



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

**THE EFFECT OF REWARD PRACTICE ON EMPLOYEE PERFORMANCE  
THE CASE OF DASHEN BANK S.C.**

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**JULY, 2018  
ADDIS ABABA, ETHIOPIA**

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PERFORMANCE: THE CASE OF DASHEN BANK S.C.**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF  
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**ADVISOR:**

**DR. SOLOMON MARKOS**

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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of **DR. Solomon Markos (Ph.D.)**. All sources of materials used for the thesis have been duly 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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## **CERTIFICATION**

This is to certify that MULUGETA GASHAW GIZAW has done the study on the topic, The Effect of Reward Practices on Employee Performance the case of Dashen Bank. This study is authentic and has not been done before by any other researcher on the same topic.

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**Advisor's Name**

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**Signature& Date**

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## **ACRONYMS**

1. **RP**- Reward Practices
2. **SPSS**-Statistical Package for the Social Sciences
3. **ANOVA**- Analysis of variance
4. **FR**-Financial reward
5. **NFR**-Non-Financial Reward
6. **EP**- Employee performance
7. **RIW**- Relative Importance Weight
8. **PAY**- Payment
9. **PRO**- Promotion
10. **BEN**- Benefit
11. **WC**- Working Condition
12. **REC**- Recognition
13. **SUP**- Supervision

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## **ABSTRACT**

*The purpose of this paper is to examine the effect of reward practices on employee performance in the case of Dashen Bank SC. The study considered six construct variables of reward practices such as, Payment, Benefit, Promotion, Recognition, Working condition and Supervision, to measure the employee performance of Dashen Bank SC. The researcher used quantitative research design. Among the various quantitative methods, the researcher used explanatory study, where emphasis is given on studying a situation or a problem in order to explain the relationship between variables. In this research 250 employees were selected based on statistical formula developed by Daniel (1999). The data collection instruments were adopted from Roberts, R.L. (2005) and Muchiri H. (2016), which consists of 32 (Thirty Two) items. Validity and Reliability test was conducted to check the consistency and dependability of the instruments and accordingly, all the components of reward practices considered under the present study were proven to be reliable, scoring an Alpha value greater than 0.70. The Pearson correlation analysis was conducted to determine the relationship between employee performance and Reward practice components. The finding shows that there is a significant positive association between reward practice and employee performance. The regressions result confirmed that, the linear combination of all the components of reward practices considered under the present study significantly contribute to the variance in employee performance. The ANOVA test result also confirmed that, the prediction powers of the reward practice components are found to be statistically significant. From the Beta coefficient result, the researcher obtained that, working condition is found to be the most important variable in predicting the dependent variable employee performance, followed by promotion, recognition, payment, benefit and supervision. Finally, the researcher concluded that in the case of Dashen Bank SC, components of reward practices, financial and non – financial rewards have a significant positive effect on employee performance. On top of that, a significant portion of employees considered the reward practices in Dashen Bank S.C. as less motivating, unfair, not competitive and attractive and hence employees seemed to be less responsibility, less loyalty and belongingness and less committed to the organization. It is recommended to review the banks current reward practice that are factor that affect employee performance.*

**Key words: Reward Practices, Employee Performance, Dashen Bank**

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

In the current competitive business environment, the organizations are facing a lot of challenges and among these issues, getting the right employees and retaining them is one of the most important ones. One of the main targets in any organization is adapting the changes of markets and employees needs (Khan, Zarif, & Khan, 2011).

With regard to these, the benefit of human resource is measured to be one of the most important advantages of any organization; and in order to acquire the results with the highest efficiency and effectiveness from human resource, reward of employee 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 managers. The task of developing a strategic rewards framework for organizations is usually challenging but necessary to survive in the competitive and changing market place (Njanja, Maina, Kibet, & Njagi, 2013).

Human resource is one of the important assets that organization owns. Reward helps management to retain efficient and experienced workforce in an organization (Sajuyigbe, Bosede, & Adeyemi, 2013).

