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SCHOOL OF GRADUATE STUDIES**

**MASTERS OF BUSINESS ADMINISTRATION**

**THE EFFECTS OF REWARD ON EMPLOYEE PERFORMANCE**

**THE CASE OF LION INTERNATIONAL BANK**

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**May, 2017**

**Addis Ababa, Ethiopia**

**THE IMPACT OF REWARD ON EMPLOYEE PERFORMNACE**

**THE CASE OF LION INTERNATIONAL BANK**

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**A THESIS SUBMITTED TO St. MARY'S UNIVERSITY, SCHOOL OF GRADUATE  
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DEGREE OF MASTER IN BUSINESS ADMINSTRATION**

**May, 2017**

**Addis Ababa, Ethiopia**

### **STATEMNET OF DECLARATION**

I, the undersigned, declare that this Thesis is my original work; prepared under the guidance of Tilahun Mehari (PHD). All the sources of materials used for this thesis have been dully acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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## ACRONYMS

**HRM**-human resource management

**SPSS**-statistical package software for social science

**LIB**-lion international bank

**SD**-standard deviation

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## **ABSTRACT**

*In the current business environment, banking industry is facing a lot of challenges particularly getting the right employees and retaining them. This is because reward and employee performance is core factor in which managers should keep in order to meet the targets of the organization. Reward exists in order to motivate employees to work towards achieving employee performance. This study examines the effects reward towards employee performance. 223 questionnaires were distributed to the sample respondents who are located in Addis Ababa. Of the total distributed questionnaires 210 usable questionnaires were returned. Hypotheses were developed to see the effect of all the independent variables (pay/salary, benefit, promotion, training, recognition, and working condition) on the dependent variable (Employee Performance). It is a quantitative study. Descriptive statistics and frequencies were utilized to analyze the data. Interpretation is made on mean, frequency, and percentage. The results are investigated in terms descriptive followed by, inter correlation using Pearson's product correlation to test the interdependency and also multiple regression analysis were used to show the magnitude and direction each independent variables influence the dependent variables with the aid of statistical package (SPSS) version 20. The findings obtained indicated that rewards dimensions have positive influence in employee performance. Furthermore, it provided suggestions to overcome the problems to improve employee performance. LIB must clearly communicate its rewards policy and procedure to its employees. Even though the company rewards system mainly consist of financial reward, adjustment must be done on the rewards system since the majority of the respondents were not satisfied. Finally LIB should include both financial and non-financial reward with appropriate mix.*

**Key words;** *reward, pay/salary, benefits, recognition, work condition, promotion, training, employee performance.*

## *CHAPTER ONE*

### *1. Introduction*

#### *1.1. Background of the study*

According to Pinar Gungor(2011), Organizations who want to survive in an intense competition must develop themselves to produce different kinds of solutions. There are lots of external factors that triggered organizations to work harder. Especially in global crises, businesses in terms of profitability and permanency should pay attention to change and development within their system (ibid).

According to Edoardo Gaffeo et al (2014), Competition in banking should produce the same effects as competition in other sector in order to improve efficiency and foster innovation, thus this led to a greater variety of products, transaction extended by the branches, wider access to finance and better service. The main intuition is that fiercer competition enables more efficient firms to earn relatively higher profits than less efficient, where efficiency is usually defined as the possibility to produce the same output with lower margin costs (ibid).statistical indicators demonstrate that the success and competitiveness of organization depend largely on the professional performance of employees and the way to improve it should be permanent concern in a competitive market.

In Ethiopia case the researcher examines, Ethiopian banking industry didn't have competition in previous regime, since banks are few in number and many of them owned by government that means there was no competition that leads to stress the banking industry. But recently when private banks are becoming increase in number there is intense competition among banks. Since, all banks were regulated by national bank Ethiopia, degree of competition and efficiency contribute to better quality service and product innovation. The survey that was done recently shows that increasing the size of saving and improving the efficiency of investment, financial development leads to higher economic growth.

According to Armstrong (2009), Performance is concerned with how well something is done; it is also examined as a behavior that accomplishes results. Pfeffer (1998), Underpinning the practice of HRM which states that people are organization's key resource and organizational performance largely depends on them, if therefore, an appropriate range of HR policies, processes is developed and implemented effectively then, HR will make a substantial impact on firm performance. Thus, motivation is the best tool to bring out all the potential they have.

The issue of motivation is considered as essential to human activity for understanding and explaining behaviors. In general, especially those within organization we cannot talk about strategies to improve performance without implicitly bring into question the concept motivation. Expectancy theory is concerned primarily with motivation, it is also a theory that expresses the link between motivation and performance. Specifically, it proposes that high performance, at the individual level depend on high motivation plus possession of the necessary skills and abilities. (Vroom, 1964 and Porter&Lawler, 1968). Among this application reward management system which has been the most considerable practices of the human resource management system (Armstrong M, 2009).

According to Armstrong and Murlis(1998),an organization must carefully set the reward system to evaluate the employee performance at all levels and those rewarding them whether visible pay for performance of invisible satisfaction. Rewards are very important for an organization to compete with the challenging and changing world. It is basically directly related to employee but its ultimate effects go to organization because the end user is the organization itself.

Currently LIB provides a range of financial and non-financial reward to encourage and support the staff. the financial reward; fuel allowance (managerial),transport allowance, house allowance, cash indemnity to cashiers/tellers, acting allowance(to employee assigned on managerial positions on temporary basis, provident fund, pension, telephone(managerial),year salary increment and bonuses. company car(for directors, vices and the president),insurance coverage, medical expenses converge, and the different types of leaves provided to the employees, promotion, are among rewards that are given in the form of non-financial.all the above reward provide to employee due to human resource manual of the bank and other given on the request of

executive management team(LIB annual report of 2014/2015).The bank remuneration and reward policy supports fair consideration, remuneration, reward and incentives to all staff undertaking and contributing to the overall success of the organization.

The major purpose of the study is to look at the domain of the effects of reward on the performance of employees which relates to the profitably, also for the survival of the company to gain competitive advantage as well as to see whether the reward programs are properly designed to influence the performance of employees by considering Lion International Bank.

### *1.2. Background of the Organization*

Lion International Bank S.C. (LIB) is a privately owned share company, established on October 2, 2006 in accordance with Proclamation No: 84/94 and Commercial Code of Ethiopia official in inaugurated for public services on January 6, 2007 with paid up capital which has surpassed Birr 500 million. In respect of numbers of employees and shareholders, they are about 1,368 and 6,782, respectively. The number of customers is beyond 200,000.Currently the Bank has 1368 employees in its Head Office and its different branches in Addis Ababa and upcountry out of these 524 employees are found particularly in Addis Ababa (LIB Annual Report for the year 2014/2015).Lion International Bank is one of the private banks that contribute to the socio-economic development of the country through creation of employment opportunity and fulfilling responsibilities of tax collections and payments.

### *1.3. Statement of the Problem*

Most studies have been conducted regarding factors that have implication on performance of employees, specially relating it with the motivational implications.

According Sajuyigbe,Bosedede&Adeyemi (2013),identified two factor include extrinsic reward such as basic (pay, performance bonus) and intrinsic reward (recognition, career advancement, learning).based on the result of the study extrinsic or intrinsic rewards are not sufficient to motivate employee perform work highly. Both types of rewards it can be in the form of cash,

recognition and praise or a combination of both because it will increase their employee performance.

According to Aliya, Farah, Maiya&Hina (2015), with the help of significant results of regression it was shown that there is a positive relationship between financial reward and employee performance. Especially money can motivate to a certain level but this differs greatly between individuals. In their result money provides as the best motivations to poorly performing workers. Reward management is not just financial reward like pay, performance bonus. It is equally with non-financial reward such as recognition, working condition, training, promotion (Armstrong, 2010).

By examining the points mentioned above, when observing the practical application of reward practices in the LIB, the main problem arise because one type of reward specifically financial reward dominates the total reward system. According to Armstrong (2010), even though both financial reward and non financial reward are having positive relationship with employee performance, non-financial rewards is more related with performance. Properly design reward structure is management's most powerful tools for mobilizing employee performance to successful strategy execution and productivity. It is important for LIB to consider other kinds of reward to effectively improve the performance of the worker, other than cash related reward by considering both intrinsic and extrinsic rewards.

Therefore, in this study the researcher was try to identify the effects of reward could have on the performance of employees by examining the effects of variables such as pay/salary, benefit, promotion, recognition, training and working condition.



#### *1.4. Research Questions*

Based on the above stated problem the study has tried to address the following research question;

- How does the rewards practice of LIB look like?
- What is the effect of reward practice on the employees' performance?
- Which types (kind) of reward dominate the employee performance or the performance level?

#### *1.5. Objectives of the Study*

##### *1.5.1. General Objective*

The overall objective of the study was to investigate the effects of reward practices on the performance of employees in Lion International Bank. However, upon meeting this overall objective, the following specific objective tries to be addressed.

##### *1.5.2. Specific Objectives*

- To assess the reward practice of LIB.
- To examine the effects of pay/salary on the employees performance.
- To determine the effects of benefit on the employees performance.
- To examine the effects of promotion on the employees performance.
- To determine the effects of recognition on the employees performance
- To examine the effects of working condition on the employees performance.
- To determine the effects of training on the employees performance.

#### *1.6. Significance of the Study*

In addition to meeting the objectives of the study which are mentioned above the study will be significant in the following areas.

- Identify the effectiveness of its reward practices and gives suggestion in the form of recommendation.
- It brings awareness to other financial institutions in the banking sector how the performance of employees can be affected by the level of reward provided to their employees.
- Specifically, it will back decision makers in establishing and implementing of the best reward program.
- Give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues show the deviation from the theory and suggested possible remedies for the problem identified while conducting the entire research project.

### *1.7. Delimitation/Scope of the Study*

The study would have been more comprehensive if other human resource variables that have impact on employee performance would have been addressed, the scope of the study is limited to one of the human resource functions.

Lion International Bank is one of the private bank having over 135 branches stretched throughout the country. It is difficult to conduct a research from all branches due to time and capacity constraints; and hence, the research is focus only to city branches of Lion International Bank employees located at Addis Ababa city.

### *1.8. Limitation of the study*

- Lack of awareness and willingness of the employees regarding, filling out the questionnaires or providing the required data with care and being unable to return the questionnaire on time.
- The researcher's lack of prior experience in conducting scientific research may have some effect on the finding of the result. However, considerable care taken in the

collection and analysis of all the evidential matter in order to minimize the impact of these shortcomings

- Biased responses from the respondent of the questionnaire provided.
- Difficulty of covering all the area of the population.

### *1.9. Definition of Terms*

**Reward;** it is recognizing employees individually and as members of group for their performance and acknowledging their contribution to the agency mission (Zaliha, Soonyew, Laikuan, 2009).

