing to show for their employees. They only show when an employee is supposed to be punished to confirm their action is according to the company's policy and procedure. Nevertheless, many of the policies and procedures are kept as confidential. Besides, some company's do not update their policies periodically. Rather any additions and omissions are conducted through memos and letters. These letters and memos will be filed in different files. Hence, things will be hard for employees to get a clear picture of the company's reward system.

The below table 4.5 shows that respondents of the company are requested to express their level of degree on the existence of 'clear policy and procedures on how to implement the reward systems,' Result of the respondents are about 24.8% have no idea while 22.9%

agree and 52.2% disagree. with the mean rating of 2.38 shows that majority of respondents are disagree about the company policy and procedure don't equally and consistently apply to all staffs. The results revealed that only 22.9% of respondents are understood the policy and procedure of the company the remaining 77% are not know the issue with the mean rating of 1.80 shows that majority of respondents are disagree about the company policy and procedure don't equally and consistently apply to all staffs. Hence, the company should put forth its maximum effort to make clear how it is implementing its reward policy. Based on the interview conducted with HR personnel, there is reward policy and procedure in the bank and it is also presented all branches. The bank also gives the opportunity by giving induction training over all reward policy and procedures. It is clearly stated that how to implement the reward systems.

Table 4.5 Respondent Opinion on Reward Policy & Procedure of the company.

<i>Items</i>	<i>Likert's rating scale</i>					<i>Mean Rating</i>
	<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>	
	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	
Nib has clear policy and procedures on how to implement the reward systems.	60 (37.3%)	24 (14.9%)	40 (24.8%)	30 (18.6%)	7 (4.3%)	2.38
Reward policies and procedures of Nib are equally and consistently apply.	83 (51.6%)	52 (32.3%)	5 (3.1%)	18 (11.2%)	3 (1.9%)	1.80
There is need assessment program in the company on how to reward employees.	62 (38.5%)	27 (16.8%)	36 (22.4%)	24 (14.9%)	12 (7.5%)	2.36
The company is periodically evaluating the effectiveness of reward package.	82 (50.9%)	52 (32.3%)	6 (3.7%)	19 (11.8%)	2 (1.2%)	1.80
Reward practices are subject to change depending on changes in the external market.	31 (19.3%)	38 (23.6%)	6 (3.7%)	80 (49.7%)	6 (3.7%)	2.95
Reward practices are revised whenever there is a change of strategy by the company.	13 (8.1%)	25 (15.5%)	7 (4.3%)	104 (64.6%)	12 (7.5%)	3.48
Reward packages can be changed depending on the change in employees demand.	27 (16.8%)	97 (60.2%)	5 (3.1%)	23 (14.3%)	9 (5.6%)	2.32

Source: (own field survey, 2017)

Regarding the statement 'Reward policies and procedures of Nib are equally and consistently applied to all employees,' about (83.9%) disagree, 3.1% have no opinion, and the remaining 13% agree. This study result shows that majority of respondents are disagree about the company policy and procedure don't equally and consistently apply to all staffs. Similarly, the respondents rate the statement 'There is need assessment program in the company on how to reward employees,' nearly a half 55.2% of them disagree with statement, 22.4% have no opinion, and 22.4% agree. Moreover, about 83.3% of the respondents disagree/strongly disagree with the statement that says 'The company is periodically evaluating the effectiveness of reward package and about 13% of the respondents agree /strongly agree with the statement, and the rest 3.7% have no opinion. Similarly, the respondents rate the statement 'Reward practices are subject to change depending on changes in the external market,' 42.8% shows disagree /strongly disagree, while 53.5% agree/strongly agree and 3.7% no opinion. Interview was made with the HR personnel and he noted reward system require regularly review to keep pace with what is happening in the market place especially in the highly competitive environment. He also noted, employees are migrating from one bank to another looking for extra rewards and this has led to de-motivation of the remaining employees. The HR personnel mentioned that any reward system to be developed must seek not only to attract good employees to join the organization but also keep those already in the system motivated to perform to high levels.

The challenging and most competitive market strategies in now a day are the most headaches to most employers. Because in today's competitive and challenging business environment the management must try to acquire or retain a well-educated, motivated and experienced workers so as to be competitive in that market. The market rate analysis is what will guide the employer to price the job. According to Armstrong (2010), market rate analysis is the process of identifying the rates of pay in the labor markets for comparable jobs to inform decisions on the levels of pay within the organization. Considering to best competitor in the market management should have looked the external market reward system. Generally speaking, reward practices may have dependent in the market which means that subject to the market.