According to Carnegie (1987), the human aspect regarding management, strongly believes people who craft a formulation for an organization's success or failure are the chief executive-responsible for motivating company employees in respect of their satisfaction and assurance of organizational success. Mainly insists on human capital that plays pivotal role in an organizational effectiveness compared to financial capital. People rather than finance are observed in modern times as the primary source of a company competitive advantage.

In order to increase HR's contribution to organizational effectiveness in the future, organizations must rethink its basic value proposition, structure, services, and programs in order to address how it can add value in its human resource (Lawyer et al, 2006).

Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are



also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self development are also being honed and taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees (Sajuyigbe, Bosede, & Adeyemi, 2013).

Rewarding employees properly plays an important role by reducing turnover of workers, which has a negative impact on organizational effectiveness or keeping it at a manageable level (Philips, 2009).

Reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. In the real world, it is very important to reward high performance levels because this motivates and controls the performance. When employees are rewarded, they get work done. Employers get more of the behavior they reward, not what they assume they will automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behavior and higher performance they have attained (Njanja, Maina, Kibet, & Njagi, 2013).

Employees should be aware of the relationship between how they perform and the rewards they get. Organizations should apply performance management programs which assist in planning employee performance, monitor performance by effecting proper measuring tools Rewards should be used as a way of strengthening good behavior among employees as well as productivity (DeCenzo, Robbins and Verhulst, 2005).

Hence reward systems should focus on reinforcing positive behavior. Employees could be rewarded for working overtime, taking initiative, team work, reliability, exceptional attendance, outstanding customer feedback, meeting deadlines or timeliness, productivity etc. Employers and managers should then design or come up with a system to measure or quantify all these aspects so that rewards are then given accordingly.

A good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence end up accomplishing the organizational goals and objectives (Njanja, Maina, Kibet, & Njagi, 2013). The major purpose of

the study is to look at the domain of reward practices in the banking industry and see its effect on the performance of employees by considering Dashen bank and whether employees are encouraged to take positive actions leading to reward programs. And to see whether the reward programs are properly designed to influence the performance of employees at Dashen bank.

## **1.2. Background of the Company**

Dashen Bank S.C. is a privately owned company established in 1995 as in accordance with the “Licensing and Supervision of Banking Business” Proclamation No. 84/1994, now suspended by Proclamation No. 592/2008, “A Proclamation to Provide for Banking Business” to undertake commercial banking activities. The Bank obtained its license from the National Bank of Ethiopia (NBE) on 20th September 1995 and started normal business activities on the 1<sup>st</sup> January 1996.

The first foundation members were 11-business man and professionals that agreed to combine their financial resources and expertise (Dashen Bank, 2014). Headquartered is located in Addis Ababa around bekilo bet on deberziet road and the Bank is one of the biggest private Banks in Ethiopia. It operates about a network of 303 branches, 6 dedicated For-ex bureaus, 205 ATMs (Automatic Tellers Machines) and 837 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 461 banks covering 72 countries and 172 cities across the world, (Dashen Bank 2017 21<sup>st</sup> Annual Report).

Dashen Bank S.C. is established with a vision of “In as much as mount Dashen excels all other mountains in Ethiopia, Dashen Bank continues to prove unparalleled in the banking services.” Likewise it has a mission of “Providing efficient and customer focused domestic and international banking services, overcoming the continuous challenges for excellence the application of appropriate technology” (Dashen Bank, 2017 21<sup>st</sup> Annual report).

Dashen Bank S.C. provides various banking services in Ethiopia. The company offers deposit products, including current, savings, hybrid, saving plus, youth, student, interest plus, and salary accounts; loan products, such as overdraft, term loans, letter of credit facility, advance on import bills, revolving overdraft, merchandise loans, trade bills discounted, export credit guarantee schemes, and letter of guarantee, as well as agriculture, manufacturing, import/export, trade and services, building and construction, and transport loans (Bloomberg business week, 2016).