**Pay/salary:** Rashid Rehman&Mohammed Abass (2013),It is associated with amount to pay that constitutes the rate for the job. It includes salary or wage.

**Benefits:** Zaliha et al(2009),Employee benefits is defined as any form of compensation provide by the organization other than wage or salaries that are paid for in whole or in part by the employer.

**Recognition:** Stredwick (2005), recognition is acknowledges or gives special attention to employees actions, effort, behaviors or performance.

**Promotion:** Refers to opportunities that an organization offers for advancement. It asserts that promotion creates the opportunities for increased levels of responsibility, personal growth and an increase on social standing (Steven E.Phelan and Zhiang 2014).

**Working condition:** Jonny C.eluka and Christopher Okafor (2015), Refers to relationship with coworkers, working hours, and quantity of work and availability of resource.

**Training;** Azara, Syed&Muhammed (2013), training is considered as the process of improving the existing skills, knowledge, exposure and abilities in individuals.

**Employee performance;** Employee performance it is defined as the way to perform the job tasks according to the prescribed job description (Armstrong and Brown 2011).

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

**Non-financial reward;** are reward focused on the needs most people have although to a different degrees for achievement, recognition, responsibility influence and personal growth (Armstrong and Helen Murlis, 2004).

### *1.10. Organization of the Study*

The paper is organized into five chapters. The first chapter presents on the introduction and background of the study; the second chapter discusses reviews of related literature; this followed by the third chapter which is research design and methodology of the study; the fourth chapter present on the findings and analysis of the study, and the final chapter discusses the summary and conclusion from the study and recommendation is raised.

## *CHAPTER TWO*

### *2. REVIEW OF RELATED LITERATURE*

#### *2.1 Theoretical Literature Review*

The study of rewards attempts to explain to all categories of financial benefits, tangible services and benefits that an employee receives as part of employment relationship with their organization. There is no universal definition of rewards and no reason to expect one. There are several useful conditional meaning however. For example,

Reward is compensation which an employee receives not only simply contains direct currencies and other forms which can convert to currencies, but also a comfortable office, favorable interpersonal relationship inside the organization, having access to decision-making involvement, the challenges and sense of achievement, preferable growth opportunities (Zhou Jiang, 2009).

According to Sajuyigbe, et al (2013), reward had been seen to be vital instrument in employee performance. And a well reward feels that he/she is being valued by the company that he/she working for.

Employees will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working condition, workers and employer relationship, promotion and development opportunities, job security, and company's overall policies and procedures for rewarding employees (Serena Aktar, Muhammed&Emran 2012).

Lawler(2003), Employees expect employers to deliver or execute designated duties to their satisfaction whilst employees also expects their employers to assure them of adequate wage and salaries(rewards)after they dutifully deliver what is expected from them. The rewards for executing a task or function are what are termed as motivation. Even though people work for

salary or wages (rewards), there are numerous ways of rewarding (motivating) employees according to the task or function performance.

### *2.1.1. Theories Motivation*

According to Hume (2000), Motivation can be defined as driving force which leads people to act, perform, or do something without pressure or undue manipulation.

Human motivation is much more complex and diverse than is suggested by the economic, security, working conditions. Employees' work motivation is important in order to achieve organization objectives.

#### *Content theories of motivation;*

Are based on the needs of individual's. These theories try to explain why the needs of individuals keep changing overtime and therefore focus on the specific factors that motivate them. In general, these theories explain motivation as the product of internal drives that encourage an individual's to move towards the satisfaction of their needs. Major content theories of motivation are Maslow's hierarchy of needs; McClelland's learned needs theory, Alderfer's ERG theory.

#### *Maslow's Hierarchy of Needs (Beardwell and Claydon (2007)*

The basic needs are arranged in hierarchy where the most basic need emerges first and most sophisticated need last. In other words, the higher order needs including belonging, esteem and self-actualization are not seen important until the lower order needs which are safety and psychologically are satisfied. Managers should find out what motivates the employees at each of the levels and develop a reward strategy accordingly. Maslow's hierarchy of needs has been criticized because there is little evidence that supports its strict hierarchy and the fact that people satisfy only one motivating need at a time. The theory also fails to prove any clear relationship between needs and behavior, therefore unable to predict when a specific need will be manifested.

### *ERG Theory*

According to Clayton P. Alderfer (1972), the existence, relatedness, growth (ERG) approach motivation adopted to suggest that people are motivated to act in a specific manner in attempt to bring about individual satisfaction. This satisfaction depends on the fulfillment of three sets of innate needs; existence, relatedness and growth. The theory adopts an 'open system' is that individual are constantly interacting with the environment which in turn affects their behavior. Existence needs are basically concerned with survival and related to material and physiological factors. Relatedness needs are concerned with social processes such as sharing, conformation, understanding and influence. Growth needs essentially refers to creating the optimum use of existing capacities and the development of new capacities. Hence, the theory perceives reward as a means of satisfying the needs existence, relatedness and growth.

### *Process theories motivation*

Tries to explain how behavior change occurs and why individuals act in different ways. In other words, they focus on how workers needs influence their own behavior. Process theories originate from early cognitive theories, which states that behavior is the result of conscious decision making process. The Following are most famous process theories include expectancy theory, equity theory and goal setting theory.

### *Expectancy theory*

According to (vroom,1964 porter and lawler,1968), Expectancy deals with the probability that an outcome will be achieved that is putting more effort will result in an increase rewards, which also states that motivation will be high when people know what they have to do to get a reward.

### *Goal theory*

The goal setting theory assumes that human behavior is governed by goals and ambitions, which lead to the assumption that an employee with higher goals will do better than an employee with lower goals. This theory states that there is a positive relationship between goals precision and performance (Locke and Latham,1979).

### *Equity theory*

John Stacey Adams (1963), introduces the equity theory of job motivation as a contribution to the paradigm of motivation. This theory does not only focus on the individual self but rather, it takes into consideration other people's situation such as colleagues in the same job or similar job. Individual's current working condition can only be judged as fair or unfair when there is a reference point to judge their condition. Salaries, wages, incentive or benefits are key areas from which employees can refer to and judge their condition work. Equity theory also concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with other and also with the perceptions employees have about the fairness with which company procedures.

### *Instrumentality theory*

Vroom (1964), notes that instrumentality deals with what you get from what you deliver that is receiving a valued outcome after one delivers and expected performance. According to him instrumentality is affected by such things as clear understanding of the relationship between performance and outcomes. Managers should therefore attempt to ensure their employee that increased effort will lead to higher performance which will hence leads to valued rewards.

#### *2.1.2. Employee performance*

According to David A. Decenzo and Stephen P. Robbins (2007), interests in effective use of rewards to influence workers performance to motivate them began in the 1970s. The performance of workers has become important due to the increasing concern of human resource and personnel experts about the level of output obtained from workers due to poor remuneration. Measuring performance is great importance to an incentive plan because it communicates the importance of organizational goals. "What get measured and rewards get attention" Chaundary & Sharma, (2012). Measuring employee performance must include quality that can be measured by percentage of work output that must be redone or is rejected.



### *2.1.3. Rewards and Employees Performance*

The reward process should also be verified by the clear relationship between the extra attempt and the given reward to do it. Locke & Henna (1986), to access positive motivational properties, the distributed rewards made by organizations must be based on performance and any divergence in this ratio leads to unfairness. In this regard, managers who provide fair reward are better than those who do not. In other words, the employees who feel equality and fair in being rewards based on their effort, will be satisfied more and will attempt to act better for the future to get the other promised employers reward. On the whole, it seems that rewarding is clearly comprehended hypothetically, accurately unbiased, and inflated; while the performance assessments have often been provided in economic researches.

The staff must recognize that the rewards depended on performance. In fact, the rewards are directly linked to performance. They should also know that they have required abilities or skills to perform at the necessary job level in the firm (Armstrong, 2010). The reward system must be linked to motivate the employee performance and this is depend on the company's strategy, skills, to attract and retain knowledgeable people, and capabilities required to comprehend the company's strategic goals, and to create a supportive structure and culture. On the other hand, as it was mentioned before the current employees performance could be enhanced by managing a well developed performance assessment, as well as bonus and reward system. Therefore rewarding system itself could impact the employee's performance positively as is expected by the managers (Armstrong, 2009).

## *2.2. Empirical literature*

### *2.2.1 Reward and performance*

The researcher examines most of the study that was done implies that there is direct between reward and employee performance. However few researches determine which types of rewards increase employee performance. So this study introduces the type of reward in relation to performance. For example

According Armstrong, (2010), to Reward management is not just financial reward like pay, performance bonus. It is equally with non-financial reward such as recognition, work condition, training, and promotion.

According Sajuyigbe et al (2013),identified two factor include extrinsic reward such as basic (pay, performance bonus) and intrinsic reward (recognition, career advancement, learning).based on the result of the study extrinsic or intrinsic rewards are not sufficient to motivate employee perform work highly. Both types of rewards it can be in the form of cash, recognition and praise or a combination of both because it will increase their employee performance.

From Ethiopia Tamene hailemariam(2015),studies on specific determinates of reward by considering motivation as(dependent variables),intrinsic and extrinsic reward (as independent variables).the research find out there is positive and significant relationship between rewards and work motivation except in the case of benefit as one of the reward element having insignificant relationship. When mean value of both extrinsic and intrinsic rewards is seen, the extrinsic rewards have relatively the strongest effects on the work motivation of employees than the intrinsic rewards.

Aliya Iqbal et al(2015),in their research examines variables included working hours, trainings, communication barriers, stress and financial rewards. Financial rewards and trainings have positive impacts on the performance of the employees but stress, working hours and communication barriers hinders the performance of the employees. Especially money can motivate to a certain level but this differs greatly between individuals.

Another way through which organizations can use reward system is that it increases output by personalizing the reward. When reward tends to so general, employees does not value them. Organization can use rewards to improve employee's performance by incorporating appraisal or promotion for employees who have a good record of performance. Manger should be on the lookout employees who perform well (Brain, 1991).

### *2.2.1.1. Evidence from developing countries*

According to Payam Gohari et al(2013),this research attempts to review various research in terms of relationship between rewards, job satisfaction, and employees performance. In this regards, two types of rewards are identified, and they are intrinsic (empowerment, identification&appreciation,delegation) and extrinsic rewards(pay/salary,promotion,bonus,fringe benefits).Extant research showed that rewards can affects job satisfaction and thereby employees performance, so this study propose a new frame work based on mediating role job satisfaction. the study concluded that today's ,the benefit of human resource is measured to be one of the most important advantage of any organization; and in order to acquire the result with highest efficiency and effectiveness from human resource, motivation of employees is very essential. In fact, employees will do their highest when they feel or hope that their hard work are to be rewarded by their mangers. The second results, relates to the maximum level of workers performance happens when they feel their endeavor is rewarded and compensated completely. Some other successful elements on employee's performance included work condition, the connection between employee and employer, process of training and improvement opportunities, job security and complete polices of firm rewarding. In addition, motivation as a result of rewarding affects the staff behavior and their performance directly. Actually, among all effective elements on employees performance, motivation, which is the consequence of rewarding is the most important and essential element.