According to the statements says 'Reward practices are revised whenever there is a change of strategy by the company,' on this issue majority of respondents were 72.1% agree/strongly agree while 23.6% are disagree/strongly disagree the remaining 4.3% don't have any idea. This implies that the reward practice of the bank has changed or revised during change of strategy by the company. And 'Reward packages can be changed depending on the change in employees demand,' on this issue majority of respondents are 77% disagree while 19.9% are agree/strongly agree the remaining 3.1% don't have any idea.

According to the above result, revealed that majority of employees, neither know the existence of any procedure or policy in the company, Reward policies and procedures aren't equally apply to all employees, no clear need assessment program, no periodical evaluation for its effectiveness, no clarity of dependence on the change of external market and don't consider employees demand.

4.6 Employee Perception towards Reward Policy

Most of the time employees are working in order to gain rewards based on their efforts and also expect to receive rewards for their efforts. The expectations that receive a reward could be in the form of salary, variable pay, or benefits, the extent to which employees perceives they are receiving fair value often affects their performance, and how they view their jobs and employers. Table 4.6 shows the items regarding the perception of employees towards compensation and benefit policy.

The majority of respondents (75.2%) agree/strongly agree with the statement 'Employees well aware about the total benefit packages provided,' 3.1% have no opinion, and 21.7% disagree on the issue. and the mean rating score was 3.63 it shown that majority of respondents agree on the issue. This result indicated that mass of respondents are well aware benefit package of the company. However, 128 of the respondents disagree/strongly disagree with the statement 'Employees of the company know where to appeal when the reward policy and procedures are violated', 27 of respondents were either agree or strongly agree where as 6 respondents were no opinion. The mean score of 2.19 implied that

respondents do not have any knowledge where to go to appeal for unfair reward practices and violation of reward policies and procedures.

Table 4.6 Respondents Perception toward Reward Policy of the Company.

<i>Items</i>	<i>Likert's rating score.</i>					
	<i>Strongly disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly agree</i>	<i>Mean Rating</i>
	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	<i>Number (%)</i>	
Employees well aware about the total benefit packages Provided.	4 (2.5%)	31 (19.3%)	5 (3.1%)	102 (63.4%)	19 (11.8%)	3.63
Employees of the company know where to appeal when the reward policy and procedures are violated.	31 (19.3%)	97 (60.2%)	6 (3.7%)	25 (15.5%)	2 (1.2%)	2.19
The company's reward system equally reward for works with equal values.	25 (15.5%)	98 (60.9%)	7 (4.3%)	26 (16.1%)	5 (3.1%)	2.3
The benefit packages provided have a contextual fitness with the nature of the business operation.	8 (5%)	22 (13.7%)	46 (28.6%)	78 (48.4%)	7 (4.3%)	3.34
Promotion is given based on employees' level of Competency.	26 (16.1%)	98 (60.9%)	3 (1.9%)	30 (18.6%)	4 (2.5%)	2.30
The reward practices of NIB shows the company intention to promote employees longevity of service.	30 (18.6%)	99 (61.5%)	4 (2.5%)	24 (14.9%)	4 (2.5%)	2.21
The promotion paths are clearly stated and communicated.	29 (18%)	106 (65.8%)	3 (1.9%)	18 (11.2%)	5 (3.1%)	2.16

Source: (own field study, 2017)

According to the above table 4.6, 123 respondents are disagree/strongly disagree with statement 'The Company's reward system equally rewards for works with equal values', 31 respondents are agree/ strongly agree, while 7 respondents are have no opinion. This result indicated that the company reward system don't equally rewards for works with equal value. About 52.7% of the respondents are agreed on the statement 'The benefit packages provided have a contextual fitness with the nature of the business operation', 18.7% disagree/strongly disagree and the remaining 28.6% respondents remained neutral.

Dissatisfaction arising from perceptions of reward inequity can certainly lead to increased employee turnover and reduced motivation, but the costs and benefits of being a low payer will vary depending on the type of organization involved. While some organizations may suffer serious performance impairment, others may be able to absorb these consequences and still meet their objectives. Tensions may also arise the fundamentals that we need to consider: 'motivation', 'job satisfaction' and 'organizational commitment' (Redman and Wilkinson, 2006).