Susan J.Kowalewsk et al(2012),in this research the researchers examines rewarding and motivating employees is extremely important to organizations because employees are a critical resource for success. The primary objective of this study was to determine if there are gender based employee's preference for performance rewards in small business environments. The result the study indicated that there was no significance difference between male and female employees in terms of reward and motivational preference. However, there were differences between what supervisors thought employees wanted and what employees actually valued. the result of the study indicated that social reward were more valuable than Economic rewards that would be valuable to small business owners and managers to develop programs to reward and motivate their employees.

### *2.2.1.2 Evidence from Ethiopia*

A recent research by behailu chala(2012),on the assessment reward system on the company performance; even though the finding obtained confirmed that there is significant relationship between reward and performance, employees of the company are not happy and motivates with reward a system. This is mainly because employees have felt that the reward system is not competitive with other banks, not well communicated, high scores may not be rewarded based on their performance and it cannot differentiate between high and low performers. Also the company's organizational culture resembles restrictive organizational culture where by employees are discouraged to take risky action, to take initiative for a new way of working and they are strictly ordered to follow orders.

Teshome engida(2012),investigated on specific determinates of reward to analysis the relationship between reward and organizational commitment, i.e pay, benefits, performance management,recognition,developmental opportunity, training(as independent variables),affective commitment(as dependent variables).the research find out that non-financial rewards strongly correlated with affective commitment and moderately correlated with normative commitment most of the correlation contributed for non-financial reward of which developmental opportunity, performance management and recognition have relatively the highest correlation with affective commitment.

Betelehem tsegaye(2015),investigate to find out the relationship between reward and employee performance by considering some specific factors such as pay, benefits, work recognition, work condition(as independent variables)and employee performance(as dependent variables). The outcome of the research indicated that from the current provision of the reward practices, pay/salary scheme, benefits package and working conditions were found to be attractive. Briefly, the pay/salary schemes were considered significant in motivating employee's performance level and similarly employees are in favor of benefits packages and the work condition. On the other hand the opportunity of promotion practice is poor and it needs to be carried out in a way that is favorable for the employees in order to improve their performance level. Moreover, the chance

of employees being recognized for a job well done is also low since the findings from the study showed that the practice of recognition for a successful job performance.

So many studies in Ethiopia have focused on company specific variables which determine rewards. But as per the best of the researchers knowledge there is no any single study undertaken on the relationship between non financial rewards their Impact on performance, specifically in LIB. So this study will investigate the impact non-financial rewards compared to certain financial reward variables.

### **2.2.1.3 Overview of private banks in Ethiopia**

According to Arnaldo Mauri (2003), The first privately owned bank, Addis Ababa bank Share Company was established on Ethiopians initiative and started operation in 1964 with a capital of 2 million in association with national and grind lay bank, London which had 40% of the total share. To in 1968, the original capital of the bank rose to 5.0 million and until it ceased operation, it had 300 staff at 26 branches.

Following the declaration of socialism in 1974 the government extended its control over the whole economy and nationalized all large corporations. Organizational setups were taken in order to create stronger institutions by merging those that perform similar functions. accordingly, the three private owned banks, Addis Ababa bank, banco di roma and banco di Napoli merged in 1976 to form the second largest bank in Ethiopia called Addis bank with a capital of ETH.birr 20 million and had a staff of 480 and 34 branches. before the merger, the foreign participation of these banks was first nationalized in early 1975.then Addis bank commercial bank of Ethiopia S.C were merged by proclamation no.184 of august 2,1980 to form the sole commercial bank in the country until the establishment of private commercial bank in 1994(ibid).

Monetary and banking proclamation NO.83/1994 and the licensing and supervision of banking business NO.84/1994 laid down the legal basis for investment in the banking sector. consequently shortly after the proclamation the first private bank, Awash international bank

establishes in 1994 by 486 shareholders and by 1998 the authorized capital of the bank reached birr 50.0 million. Dashen bank was established on September 20, 1995 as a share company with an authorized and subscribed capital of birr 50.0 million. Bank of Abyssinia, another private bank was founded by 131 shareholders with subscribed and authorized capital of 25.0 million and 50 million, respectively. Wegagen bank with an authorized capital of birr of birr 60.0 million started operations in 1997.the fifth private bank united on bank was established on 10<sup>th</sup> September 1998 by 335 shareholders. Nib international bank, Oromia international bank and cooperative bank of oromia,Lion international banks, Buna international bank, Berhan international bank, Zemen bank, Addis international bank, Dehub global bank, Abay are recently private that are established in Ethiopiai(bid).

The researcher examines with the establishment of the above fourteen private banks, Ethiopia has made good progress in expanding access to financial service. Accordingly private commercial banks conducted by access capital, privately owned banks have proved to be more efficient and more profitable compared with those that are state-owned. Private Banks are well capitalized, strong capital base, profit and corporate governance, and well designed systems and control, the banking sector is well placed to increase its contribution to the growth of the national economy.

#### 2.2.1.4 Determinants of reward

A number of Empirical studies have identified the characteristics which determine the reward system of institutions based on the above theoretical stand points. Here are listed the most significant determinant factors as evidenced in many literatures.

Some literatures made in Ethiopia and developing country used to select most significant determinant factors of reward system.

*Table 2.1, determinate factors of reward system*

Name of the Author	Significant factors
Serena aktar et al(2012)	Recognition, learning opportunities, challenge of work, carrier advancement, basic pay, performance bonus
Aliya iqba et al(2015)	Long working hours, training, stress, communication barriers,
Sajuyigbe et al (2013)	Recognition, pay, praise, performance bonus
Tamene hailemariam(2015)	Payment, benefit, promotion, work condition, recognition, supervision
Behailu cahal(2012)	Salary, bonus, recognition, work environment, carrier development opportunities

### 2.3. Hypotheses

#### *Pay/benefits*

According to Rashid et al(2013),employees seek pay system that are perceived as just unambiguous and in line with their expectations. When pay is perceived as equitable, is commensurate with job demands, competent with individuals skill level, performance is likely to be the result. Employees are satisfied when they feel that the rewards they receive from their job correspond to their skill and effort. It is not solely about the amount of money they receives, they are satisfied when they feel that they have been fairly treated and when the rewards they receive



are equal to the ones that their colleagues who have the same skills and exert the same effort. As equity theory suggests perceived equity seems to lead to greater job satisfaction and organizational commitment as well as employee performance (John Stacey Adams 1963).

**H1:** Payment/alary has a significant effect on employees' performance.

### *Employee's benefits*

According to Zaliha et al(2009),Employee benefits is defined as any form of compensation provide by the organization other than wage or salaries that are paid for in whole or in part by the employer. Employee benefits which included mandatory benefits (annual leave) and fringe benefits (staff education, residential/hostel, food/subsidies) are becoming essential portion of the compensation packages that are offered by organization to their employees. Other Examples included retirement plans, child care, and hospitalization programs. According to Herzberg's two factor theory (1959), the employees benefits become essential if employee satisfaction to be maintained.

**H2:** benefit has a significant effect on employees' performance.

### *Work condition*

According to Christopher and Jonny(2014), working conditions are created by the interactions of the employees with their organizational conditions include psychological work condition and physical layout of the job. However it is believed that working condition generally encompasses a range of issues from work load and scheduling to system-wide issues like professional identity to scope of practice. The quality of working environment in any organization is a critical factor and may simply determine the level of employee's motivation subsequent performance and productivity. Work place facilities are things provided for the health, safety, welfare and personal hygiene needs of employees. This include toilets, shelter, and seating, changing room, drinking water, personal storage and washing facilities, work space, temperature and air quality, lighting and flooring (ibid).

**H3:** Working condition has a significant effect on employees' performance.

#### *Work recognition*

Recognition schemes as part of total reward package enables to show appreciation to individuals for their achievements either informally recognition arrangements. They can take place quietly between managers and their team workers or it could be visible celebration of success. A recognition scheme can be formal and organization providing scope to recognize achievement. Recognition subsequent increase performance when it is exclusively provided to the best performers (Christiane, Robert, Susanne&Arja2013).

**H4:** Recognition has a significant effect on employees' performance.

#### *Promotion*

Promotions provide opportunities for personal growth, increased responsibility, and increased social status. The structures of the companies reward system that means through which employees earn promotion, salary increases, or other rewards is important in determining performance. Reward structure that hinder professional development or provide little promotion for employee's contribution to company success lead to lower levels of performance. On the other hand reward structures that provide responsible and adequate opportunities for employee's contribution to be promoted and rewarded are associated with positive attitudes about the job (Robbins 1998).

**H5:** Promotion has a significant effect on employees' performance

#### *Training*

According to Azara et al (2013), training is considered as the process of improving the existing skills, knowledge, exposure and abilities of individuals. Training enhances the capabilities of panel of employees in very effective way by motivating them and transforming them into well organize and well mannered that ultimately effects the performance organization.

Training is important and an imperative tool for the organization to revamp the performance of all the personnel for organizational growth and success. It is beneficial to both employers and employees of an organization. An employee will become more efficient and productive if he is

trained well. Firms can develop and enhance the quality of the current employees by providing comprehensive training and development. Training is essential not only to increase productivity but also to motivate and inspire workers by letting them know how important their jobs are and giving them all the information they need to perform those jobs (ibid).

**H6;** Training has a significant effect on employees performance

#### *2.2.1.4 Conceptual framework*

According to Schwartz (2006), Conceptual frame work is a set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others figure,2.1 is the conceptual frame work showing the relationship between independent and dependent variables, as well as intervening variables for the research problem. The independent variables were conceptualized as financial reward (pay, employee benefit) and non-financial rewards (promotion, work condition, recognition, and training.

Armstrong (2010), he noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, promotion, training and work condition.

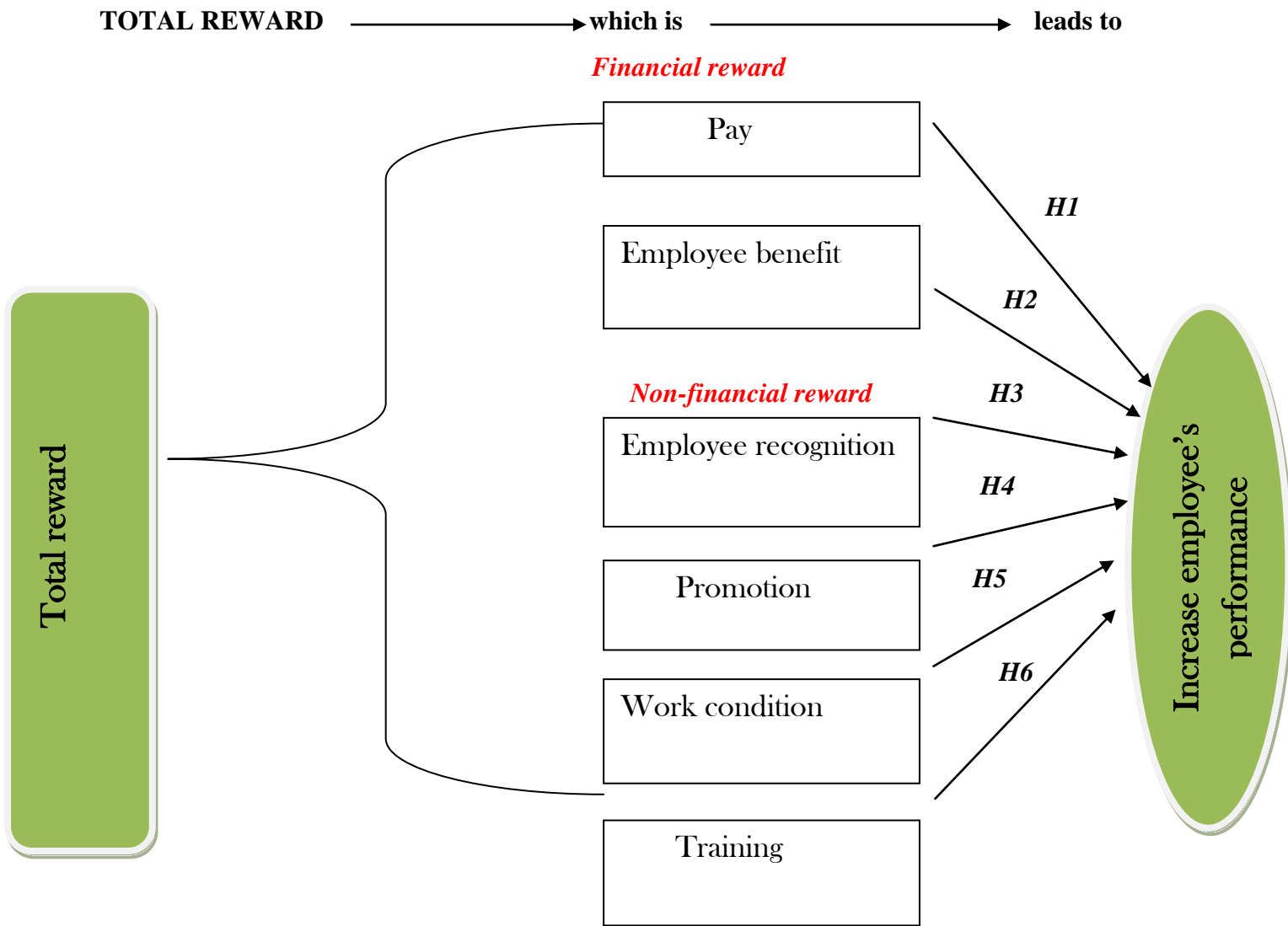


Figure 2.1 conceptual frameworks

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

#### *3.1. Research Approach*

As described by Creswell (2009), there are three common approaches to conduct a research project in the area of business and social sciences research namely; quantitative, qualitative, and mixed research approaches.

The purpose of this paper was to determine the effect of reward and employee performance. Therefore, the quantitative research method was the well suited method for this study. This study was intended to develop hypothesis and theoretical framework, which can only be examined by quantitative measures.

#### *3.2. Research Design*

According to C.R.Kothari (2004), descriptive research includes surveys and fact finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. Descriptive researches are more concerned with facts and can answer questions like “what was” and “what is.” Therefore, the researcher was use descriptive study in this study in order to obtain information on the characteristics of the problem.

#### *3.3. Source of data*

To fulfill the purpose of the study, the researcher was using both primary and secondary data. Primary data was collected from the samples selected, i.e. the employees, by the use of questionnaire as a method for data collection. The questionnaire was developed from different sources which will be appropriate for the study.

Secondary data was collected from the company records on the previous works, books, journals, organizational reports and companies' magazine.

### *3.4. Population*

The study with a total population of 1368 permanent employees from this clerical, managerial staffs that are found in Addis Ababa was subject for the study that is around 524 employees were included in the study. These staffs include senior executives, Directors, Division Managers, Branch Managers and manger customer service, section head (managerial level), senior officers, team leaders, customer relationship manger and officers working in the Lion International Bank to provide the necessary variety of information required for the study. Since clerical employees are mainly engaged to day-to-day major business activities of the bank, non-clerical employee are excluded.

### *3.5. Sample Size*

To get a represent sample for the population under the study the following sample technique were utilized.

$$n = \frac{Z^2 \cdot p \cdot q \cdot N}{E^2}$$

$$(N-1) + Z^2 \cdot P \cdot Q$$

Where:

P=sample proportion=1-p

Z=value on standardized normal distribution curve corresponding to the level of significance. The level usually 5% and the corresponding z value is 1.96.

N=number of total population

n=sample size required

Source C. R. Kothari, (2004)

A 95% confidence level is used to select the appropriate sample size and the value of Z is 1.96.

e=0.05 which is acceptable sample error.

P=0.5, where q is 1-p

N=524

$$N = \frac{1.96^2 (0.5) (0.5) (524)}{0.05^2 (524-1) + 1.96^2 (0.5) (0.5)}$$

$$n = 222.58 \sim 223$$

Based on the above information, the sample size (n) is calculated for the target population of 524 and it is 223 that were considered to represent the population.

*Table 3.1 sample size determination*

Population	Population Size	Sample Size
Senior Executive	<b>3</b>	<b>1</b>
Directors	<b>8</b>	<b>4</b>
Division Managers	<b>17</b>	<b>8</b>
Branch Managers	<b>43</b>	<b>22</b>
Manger customer service	<b>23</b>	<b>12</b>
Section head (managerial level)	<b>17</b>	<b>8</b>
Senior officer	<b>94</b>	<b>47</b>
Team leader		
Customer relationship manger		
Officer	<b>319</b>	<b>121</b>
<b>Total</b>	<b>524</b>	<b>223</b>

### *3.6. Sampling Technique*

In choosing the research participants, it could be said that, in this study, stratified random sampling techniques was applied in determining the participants that will enable the researcher to answer the research question and to meet the research objectives. 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 Kothari (2004).in brief, stratified sampling results is more reliable and detailed



information, so in this study the population were divided into strata's then to select the appropriate sample under each strata simple random sampling will be used.

### *3.7. Instrument of Data Collection*

The questionnaire method as instrument of data collection was used because it provides wider coverage to the sample and also facilitates collection of a large amount of data. The questionnaire was structured and close ended, the items related to performance factor were measured on a five point itemized liker scale that range from strongly satisfied to strongly dissatisfied. The independent variables, reward, employee performance study is asked in sections under part two. Part one request for employee's demographic information such as gender, experience, age, academic qualification and their position in LIB. Employees of the bank will be taken to serve as the main source of primary data.

After the questionnaires were carefully filled, the researcher personally arranged the completed questionnaire and presents for discussion and analysis. The collected data were inserted into data set by using statistical software application programs (SPSS). Finally the result was summarized, tabulated and interpreted appropriately and lastly conclusions and recommendations were also forwarded.

### *3.8. Method of Data Analysis*

Descriptive analysis, correlation analysis and multiple regression analysis were used to test the hypothesis development, assess the magnitude and direction of each independent variable, and measure the effects of the mediating variables in relationship between many predictor variables and one measured variables. Tables and charts were also used to ensure easily understanding of the analysis.

### 3.8.1. Descriptive analysis

The researcher was used descriptive statics in the form of mean and standard deviation for this study.

### 3.8.2 Multiple regression and Model for regression analysis

According to Damndor Gujirati(2004),regression analysis is concerned with the study of the dependence of one variable, the dependent variable on one or more other variables the explanatory variables with a view to estimating and/or predicting the(population)mean or average value of the former in terms of the known or fixed(in repeated sampling)values of the latter.

Multiple regression models is employed to investigate impact of independent variable on the dependent variables i.e employee performance.

The general model for this study was

$$y= \beta_0+\beta_1x_1+\beta_2x_2+ \beta_3x_3+ \beta_4x_4+ \beta_5x_5+ \beta_6x_6 ei$$

In the left side, y represents the dependent variable in the model, which is the organization performance. in the right side  $\beta_0$  is intercept,  $\beta_1$  measures of change in y with respect to  $x_1$ , holding other factor fixed,  $\beta_2$  measures of changes in y with respect to  $x_2$ , holding other factor fixed,  $\beta_3$  measures of change in y with respect to  $x_3$ ,  $\beta_4$  measures of change in y with respect to  $x_4$ ,  $\beta_5$  measures of change in y with respect to  $x_5$ ,  $\beta_6$  measures of change in y with respect to  $x_6$ , $e_i$  is error term.

The general model employed for the study was;

$$y= \beta_0+\beta_1\text{pay}+\beta_2\text{ben}+ \beta_3\text{wocon}+ \beta_4\text{prom}+ \beta_5\text{recog}+ \beta_6\text{tran},e_i$$

$\beta_0$  -intercept

$\beta_1$ -  $\beta_6$ =regression coefficients for measuring independent variables

y=employee performance

Pay=pay

Ben=benefit

Woco=work condition

Prom=promotion

Recog=work recognition

Tran=training

### *3.8.2.1 Assumptions on multiple regressions*

#### **Linearity**

According to Darlington (1968), linearity defines the dependent variables as a liner function with the predictor (independent) variables. Multiple regressions can accurately estimate the relationship between dependent and independent variables when the relationship is linear in nature. If the linearity is violated all the estimates of the regression including regression coefficients, standard error and test of statistical significance may be biased. When bias occurs it is likely that it does not reproduce the true population values (ibid).

#### **Normality;**

According to Keith (2006), multiple regression assumes that variables have normal distribution. This means that errors are normally distributed and that a plot of the values of the residuals will approximate a normal curve. The assumption is based on the shape of distribution and gives researcher knowledge about what values to expect. Once the sampling distribution of the mean is known it is possible to make predictions for a new sample.

#### **Co linearity;**

According to Darlington and Keith (2006), co linearity refers to the assumption that the independent variables are uncorrelated. The researcher is able to interpret regression coefficients as the effects of the independent variables on the dependent variables when co linearity low. This means that we can make inferences about the cause and effects of variables reliably.

## **Multicollinearity**

According to Keith (2009), Multicollinearity occurs when several independent variables correlate at high levels with one another or when one independent variables is a near liner combination of other independent variables. The more variables overlap (correlate) the less able researches can separate the effects of variables.

## **Heteroscediscity**

Ideally, residuals are randomly scattered around zero (horizontal line) providing even distribution. Heteroscedasticity is indicated when the scatter is not even, fan, and butterfly shapes are common (Darlington and Keith 2006).