Majority of respondents 124 disagree or strongly disagree with the statement 'Promotion is given based on employees' level of Competency', 3 of them were have no opinion, and only the rest 34 respondents were agree on the issue. Furthermore regarding to the issue the promotion paths are clearly stated and communicated, about 135 of the total respondent responses that disagree/strongly disagree while 23 agree the remaining 3 were have no opinion. Finally, respondents towards the statement 'The reward practices of NIB shows the company intention to promote employees longevity of service' 128 respondents are replied disagreement, whereas 28 agree the rest 4 no opinion about this issue made silent and the mean rating was 2.21 which shows that majority of respondents disagree on the statement. Hence, as stated earlier employees perception is the most powerful for effectiveness of a reward system. If majority of them have feeling of unfairness and injustice on the reward system, it may not bring what the organization wants to get through it such as increased performance, motivation, satisfaction, lowered rate of turnover etc. Rather those feelings will accelerate the rate of dissatisfaction and turnover. Besides, their morale will be dropped. Respondents' also claim that the reward system of the company does not reward works with equal values. All of the issues are major problems that should be addressed soon.

CHAPTER FIVE

Summary of Findings, Conclusion and Recommendation

This chapter deals with major findings of the study, Conclusion and Recommendation of possible solutions for the problems identified.

5.1 Summary of Major Findings

- Educational status of the respondents, 75.8 percent is first-degree holders and 81 percent of the study population age tell us less than 35 years this indicated that NIB bank in Addis Ababa have young and energetic employees. Concerning respondents' service years in NIB, 68.2% of respondents are working less than 6 years in Nib bank.
- General response on total reward system 78.9% of the total respondent have knowledge of the company's total reward system integrates both financial and non-financial rewards types. Besides, 91.3% of the respondents ascertained that Nib's financial reward is greater than the non-financial rewards. On the other hand, 77.7% of the total respondents ascertained that the reward system of the company don't consider the performance appraisal results of the employees. Besides, 83.3% disagree about the company's reward system has not differentiate high performer with low performers. This implies that the company's total reward system is not differentiated high performers to low performers. Moreover, 88.2% of the total respondent are disagree on the capability of the company's reward system to retain its best performers and also 70.2% disagree about the attractiveness and retains of high performers. However, 70.8% of the total respondents are agree that Reward has motivates to increase employees work performance.
- On Financial aspects of rewards majority of employees about 81.4% consider employee performance are not a focal point for providing financial reward in the bank. Moreover, 90.7% respondents are disagree higher performer are entitled for additional pay for their performance. Furthermore, about 96.9% of employees are satisfied with bonus are a countless role on the employees motivation in their

works. However, the company's bonus reward practice doesn't special consider to a high performer workers in the company. Majority of 89.4% respondents ascertained that bonus is given to all employees regardless of their performance. In addition to this, 75.8% respondents ascertained that provision of medical coverage will help to retain experience and well done employees parallel to this majority of respondents accepted that the housing and automobile loan policy of the company is attractive as indicated by 76.4% opposing to these, 89.5% of respondents disagree about they are not satisfied with their salary compared with that of other employees work in a similar position. Lastly, about 83.3% respondents are disagree on the existing transportation reward is not sufficient or up to the expectations of the employees.

- Provision of non-financial rewards majority 72% of respondents have been interested proper recognition can motivate low performer to work hard. However, majority of the sample respondents 83.2% are not satisfied the promotion system of the company this leads to increases staffs turn over in order to search better working position. Additionally, 82.6% respondents, claim that the company did not give new training related to works and encourage employees to develop new way of doing things. Consequently, 88.8% revealed that respondents do not agree on the existence of clear career development opportunity. However, majority of respondents have agreed that 77% usually the company fills vacant position internally. But, majority 78.3% of respondents are dissatisfied with the company provides adequate training to develop employees' future career.
- Policy and procedure respondents' degree of expectation about the existence of clear policy and procedures on how to implement the reward system results revealed that majority 52.2% of the respondents do not know about the issue. About 83.9% of respondents disagree regarding the reward policies and procedures of the company are equally and consistently apply to all employees. As per the respondent's opinion, 55.2% of the respondents disagree about the issue no need assessment program in the company on how to reward employees. Moreover, about 83.2% of the respondents disagree on the company is periodically evaluating the effectiveness of reward package. On the contrary, about 53.4% of respondents agree reward practices are subject to change depending on changes in the external

market and also reward practices are revised whenever there is a change of strategy by the company 72.1% but, reward packages can be changed depending on the change in employees demand on this issue majority of respondents 77% are agree.

- Employee perception towards rewards practices, majority of respondents 75.2% well aware about the total benefit packages provided the company. However, 79.5% of the respondents disagree employees of the company know where to appeal when the reward policy and procedures are violated. Furthermore, 76.4 % respondents disagree that the company's reward system equally rewards for works with equal values. However, 52.7% of the sample respondent response the benefit packages provided has a contextual fitness with the nature of the business operation. Majority of respondents 77% disagree regarding to promotion is given based on employees' level of competency. Furthermore, more than a half of the respondents 83.8% responses that disagree on the promotion tracks are clearly stated and communicated to employees. Finally, respondents argue strongly towards the statement that the reward practices of NIB shows the company intention to promote employees longevity of service 80.1% disagree.