### *3.8.3 Correlation analysis*

Correlation is a statistical technique that tests the “interdependency” of the variables. Correlation analysis can tell the correlation among variables.

## *3.9. Definition of Variables*

### *Employee performance*

Employee performance it is defined as the way to perform the job tasks according to the prescribed job description. Different authors mention dimension to measure employee’s performance. According to Armstrong and Brown (2011), has identified six key measures which seem to be used most frequently by companies. These are work force absenteeism, performance and productivity, retention rates, profile workforce, workforce turnover, productivity and engagement. However banks performance evaluation form also contains different variables for instance accuracy, promptness, neatness, cooperation, punctuality. As result, from the many dimensions, profit is taken into account on the definition of employee performance in this study.

### *Pay/Salary*

Rashid et al (2013), pay is provided by an employer to an employee for the service rendered (i.e. time, effort and skill).includes both fixed and variables pay tied to levels of performance.

### ***Benefits***

A study carried by Zaliha et al(2009),states that Employee benefits are employer uses to supplement the cash compensation that employee receives Which included mandatory benefits and fringe benefits are becoming essential portion of the compensation packages that are offered by organization to their employees.

### ***Promotion***

Steven E.Phelan et al(2014), Refers to opportunities that an organization offers for advancement. It asserts that promotion creates the opportunities for increased levels of responsibility, personal growth and an increase on social standing Steven.

### ***Recognition***

Recognition is acknowledges or gives special attention to employee actions, efforts, behaviors or performance. It meets an intrinsic psychological need for appreciation of one's effort and can support business strategy by reinforcing certain behaviors. Awards can be cash or noncash (e.g,verbal recognition,trophies,certificates,dinners)(sterdwick,2005).

### ***Work condition***

Working condition states that the working conditions are created by the interactions of the employees with their organizational conditions include psychological work condition and physical layout of the job. (Jonny C.eluka and Christopher okafor,2015).

### ***Training***

According to Azara shaheen, et al (2013), training is considered as the process of improving the existing skills, knowledge, exposure and abilities in individuals.

### ***3.10. Reliability;***

Reliability has to do with the accuracy and precision of a measurement procedure.

Cronbach's alpha is a coefficient of reliability. it is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation the closer the

reading cronbach's alpha to digit 1, the higher the reliability is in internal consistency. In general reliabilities less than 0.60 are considered to be poor those in the 0.70 and those over 0.80 good.

*Table 3.2, Reliability Analysis*

variables	Cronbach's Alpha
Pay	.783
Benefits	.795
Work recognition	.730
Work condition	.809
promotion	.855
training	.832
Employee performance	.919

### **3.11. Validity**

According to Kothari (2004), validity refers to the degree to which the measurement actually measures what is supposed to measure. Validity is the strength of our conclusions, inferences or propositions. The researcher developed the reward questions to measure what it is supposed to measure.

## CHAPTER FOUR

### 4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The data collected from the LIB using questionnaires are presented and analyzed in this chapter. This section of the study deals with the statistical testing of hypothesis and interpretation of the result making use of SPSS version 20 software.

As mentioned earlier questionnaire was designed and distributed to 223 employees of the bank who are currently working in Addis Ababa. Accordingly 210 questionnaires were appropriately filled and returned. The first part of the questionnaires consists of seven items about the demographic information of the respondent. It covers the personal data of respondent, such as gender, age, educational qualification, year of service, current position, and their salary. The second part tries to address the respondents view in relation to reward practice.

#### 4.1. Demographic Profile of Respondents

Table 4.1, Demographic Profile of Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Gender</b>	MALE	122	55.0	58.1	58.1
	FEMALE	88	39.6	41.9	100.0
	Total	210	94.6	100.0	
Missing	System	12	5.4		
Total		222	100.0		

		Frequency	Percent	Valid Percent	Cumulative Percent
Age	18-25	76	34.2	36.2	36.2
	26-30	73	32.9	34.8	71.0
	31-35	30	13.5	14.3	85.2
	36-40	16	7.2	7.6	92.9
	41-45	7	3.2	3.3	96.2
	>=46	8	3.6	3.8	100.0
	Total	210	94.6	100.0	
Missing	System	12	5.4		
Total		222	100.0		

As shown in the above table, of the respondents 55%(122), were male and the remaining 39.60%(88), were female this indicates the proportion between male and female employees in the company is not proportion, even though the ratio is not proportional there was no significant difference between male and female employees in terms of reward and motivational preference as mentioned in the empirical literature. With regards to respondents age category 34.2%(76), of the respondents fall under the age category 18-25. The next higher groups were 73(32.9%), ranges between 26-30 and 13.5%(30) fall under age categories 31-35. The remaining 7.2%(16), 3.2%(7), 3.6%(8) were under the age of 36-40, 41-45 and >=45 respectively. This implies that about 80.6% of the respondents are below 35 years of age. Therefore most LIB employees are youngsters.



*Table 4.2, Educational Attainment*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid					
	bachelors degree	159	71.6	75.7	87.1
	masters degree	27	12.2	12.9	100.0
	Total	210	94.6	100.0	
Missing	System	12	5.4		
Total		222	100.0		

The above figure demonstrates educational background of the respondent. Accordingly 71.6%(159) of the total respondents were holder of first degree followed by masters holders 12.2 % ( 27), and only 10.8 % ( 24) diploma holders were found from the total respondents. This implies that the company has fairly educated employees.

*Table 4.3, participant's employment characteristic*

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Job Category</b>	Managerial	85	38.3	40.5	40.5
	Operational	124	55.9	59.0	99.5
	6.00	1	.5	.5	100.0
	Total	210	94.6	100.0	
Missing	System	12	5.4		
Total		222	100.0		
		Frequency	Percent	Valid Percent	Cumul ative Percent
<b>Year Of Service In LIB</b>	< a year	52	23.4	21.4	21.4
	1 up to 2 years	31	14.0	14.8	36.2
	2 up to 3 years	32	14.4	15.2	51.4
	3 up to 4 years	45	20.3	10.0	61.4
	4 up to 5 years	29	13.1	13.8	75.2
	more than 5 years	21	9.5	24.8	100.0
	Total	210	94.6	100.0	

As shown in the above table 55.9%(124),of them were working in operational (non-managerial)position, the rest 38.3%(85), were in managerial category. It is associated with the majority of employees in LIB are officer. Regarding their year of service (23.4%) 52 were respondents were less than a year 45(20.3%),of the respondents under the range of 3-4years.the remaining 32(14.4%),31(14%),29(13.1%),21(9.5) respondents belong to group of 2-3,1-2,4-5,and more than 5 years respectively. Its implication is majority of respondents in the bank have lesser experience and there is a problem in retaining junior staffs for longer period of time.

*Table 4.4, In which salary ranges does your salary level*

In Which Salary Ranges Does Your Salary Level					
		Frequenc y	Percent	Valid Percent	Cumulative Percent
Valid	4800-6700	65	29.3	31.0	31.0
	6700-8000	38	17.1	18.1	49.0
	8000-9600	21	9.5	10.0	59.0
	9600-14000	39	17.6	18.6	77.6
	14000-17000	16	7.2	7.6	85.2
	above 17000	31	14.0	14.8	100.0
	Total	210	94.6	100.0	
Missin g	System	12	5.4		
Total		222	100.0		

With regard to respondents salary range, out of 210 respondents 29.3 %( 65) of them earn a salary between a ranges 4800-6700, other groups respondents 39(17.6%) fall under the salary range of 9600-1400.the remaining 38(17.1%), 31(14%), 21(9.5),16(7.2%) of the respondents earns under the range of 6700-8000,above17000,8000-9600,14000-17000respectively.

*Table 4.5, Current Position*

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Current Position</b>	Senior executive	1	.5	.5	.5
	Directors	4	1.8	1.8	2.3
	Division Mangers	8	3.6	3.6	5.9
	Branch Mangers	22	9.9	9.9	15.8
	Manger Customer Service	12	5.4	5.4	21.2
	Section Head	8	3.6	3.6	24.8
	Senior Officer	47	21.2	21.2	45.9
	Officer	120	54.1	54.1	100.0
	Total	222	100.0	100.0	

Under job classification the participants were classified into categories' based on the job grades in the company. Table 4.3 illustrates that majority 54.1%(120), of participants were drawn from the officer 47(21.2%), staff of the organization categorized under senior officer (22)9.9%,were from branch managers, 5.4%(12)manager customer service. Both Section head and division manger were rated as (3.6%) 8.the remaining directors (1.8%) 4, senior executives (0.5%)1 respectively. From this data one can recognize that the majority of the staffs are officer directly facing customer.

#### 4.2. General Question On The Company's Total Reward System

Table 4.6 Employee Response on the Total Reward System

ITEMS		FREQUENEY							Total response	Mean	SD
		5	4	3	2	1					
The Company Clearly Communicate Its Reward Packages To All Employees	N	40	46	80	34	10		210	3.50	1.11	
	O										
	%	18	20.7	36	15.3	4.5		94.6			
The company's total reward package is competitive with other banks	N	18	40	54	86	12		210	3.27	1.04	
	O										
	%	8.1	18	24.3	38.7	5.4		94.6			
The rewards distributed at the organization have positive effect on the work atmosphere/environment.	N	15	73	63	45	13		210	3.11	1.03	
	O										
	%	6.8	32.9	28.4	20.3	5.9		94.6			
The reward practice at LIB focuses on the real needs of employees.	N	29	62	64	44	11		210	3.25	1.09	
	O										
	%	13.1	27.9	28.8	19.8	5.0		94.6			
I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards.	N	52	68	53	24	12		210	3.60	1.15	
	O										
	%	23.4	30.6	23.9	10.8	5.4		94.6			

In this regard as indicated under table 4, 80(36%), respondents from the company under study claim that the company did not clearly communicate its reward package for all employees. However 20.7 %(46),of the respondent are satisfied with clearly communication about the

reward package. Further 40(18%), 34(15.3%), 10(4.5%) respondents were very satisfied, dissatisfied, very dissatisfied respectively. This clearly indicates that either the company's communication system is poor or the company is not willing to communicate what it has designed. However communicating what is available helps the company to win the psychology of employees to motivate them for better performance.

The respondent view on the competitiveness of the company reward system compared with other banks we find that 38.7% (86),of the respondent claim that the company's total reward package is not competitive with other banks. Contrary 54(24.3%), of the respondents don't have idea on the issues i.e, competitiveness of the reward package. Whereas 40%(18),18(8.1%),12(5.4)of the, satisfied, very satisfied, very dissatisfied respectively. This implies that company is not retain their employees by designed reward system that is competitive to the external market

The third items is about whether the rewards distribute at the organization have positive effect on the work atmosphere/environment and as a result 32.9%(73),respondents agree about the positive effect where as 63(28.4%) respondents were don't have idea.45(20.3%) dissatisfied with the current situation of company rewards. The remaining 15(6.8%),13(5.9%) very satisfied and very dissatisfied respectively. These indicate that the majority of LIB employees have good attitude towards the reward practice and its effect on the work environment.

64(28.8%)of the respondents have no idea about the above item no4.However 62(27.9%),were satisfied. The remaining employee 44(19.8%),29(13.1%), 11(5%) employee were dissatisfies, very satisfied and very dissatisfied respectively. This indicates that the company showed asses what is the real need of employees related reward practice either financial or non-financial?

I am satisfied with for appropriateness is the next question 68(30.6%), were employees satisfied. Still the ones agree are more than those who disagree which implies that they have good attitude towards the quality of the reward system provided to them and they are satisfied. But 53(23.9%) do not have idea about the question. The remaining 52(23.4%),24(10.8%),12(5.4%) were respondents very satisfies,dissatisfied,very dissatisfied respectively.

### 4.3. General Question On The Company's employees performance

Table 4.7, Employee Response on the employee performance

ITEMS		FREQUENEY							Mean	SD
		5	4	3	2	1	Total response			
Reward motivates me to increase my performance.	NO	45	73	53	30	9	210	3.54	1.10	
	%	20.3	32.9	23.9	13.5	4.1				
The company's total reward package is capable to retain best performers.	NO	12	45	84	56	13	210	2.93	0.97	
	%	5.4	20.3	37.8	25.2	5.9				
The company's reward system clearly differentiates between high performers and low performers.	NO	20	79	54	38	19	210	3.20	1.12	
	%	9.0	35.6	24.3	17.1	8.6				
High performers will get additional pay or bonus for their performance.	NO	52	76	43	23	16	210	3.59	1.19	
	%	23.4	34.2	19.4	10.4	7.2				
Salary increment made for high performers will motivate other to performer more.	NO	18	87	49	46	10	210	3.27	1.04	
	%	8.1	39.2	22.1	20.7	4.5				
Provision of attractive housing loan policy will help to retain high performers.	NO	16	72	65	37	20	210	3.12	1.09	
	%	7.2	32.4	29.3	16.7	9				
The existence of promotion has effect on the level of performance of my work.	NO	35	68	34	48	25	210	3.19	1.29	
	%	15.8	30.6	15.3	21.6	11.3				
Proper recognition of high performers will encourage low performers to work hard.	NO	59	62	57	11	21	210	3.60	1.23	
	%	26.6	27.9	25.7	5	9.5				
The existence of safe working conditions has encouraged me to give sustained high performance at work.	NO	35	73	57	31	14	210	3.4	1.12	
	%	15.8	32.9	25.7	14	6.3				

The above table shows that the existing pay, benefits, recognition, work condition, promotion, training packages are helpful for their performance. This implies that almost the majority of respondents are satisfied towards the positive effects of the reward practice have on their job performance.

#### 4.4. Data analysis of reward variables and employee performance

##### 4.4.1 Employees Rating of Financial Rewards Variables

Financial rewards provided by employers in the form of pay will help to attract and retain employees for limited periods this may increase effort and minimize dissatisfaction. Under this category pay, benefits, work condition, work recognition, promotion, training.

##### 4.4.1.1 Pay salary

Table 4.8, Employee response on pay/salary

ITEMS		FREQUENEY							Mean	SD
		5	4	3	2	1	Total response			
The pay system is visibly communicated to you.	NO	48	48	39	27	48	210	3.10	1.47	
	%	21.6	21.6	17.6	12.2	21.6	94.6			
My salary is satisfactory in relation to what I do.	NO	39	71	38	31	31	210	3.26	1.32	
	%	17.6	32.0	17.1	14.0	14.0	94.6			
How my pay compares with that for similar jobs in other companies.	NO	57	36	58	38	21	210	3.33	1.31	
	%	25.7	16.2	26.1	17.1	9.5	94.6			
Salary adjustment/increment is made within a reasonable/logical time period.	NO	24	61	45	24	65	210	3.65	1.22	
	%	6.8	27.5	20.3	10.8	29.3	94.6			



The above table5, shows that 48(21.6%) agree that there is clear communication about the pay system. The same result 48(21.6%),48(21.6%) very satisfied and very dissatisfied respectively.. The reaming 39(17.6%),27(12.2%) respondents were very satisfied, don't have any idea, dissatisfied. This can show even if the majority of employees of the Bank are considerably there is a clear communication on the payment system to motivate and to perform by the overall payment system of the organization, there are also respondent that are dissatisfied as close as proportional to satisfied. These indicate that the company must design the communication to satisfy the overall employees.

For the question whether the salary is satisfactory in relation to what they do, large number of respondents show their agreement with the idea. Out of 210 respondents 71(32%) said that they satisfied,39(17.6%)very satisfied on this question. The remaining fall under the category of 38(17.1%),31(14%),31(14%) don't have idea on this question, dissatisfied, very dissatisfied, respectively. The overall response shows the majority of the employees are satisfied with the salary provided to them by their organization.

For the third item the majority of the respondents i.e. 58(26.1%) showed they are satisfied and the number of respondents who dissatisfied are 38(17.1%). This implies that the amounts of basic pay provided by the organization are believed to be fair relative to the industries average.

For the fourth item the majority of the respondents i.e. 65(29.3%), shows that they are very dissatisfied regarding to adjusting salary with in time period were as 24(10.8%), were respondents are very satisfied. This shows that salary increments are not made within a logical period of time.

#### 4.4.1.2. Benefit

Table 4.9, Employee response on benefit

ITEMS		FREQUENEY							Mean	SD.
		5	4	3	2	1	Total response			
There is equal treatment of each staff in the benefit system.	NO	56	53	56	26	18	210	3.57	3.39	
	%	25.2	23.9	25.2	11.7	8.1	94.6			
Benefit packages are packages are modified as necessary to ensure organization's competitiveness.	NO	49	48	67	29	17	210	3.39	1.21	
	%	22.1	21.6	30.2	13.1	7.7	94.6			
The medical and insurance schemes are attractive.	NO	41	67	56	30	14	210	3.66	3.10	
	%	18.5	30.2	25.2	13.5	6.3	94.6			

Item no.1 indicates that the majority respondent's i.e.56 (25.2%), respondents very satisfied that there is equal treatment of each staff in the benefit system. This implies every employee in the company is considered in the designing the benefit system. Item no.2, 49(22.1%), respondents were very satisfied with benefit packages are modified as necessary to organization competitiveness. This shows that the majority of the employees are satisfied with the benefit packages provide by LIB.Item no.3, 67(30.2%) indicates that the majority respondents satisfied on the attractiveness of medical and insurance schemes provided by the organization.

#### 4.5 Non-financial rewards

Non-Financial rewards are invisible rewards. According to Armstrong (2009), the invisible rewards have more power than visible rewards in terms of motivating employees for higher performance. The questionnaire was also on corporate some non-financial rewards in order to

assess its existence and employees perception towards to it. Mainly recognition, work condition, promotion, training.

#### 4.5.1. Work recognition

*Table 4.10, Employee response on work recognition*

ITEMS		FREQUENEY							Mean	SD
		5	4	3	2	1	Total response			
I get credit for what I do	NO	17	81	43	35	34	210	3.05	1.23	
	%	7.7	36.5	19.4	15.8	15.3	94.6			
I receive constructive criticism about my work.	NO	40	71	32	29	38	210	3.21	1.38	
	%	18	32	14.4	13.1	17.1	94.6			
The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	NO	41	63	42	25	29	210	3.20	1.38	
	%	18.5	28.4	18.9	11.3	17.6	94.6			

In the above 4.7, the sample respondents indicate the level of performance in term of the recognition they get from the management in their achievements. Analysis result show that out of the total 210 respondents 81(36.5%), were satisfied this implies that they get credit when they do their task successful. Item no.2 71(32%), were respondents satisfy with receiving constructive criticism about their work. This indicates that most of the employees get credit for the work they have performed in the organization. Item no.3, 63(28.4%) agrees that the existence of recognition give an opportunity to work beyond the requirement. This shows that employees in the LIB are being provided with the opportunity to work beyond the job requirement in relation

to the existence of recognition for good work. Accordingly the recognition they get for the work they do in the company is rated as satisfied by the majority of the respondents.

#### 4.5.2 Work condition

*Table 4.11, Employee response on work condition*

ITEMS		FREQUENEY							
		5	4	3	2	1	Total response	Mean	SD
There is a conducive work environment in the company.	NO	16	102	45	32	15	210	3.34	1.05
	%	7.2	45.9	20.3	14.4	6.8	94.6		
The pleasantness of the working condition.	NO	42	78	49	32	9	210	3.53	1.10
	%	18.9	35.1	22.1	14.4	4.1	94.6		
The physical surroundings where I work.	NO	41	93	42	21	13	210	3.60	1.09
	%	18.5	41.9	18.9	9.5	5.9	94.6		
Hours worked each week.	NO	43	82	49	24	13	210	3.55	1.12
	%	19.4	36.5	22.1	10.8	5.9	94.6		
Office lay out is convenient to me.	NO	59	77	34	30	10	210	3.69	1.16
	%	26.6	34.7	15.3	13.5	4.5	94.6		

In the above table 4.8, the sample respondents indicate the average mean and standard deviation shows that 3.54 and 0.83 respectively i.e, it is possible to conclude that more than 50% respondents have a good attitude towards the work condition offered by the LIB. This indicates that the majority do not have complained with regard to the number of hours they stay in the work place, creating conducive work environment in the organization is appropriate to encourage,improve their performance level and employee will have constant or continuous performance if they are provided with a safe working condition in the organization they perform. the majority do not have complained with regard to the number of hours. Accordingly the work condition they get for the work they do in the company is rated as satisfied by the majority of the respondents.

### 4.5.3 Promotion

Table 4.12, Employee response on promotion

ITEMS		FREQUENEY							
		5	4	3	2	1	Total response	Mean	SD
The company's promotion policy is clearly commutated to all employees.	NO	64	60	39	28	19	210	3.58	1.29
	%	32.9	23	19.8	10.4	8.1	94.6		
Everyone has an equal chance to be promoted.	NO	74	57	37	29	13	210	3.71	1.25
	%	33.3	25.7	16.7	13.1	5.9	94.6		
Staffs are promoted in a fair and transparent way.	NO	82	51	37	23	17	210	3.75	1.29
	%	36.9	23.0	16.7	10.4	7.7	94.6		
Criteria for promotion are acceptable to me.	NO	65	50	44	32	19	210	3.52	1.31
	%	29.3	22.5	19.8	14.4	8.6	94.6		

The above show that the sample respondent 64(32.9%), very satisfied with clearly communication to all employee the promotion police. This shows that the organization promotion is clearly communicated to all employees. Item no.2, 74(33.3%), very satisfied that there is equal chance to be promoted this implies with regard to promotion provided the result show there is an equal chance to be promoted. Item no.3, 82(36.9%), respondents were very satisfied with the transparency LIB promotion police. Item no.4, majority of the respondent i.e,65(29.3%),very satisfied with criteria promotion. This implies every employee in the company understand what showed be full filled in order to be promoted. Accordingly promotion opportunities in the company are rated as satisfied by the majority of the respondents.