5.2 Conclusion

This data is concluded from the analysis part of this study which is presented in the previous chapter and depicted in the following main conclusion. From the total reward practice seven items used to assess the general knowledge of the respondents and the result ascertained that Nib International Bank S.C. Reward incorporates both financial and non-financial rewards but, employees of the company are not motivated by the total reward system of the company. Moreover, employees have touched that the company reward system is not comparable with that of the other similar industries in the market. Besides to this, the system is not visibly differentiate high performance workers with that of low performance. Hence, the total reward system isn't able to retain and attract experienced and skilled employees of the company.

High performance worker don't get additional pay for their performance rather they will get all rewards equal to all employees in the company which is the company don't exceptionally consider to high performance differentiate in the form of Bonus and salary increment rather all employees will get the bonus and salary increment regardless of their performance. This may develop carelessness to their works and thinking in the employees' mind that performing better does not have associated with rewards. Hence, they will do their job at their lowest potential just to meet the standards.

Employees claim that the reward policy and procedure is not fair and justice to all employees, it may not bring what the organization wants to get through it such as increased performance, motivation, satisfaction, lowered rate of turnover etc. rather those feelings will accelerate the rate of dissatisfaction and turnover. Moreover, employees neither know the existence of any procedure or policy in the company and reward policies and procedures aren't equally apply to all employees in line with the employees are not know where to be go when the reward policy violated.

Employee perception is the most powerful for effectiveness of a reward system. If majority of them have feeling of unfairness and injustice on the reward system, it may not bring what the organization wants to get through it such as increased performance, motivation, satisfaction, lowered rate of turnover etc. Rather those feelings will accelerate the rate of dissatisfaction and turnover. Besides, their morale will be dropped. Respondents' also claim that the reward system of the company does not reward works with equal values. All of the issues are major problems that should be addressed soon.

Even though, the company conducts periodic employees' performance appraisal program, high scorers may not be rewarded based on their performance. This will develop negative perception among employees. They may ask why we are evaluated if we are not rewarded.

5.3 Recommendations

The Bank must be careful in the following factors to increase the employee satisfaction by redesigning the reward system and also the following points are forwarded by the researcher as major areas that the company should focus to correct the existing problems.

- The rewards to be provided to the employees in order to enhance their Employee satisfaction and the bank can build up the commitment among employees by rewards and achieve both individual and organizational objectives.
- The rewards provided to the employees should be compared with that of other private organization and rewards similar to it or more to be provided quickly.
- Management intensifies the salary scheme of employees. Further, the non-financial awards also be increased.
- The bank should be trained its employees giving to the present content of the environment and Proper training and promotion also to be given to the staff of this Bank in order to retain experienced workers and they will be satisfied with their job.
- The Bank should assess both the external market and internal needs of reward. This will help to design a competitive reward system in the market.
- The company should adopt clear reward procedure that could be applied consistently. In relation to this, it should also arrange labor union that can hear the voice of employees when policies and procedures are violated. This will help to reduce the negative feelings about the policy and procedure of the bank.
- The bank should follow or used performance of the worker salary increments per year rather than common two level increments to all staffs.
- The bank should follow employee performance during bonus.
- The bank also accepts the entire benefit package as per the current situations, like salary scale and related benefits.
- The bank should follow up, supervised and provide promotions to the right person at a right position.

5.4 Limitation of the Study

The presented study is focused on Nib International Bank S.C. at Addis Ababa city despite the useful findings of the study, this study has several limitations that need to be acknowledged. The data for this study was only collected in Nib International Bank S.C. at Addis Ababa city which have geographically different environment from some other places, thus the results may not be generalized. Even though, reward practice varies greatly from organizations to organizations there are many organizations are presented in Ethiopia. Hence, further research should be conducted in order to answer or know the reward practices of the existing organizations in the country. Future research should also effort to achieve a larger population sample size. To generalize the findings of this study, more research is encouraged on other samples. Furthermore, the study may serve as a reference and base for future researchers who want to conduct detailed research on the issue.

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APPENDIX - A

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION PROGRAM**

Dear Respondent;

The main purpose of this questionnaire is to assess your opinion with regard to the reward practices currently utilized by Nib International Bank S.C.