#### 4.5.4 Training

Table 4.13, Employee response on training

ITEMS		FREQUENCY							Mean	SD
		5	4	3	2	1	Total response			
The company provides adequate training to develop employee's future career.	NO	53	83	33	21	20	210	3.60	1.23	
	%	23.9	37.4	14.9	9.5	9.0	94.6			
The training environment is conducive to conduct training.	NO	25	88	33	44	20	210	3.25	1.19	
	%	11.3	39.6	14.9	19.8	9.0	94.6			
The trainer was capable and knowledgeable about the subject matter.	NO	30	78	48	31	23	210	3.29	1.20	
	%	13.5	35.1	21.6	14	10.4	94.6			
The trainers in my organization can transfer and demonstrate the training appropriately.	NO	25	74	47	30	34	210	3.12	1.26	
	%	11.3	33.3	21.2	13.5	15.3	94.6			
The delivery method that the organization used is convenient to get the necessary knowledge and skills.	NO	34	67	27	44	38	210	3.07	1.37	
	%	15.3	30.2	12.2	19.8	17.1	94.6			
The training delivery method has enables me to transfer the skill acquires back to my	NO	26	78	28	42	35	210	3.10	1.33	
	%	11.7	35.1	12.6	18.9	15.8	94.6			

The averages mean standard deviation 3.24 and 0.93 respectively shows that average the majority of respondents do not agree with the training practice of LIB. This indicate that environment is an important aspects that the trainee may be put off form the result, distraction by the noise or apartment confusion is difficult to cope with learning to work with new people as

well with a new job, there is also a training material problem when training is contacted .in general this implies that the training delivery practice of the LIB is not effective and satisfactory as it needs to be.

*Table 4.14, descriptive statistics*

Variables	No. Of Observation	Mean	Standard Deviation
Pay	210	3.33	0.83
Benefit	210	3.54	1.42
Recognition	210	3.15	1.07
Work condition	210	3.54	0.83
Promotion	210	3.64	1.07
Training	210	3.24	0.93

The above table 4.4 shows that the mean and standard deviation of six reward variables such as; pay, benefit, work recognition, work condition, promotion, training range from 3.15 to 3.64. The result indicate that the level of employee performance in relation to reward among LIB employee. Pay (mean=3.33 and SD=0.83), benefit (mean=3.54 and SD=1.42), recognition (mean=3.15 and SD=1.07), work condition (mean=3.54 and SD=0.83), promotion (mean=3.64 and SD=1.07), training (mean 3.24 and SD=0.93).

The above table shows the mean and standard deviation of the selected reward practice and employees performance given by respondents of the study, when researcher observe the mean value for salary is 3.33, which it possible to conclude respondents moderately satisfied towards the pay/salary offered by the LIB. This implies it needs adjustment with the existing salary packages.

The next indirect financial reward is benefit. The mean 3.54 shows that most of the respondents are satisfied with” how their benefit compares with that for similar jobs in other companies it could be due to the existing competitiveness, LIB always ready to modify their benefit packages to attract potential employees.

The first non-financial reward is recognition the mean value 3.15 which implies that majority of the respondents don't agree on the raised question regarding the recognition practice in LIB

When coming to the next variable i.e work condition the mean value is 3.54, which indicate that the majority of the respondents satisfied about the attractiveness of the working condition available in the organization they perform. Accordingly the work condition existed in the company is rated as satisfied by the respondents.

The third item is promotion with having the highest mean 3.64 from all reward variables. This implies that the majorities of respondents are satisfied with the existing promotional opportunities and practice in LIB.

The fourth items is training the mean value is that 3.24, this implies that the existence of any training in the company let alone its understandability. Hence the company should put forth its maximum effort to make clear how to implement the training process even though employees do not know training will increase the performance of employees. The training in the company is poor with the response of the employee and it should be applied equally, consistency to all employees.

When the researchers start this research there is financial reward dominates that non financial reward but the result shows that there is financial reward but not sufficient with relate to pay/salary. Even though promotion and work condition practice satisfied by the majority of the respondents, the company must exert full effort to change the design of training and recognition practice, and to bring a positive attitude in the respondent mind.

#### *4.5. Correlation Analysis*

Under this section, the Pearson's product movement correlation coefficient was computed for the purpose knowing the relationship between rewards and employees performance of LIB working in Addis Ababa branches.



**r=.10 to .29 or r=-.10 to-.29 small**  
**r=.30 to .49 or r=-.30 to -.49 medium**  
**r=.50 to 1.0 or r=-.50 to -1.0 large**

Source; Cohen(1988)

*Table 4.15, Correlation analysis*

Independent variables	No of observation	Employee performance	
		Pearson correlation	Sig(2tailed)
Pay	210	.515**	.000
Benefit	210	.353**	.000
Recognition	210	.370**	.000
Work condition	210	.482**	.000
Promotion	210	.481**	.000
Training	210	.482**	.000

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

#### *4.5.1 pay/salary and employee performance*

H1;-pay/salary is positively related to employee performance.

HO:-there is a positive relationship between pay and employee performance.

The result shows that shows that pay/salary( $r=0.515, p<0.01$ ) is positively and significant related with employee performance. This means an increase or decrease in pay will bring corresponding change in performance of employee. Thus, the null hypothesis is rejected.

#### *4.5.2 Benefits and employee performance*

H1;-benefit is positively related to employee performance.

HO:-there is a positive relationship between benefit and employee performance.

Benefits has ( $r=0.353, p<0.01$ ) is positively and significant related with employee performance. This means that change in the benefits package provide will have a corresponding change on employee performance. Thus, the null hypothesis is rejected.

#### *4.5.3 Recognition and employee performance*

H1;-recognition is positively related to employee performance.

HO:-there is a positive relationship between recognition and employee performance.

The above tables shows that recognition ( $r=0.37, p<0.01$ ) is positively related with employee performance, this shows that change in recognition given to employees for a successful job they performance has a corresponding effect on performance of employee. Thus, the null hypothesis is rejected.

#### *4.5.4 Work condition and employee performance*

H1;-work condition is positively related to employee performance.

HO:-there is a positive relationship between work condition and employee performance.

From the above table it can be seen that working condition ( $r=0.482, p<0.01$ ) is positively correlated with employee performance. This means that a change in the working conditions will have corresponding change on the performance of employee. Thus the null hypothesis is rejected.

#### *4.5.5 Promotion and employee performance*

H1;-promotion is positively related to employee performance.

HO:-there is a positive relationship between promotion and employee performance.

From the above table it can be observed that promotion ( $r=.481, p<0.01$ ) is positively and significantly related with employee performance. This indicates that providing or withholding promotional opportunities will have a corresponding change on the performance of employee. Thus the null hypothesis is rejected.

#### *4.5.6 Training and employee performance*

H1;-training is positively related to employee performance.

HO:-there is a positive relationship between training and employee performance.

From the above table it can be observed that training ( $r=0.482, p<0.01$ ) is positively and significantly related with employee performance. This implies that providing training makes

employee will confident and fully aware about his/her tasks comparative to the employee the who is not being trained.

#### 4.6. Multiple Regression Analysis

Table 4.16, multiple regression

##### Coefficients

Model	Un standardized Coefficients		standardized coefficients	T	Sig
	B	SD Error	Beta		
Constant	0.71	1.91		3.72	0.00
Pay	0.220	0.046	0.269	4.730	0.000
Benefit	0.015	0.041	0.018	0.367	0.714
Recognition	0.092	0.038	0.145	2.446	0.015
Work condition	0.082	0.051	0.100	1.619	0.107
Promotion	0.210	0.040	0.329	5.287	0.000
Training	0.172	0.043	0.235	3.985	0.000

**R=0.713**

**R<sup>2</sup>=0.49, SD.error estimate=0.486,**

In the above table the value of adjusted R square is (0.494) which implies that 49.4% of the changes in employee's performance may be accounted for variables the remaining is countered other than the variables included in this study.

Beta coefficient was used to explain to which extent independents variables influence the dependent variables. The beta values of independents variables i.e, promotion, pay, salary, recognition, work condition, promotion, and training are 0.329, 0.269, 0.235,0.145,0.100, 0.018, respectively. The result shows that promotion is more significant and statistically meaningful when compares with the other variables in terms of employee performance. This can be interpreted as a certain increment on promotion will result in an increase employee performance by (0.329).

**Employee performance=0.71+β10.26+β20.01+ β30.1+ β40.32+ β50.14+ β60.23,1.91**

1% increase in (pay, benefit, recognition, promotion, work condition, training) will results an increase(0.269%,0.018%,0.100%,0.329%,0.145%,0.235%)inemployee performance respectively.

## *CHAPTER FIVE*

### *5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION*

#### **5.1. Major Findings**

The effects of reward on the employee performance is determine by considering the mean value and standard deviation of the variables pay/salary, benefit, recognition, work condition, promotion, and training. The following findings were reached.

1. The demographics results of the respondents 55%(122) were male and the reaming 39.60%(88) were female. With regards to respondents age category,34.2%(76)of the respondent fall under the age category 18-25.the next higher groups were 73(32.9%) and 13.5%(30) fall under age categories 26-30 and 31-35 respectively. The remaining 7.2%(16),3.2%(7),3.6%(8) were under the age of 36-40,41-45 and  $\geq 45$  respectively. This implies that about 80.6% of the respondents are below 35 years of age.

2. The educational background of the respondent was also including in the study. Accordingly, Accordingly 71.6(159), of the total respondents were holder of first degree followed by masters holders 12.2%( 27), and only 10.8 %(24) diploma holders were found from the total respondents.

3.The other result the year of service that employee stay in the company.(23.4%) 52, were respondents were less than a year,45(20.3),of the respondents under the range of 3-4.the remaining 32(14.4%),31(14%),29(13.1%),21(9.5) respondents belong to group of 2-3,1-2,4-5,more than 5 years respectively. With regard to the position Accordingly, 55.9%( 124), of them were working in operational (non-managerial) the rest 38%(85) were in managerial category.

4. With regard to respondents salary range, out of 210 respondents 29.3 %( 65), of them earn a salary between a ranges 4800-6700, other groups respondents 39(17.6%), fall under the salary range of 9600-1400.the remaining 38(17.1%), 31(14%), 21(9.5),16(7.2%) of the respondents earns under the range of 6700-8000,above 17000,8000-9600,14000-17000 respectively. When

we come to the job grade the respondents majority,54.1%(120) of participants, were drawn from the officer,47(21.2%) staff of the organization categorized under senior officer(21.2%)47,branch mangers 9.9%(22),manger customer Service 5.4%(12),division manager and section (3.6%)8, directors(1.8%)4,senior-executives(0.5%)1,respectively.section(3.6%)8,directors(1.8%)4,senior executive respectively.