- No need of writing your name.
- Use “√” up on given choices alternatives.
- All information will be treated confidentially and your response is utilized only for the purpose of this research work.
- Kindly requested to fill your real opinion regarding each question.

If you have any comment and questions you can contact me through the following address;

✓ Addis Tefera; 0913-12-80-00 /addichooo21@gmail.com/

Part I personal data;

1. Sex: Male Female
2. Age: 20-24 25-29 30-34
35-39 40-44 above 45
3. Educational Background: Certificate Diploma BA. Degree MA Degree Other please specify _____
4. Years of service in NIB: 1-3 4-6 7-9 10-13 Above 13
5. What is your current position in NIB?
Managerial professional clerical other please specify

6. In which of the following salary ranges fall your salary?
3,500-4,500 4,501-6,500 6,501-8,500
8,501-10,500 Above 10,501

Part II Research Related Questions;

The following questions are presented on a five point Likert-scale. If the item strongly matches with your response choose 5=strongly Agree, moderately agree on the idea choose 4 =Agree, do not have any idea on the point choose 3=Neutral, moderately disagree with the point choose 2=Disagree and completely disagree with the point choose 1=Strongly Disagree.

Total reward system of NIB		<i>Strongly Disagree</i>	<i>Disagree</i>	<i>Neutral</i>	<i>Agree</i>	<i>Strongly Agree</i>
1	Nib has involved financial and non- financial rewards.					
2	Nib total reward system, financial rewards are greater than nonfinancial rewards.					
3	Have you ever been rewarded based on your performance appraisal result?					
4	The reward system has visibly differentiates between high performers and low performers.					
5	Nib total reward is capable of attracting and retaining competent /high/ performers.					
6	Nib has a competitive total reward package that enables to retain its skilled work force.					
7	Reward motivates me to increase my performance.					
Financial Rewards						
1	Employees are rewarded based on his/her individual Performance.					
2	Higher performer will get additional pay for their performance					
3	Bonuses which are given have a great role to enhance the motivation of the employees.					
4	Bonus is given only to high performer					
5	Bonus is given to all employees regardless of their performance.					
6	Provision of medical coverage will help to retain experience and well done employees.					
7	The company’s housing and automobile loan policy is attractive to retain experienced and higher performance.					
8	I am satisfied with my salary compared with that of other employees work in a similar position & industries.					
9	The transportation allowance is fair.					
Non-financial Rewards						
1	Supervisors inspired well-done workers.					
2	Proper recognition of high performers will motivate					

	low performers to work hard.					
3	I am satisfied with the promotion system of the company.					
4	I receive new training which are related with my work.					
5	The organization encourage employees to develop new way of doing things.					
6	There is clear career development opportunity in the company.					
7	Usually the company fills vacant position in the form of internal promotion.					
8	The company provides adequate training to develop employees' future career.					
Policy and procedure of Reward system						
1	Nib has clear policy and procedures on how to implement the reward systems.					
2	Reward policies and procedures of Nib are equally and consistently apply to all employees.					
3	There is need assessment program in the company on how to reward employees.					
4	The company is periodically evaluating the effectiveness of reward package.					
5	Reward practices are subject to change depending on changes in the external market.					
6	Reward practices are revised whenever there is a change of strategy by the company.					
7	Reward packages can be changed depending on the change in employees demand.					
Employee perceptions toward reward policy.						
1	Employees well aware about the total benefit packages Provided.					
2	Employees of the company know where to appeal when the reward policy and procedures are violated.					
3	The company's reward system equally reward for works with equal values.					
4	The benefit packages provided have a contextual fitness with the nature of the business operation.					
5	Promotion is given based on employees' level of Competency.					
6	The reward practices of NIB shows the company intention to promote employees longevity of service.					
7	The promotion paths are clearly stated and communicated.					

Thank you for taking the time to fill in this survey!!!!

APPENDIX –B

Interview Questions

These interview questions are designed to collect information about the **reward practices** used in your organization. It is a part of my Master thesis, and your kind help is very important for the successful completion of this research project. The information shall be used as a primary data in my thesis research which I am conducting as a partial requirement of my study at St. Mary's University for completing my MBA under the School of Business Administration.

Your participation in the study will be greatly appreciated. May I now commence the interview?

Thank you in advance.

Interview Questions

1. Please tell me the reward system of your organization?
2. Does the company have clear policy and procedure of rewards?
3. Does the organization utilize results of employee performance appraisal to reward its employees?
4. Does the company providing bonus to its employees and increase salary? How frequently it made? Who is approved?
5. For what purpose organization utilize reward packages to its employees?