5. When we see into result of the descriptive statistics, the mean of six reward variables such as; pay, benefit, work recognition, work condition, promotion, training range from 3.15 to 3.64. The result indicate that the level of employee performance in relation to reward among LIB employee. Pay (mean=3.33 and SD=0.83), benefit (mean=3.54 and SD=1.42), recognition (mean=3.15 and SD=1.07), work condition (mean=3.54 and SD=0.83), promotion (mean=3.64 and SD=1.07), training (mean 3.24 and SD=0.93).

6. The relationship between independent variables and dependent variables was determined by computing their correlation coefficient. All variables shows a positive and significance relationship with employee performance i.e, pay/salary( $r=0.515, p<0.01$ ),benefit ( $r=0.353, p<0.01$ ),recognition( $r=0.37, p<0.01$ ),workconditon( $r=0.482, p<0.01$ ),promotion( $r=.481, p<0.01$ ), training( $r=0.482, p<0.01$ ).

7. In the case of multiple regression the value of adjusted R square = 0.494(49.4%)of, which implies that variance in the employees performance is explained by the variables of pay, benefit, recognition, work condition, promotion and training. The hypothesis that the reward variables have a significant effect on employee performance.

## 5.2. Conclusion

The purpose of this study was to examine the effects of rewards in the process of improving the performance of employees to deliver the service required from them for the purpose of achieving the organizational goal. Organization have effective, fair and equitable reward system should be put in place to help, encourage, support. Based on the study the following conclusions can be made

### 1. How does the rewards practice of LIB look like?

The finding indicated that the reward practice, benefit, work condition and promotion were found to be attractive. Especially promotions were considered significant in motivating employee's performance level similarly for benefit package and working condition. Finally in the case of LIB it can be conclude that there is attractive reward practice in relation promotion, benefit, and work condition.

To the opposite side pay and training respondents moderately satisfied. This implies the company must adjust the payment system and the training practice to be satisfied by all respondents. This shows Especially the report of LIB Shows that there is a salary increment once a year so, it needs to be carried out in a way that is favorable for the employees in order to improve their performance. The training practice of the company is not well organized. The problems are there is no consistency in the training process and the way training is giving is not even.

### 2. What is the effect of reward practice on the employees' performance?

The finding obtained confirmed that all the reward has a direct influence on the employee performance. And also it has been show that employees not only consider the financial reward types but also non-financial rewards e.g in this study promotion get the highest mean. Both financial and non-financial rewards are important factor that banks need to keep employee satisfied.

### 3. Which types of reward dominate the employee performance?

The correlation between the variables pay, benefits, recognition, work condition, promotion, and training and employee performance shows that all variables have positive and significance with employee performance. The multiple regressions show the extent to which each independent variables influence on employee performance. The study shows that pay/salary is more significant in terms of increasing the performance level.

### *5.3. Discussion*

The purpose of study was to investigate the effect of reward on employee performance. Although all dimensions of reward and employee performance are related but pay, recognition, training have low mean values as compared to other dimensions. This shows that employees are less satisfied with their salaries and recognition and neglecting the aspects of training. On the other hand the mean value for promotion is high which implies that sufficient promotional opportunities their relationship with co-workers are friendly, they are paid for what they work, and they find their job secured, their supervisors are cooperative and they feel that they can grow living within the organization, their level of performance is very high.

The value of regression the result shows that work condition and benefit are variables that have insignificant relationship with employee performance. This implies that LIB must revise their benefits package periodically and annually as well there must be a proper work condition to get the best output from employee.



#### *5.4. Recommendation*

Even if it is difficult to have the same level of performance throughout all employees, the organization should look in to the level of performance and the reason for the discrepancies and similarities among its different departments. These findings will therefore help in creating somehow similarities by developing best practices across the organization.

The bank should conduct a measurement or survey on the existing level of performance of its employees by external or internal professionals and effectively implement the areas of improvement pointed by its employees. This will enhance the performance and maximize the productivity of the bank.

To create long term employee work motivation, and performance the bank should use financial rewards effectively together with non-financial ones as they have long lasting effect.

The Company should also communicate and adopt clearly the reward procedure that could be applied consistently. In relation to this every employees must aware of the reward process to avoid negative attitude and also to be effective in the performance of employee.

Since employee performance affected by many factors other than reward, other researchers may explore to find out other variables like task autonomy, work relation, organizational culture and leadership style and their effect on employee performance.

Finally, the management should also consider adjust the reward system because change the reward means necessarily result a change in the level of employee performance. This shows that there must be strategies and polices to improve the level of performance.

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## Appendix 1, Questionnaire

### Dear sir/madam;

The researcher designs this questionnaire for partial fulfillment of master's degree in business administration. The general objective of this research is to examine the effects of reward on the employee performance with the intention of suggesting the best reward tools and recommending solution. Your responses will only be used as primary data for the accomplishment of the objective of the study. The questionnaires has two parts; biographic, performance factor questionnaire. I assure you that your responses will not disclosed in any way and at most confidentially will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated. Thank you

### Section one; biographic information

Please fill the spaces provided check Mark (√) in your exact answer

1. Gender

Male

Female

2. Age category

18-25

31-35

41-45

26-30

36-40

46 and above

3. Educational attainment

High school certificate

bachelor's Degree

doctorate degree

College diploma

masters degree

other (please specify) \_\_\_\_\_

4. Job category

Managerial

operational

5. Years of service in LIB?

Less than a year

1 to 2 years

2 up to 3 years

3 up to 4 years

4 up to 5 years

more than 5 years

6. Current position? \_\_\_\_\_

7. in which salary ranges does your salary level?

4800-6700

9600-14000

6700-8000

14000-17000

8000-9600

above 17000

## Section 2;

Research related; the following questions are presented on a five likert scale. If the item strongly matches with your response choose 5(very satisfied),if you moderately agree on the idea choose 4(satisfied),if you can't decide on the point choose3(I don't know),if you dissatisfied with idea chose2(dissatisfied),and if you completely dissatisfied with the point choose 1(very dissatisfied).

5=very satisfied

4=satisfied

3=I don't know

2=dissatisfied

1=very dissatisfied

**Part one; General question on the company's total reward system**

no		5	4	3	2	1
8	The company clearly communicates its reward package to all employees.					
9	The company's total reward package is competitive with other banks.					
10	The rewards distributed at the organization have positive effect on the work atmosphere/environment.					
11	The reward practice at LIB focuses on the real needs of employees.					
12	I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards.					

no	Employee performance	5	4	3	2	1
13	Reward motivates me to increase my performance.					
14	The company's total reward package is capable to retain best performers.					
15	The company's reward system clearly differentiates between high performers and low performers					
16	High performers will get additional pay or bonus for their performance.					
17	Salary increment made for high performers will motivate other to performer more.					
18	Provision of attractive housing loan policy will help to retain high performers.					
19	The existence of promotion has effect on the level of performance of my work.					
20	Proper recognition of high performers will encourage low performers to work hard.					
21	The existence of safe working conditions has encouraged me to give sustained high performance at work.					

**Part 2; the influence of each reward practice**

	<b>Pay/salary</b>	5	4	3	2	1
22	The pay system is visibly communicated to you.					
23	My salary is satisfactory in relation to what I do.					
24	How my pay compares with that for similar jobs in other companies.					
25	Salary adjustment/increment is made within a reasonable/logical time period.					

	<b>Benefit packages (medical, insurance, loan)</b>	5	4	3	2	1
26	There is equal treatment of each staff in the benefit system of the bank.					
27	Benefit packages are modified as necessary to ensure norganization’s competitiveness.					
28	The medical and insurance schemes are attractive.					

	<b>Promotion</b>	5	4	3	2	1
29	The company’s promotion policy is clearly commutated to all employees.					
30	Everyone has an equal chance to be promoted.					
31	Staffs are promoted in a fair and transparent way.					
32	Criteria for promotion are acceptable to me.					



	<b>Recognition</b>	5	4	3	2	1
33	I get credit for what I do.					
34	I receive constructive criticism about my work.					
35	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					

	<b>Work condition</b>	5	4	3	2	1
36	There is a conducive work environment in the company.					
37	The pleasantness of the working condition.					
38	The physical surroundings where I work.					
39	Hours worked each week.					
40	Office lay out is convenient to me.					

	<b>Training</b>	5	4	3	2	1
41	The company provides adequate training to develop employee's future career.					
42	The training environment is conducive to conduct training.					
43	The trainer was capable and knowledgeable about the subject matter.					
44	The trainers in my organization can transfer and demonstrate the training appropriately.					
45	The delivery method that the organization used is convenient to get the necessary knowledge and skills.					

46	The training delivery method has enables me to transfer the skill acquires back to my job.					
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## Appendix 2, correlations output

		Payment
Payment	Pearson Correlation	1
	Sig. (2-tailed)	0.0
	N	210
Benefit	Pearson Correlation	.353
	Sig. (2-tailed)	0.00
	N	210
Promotion	Pearson Correlation	.277**
	Sig. (2-tailed)	.000
	N	210
Recognition	Pearson Correlation	.273**
	Sig. (2-tailed)	.000
	N	210
Training	Pearson Correlation	.307**
	Sig. (2-tailed)	.000
	N	210
work condition	Pearson Correlation	.455**
	Sig. (2-tailed)	.000
	N	210

### Appendix 3, multiple regressions

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713 <sup>a</sup>	.509	.494	.48697

a. Predictors: (Constant), payment, benefit , training, recognition, work condition, promotion

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49.861	6	8.310	35.044	.000 <sup>b</sup>
	Residual	48.139	203	.237		
	Total	98.000	209			

a. Dependent Variable: employee performance

b. Predictors: (Constant), payment, benefit , training, recognition, work condition, promotion

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.710	.191		3.726	.000
	Training	.172	.043	.235	3.985	.000
	Work condition	.082	.051	.100	1.619	.107
	recognition	.092	.038	.145	2.446	.015
	Promotion	.210	.040	.329	5.287	.000
	Benefit	0.15	0.41	0.18	0.36	.0.00
	Payment	.220	.046	.269	4.730	.000

a. Dependent Variable: employee performance

## STATEMNET OF CERTIFICATION

This is to certify that W/rt Kalkidan Mengistu Bekele has carried out his research work on the topic entitled “**The Effects of Reward On Employee Performance**” the case of Lion International Bank.

The work is original in nature and is suitable for submission for the award of Master’s Degree in business administration.

**Advisor; Tilahun Mehari (Dr)**

**Date; -----**