### **1.3. Statement of the Problem**

Aslam et al, (2015) have shown that the reward process is a major control or influence mechanism available to organizations. Reward is one of the most important elements which motivate employees to contribute their best effort, to generate innovative ideas that lead to better business functionality and further improve company performance both financially and non-financially.

Reward strategies should be aligned to the corporate strategy to ensure that they motivate employees to achieve the required objectives and adopt the preferred skills, competencies and behaviors. To improve, employees' need a combination of the will to improve (motivation) and the encouragement to acquire job-related knowledge, skills and attitudes (KSAs) (Stredwick, 2005). Most studies have been conducted regarding factors that have implication on performance of employees, specially relating it with the motivational implications. Stredwick stated that money can motivate up to a certain level but this differs greatly between individuals. Encouraging the employee to adopt the behaviors required by the organization and following the behaviors exhibited by high performers are seen as a more coherent and useful approach to achieving improved employee performance (ibid).

In relation to these, Armstrong (2010) stated that the formal reward systems in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance. He also noted that reward management is not just about payment and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2010). The reward can be in the form of cash, recognition and praise or a combination of both (Sajuyigbe, Bosede, & Adeyemi, 2013).

According to preliminary interview with Manager Human Resource Staffing of Dashen Bank, issue relating to the reward practices of the Bank like salary, benefit, promotion, working condition, recognition and supervision are major source of demoralization for staffs. Consequently, many employees seem to be not committed to their work and they lack trust and belongingness to the bank.

According to preliminary interview with Director Human Resource Management Department of Dashen Bank, the staffs have a number of problems associated with financial and non-financial rewards provided by the Bank. For instance; basic salary, transport allowance, housing and car loan is said not to be enough and is not subject to adjustment with the increase in cost of living. The medical benefits provided by the bank are not satisfactory and it does not have quality services. In addition to this, there are lack of subsidiary benefits like café, restaurant, gym and entertainment. There is also lack of convenient work place and office layout, supervision, absence of freedom and absence of interesting jobs. Moreover, there is lack of promotion opportunity; there is also lack of work commitment and lack of loyalty observed in many of the current Bank's staff.

Therefore, due to the above reward practices problems the following de-motivated employee turnover have been recorded 55 in 2015 ,71 by 2016, 45 up to January 2017 and 50 up to November 2017, as result it increased recruiting cost, increase training cost, decreased productivity, missing talented and experienced employee is very costly to the organization, Therefore; the stated problems initiated the researcher to further investigate the effects of reward practice and employee performance in Dashen Bank S.C. and fill the gaps and tried to give recommendation and suggestion to the organization. Thus these issues hold the core of what is to be studied and shades light on important areas on which the Bank can take maintenance measures.

As the study conducted in Dashen Bank by Biruk A. (2017), found that there is positive and significant relation between payment, promotion, benefit, recognition & supervision and employee motivation. On other side, the result of regression analysis shows that; payment and promotion is high explanatory of employee motivation. Among the major findings, the overall perception of respondents over current reward practices were not happy, not enough, not competitive and not attractive. Similarly, the study conducted by Selamawit M. (2015) in Dashen Bank, The study's result has showed that salary is most motivating factor and while retirement benefit is the least one from financial forward. Job security and career development are also found to be highly motivating non-financial factors.

However, the results vary when seen in terms of magnitude by which they affect employees' satisfaction and performance. As the needs of human beings vary significantly, the extent by which their performance affected by one reward type to the other varies significantly.

The study also tried to address the effect of employee reward practices and employee performance. Effective implementation of reward practice not only helps the organization but also guarantee a positive relationship with the employee, through attractive payment, good benefit package, opportunity for promotion & recognition, quality of supervisor and on relatively variety and interesting work. Further it enhances the employee's commitment, performance and engagement which can be a core competency for the organization.

The researchers' were limited to identifying the impact of financial and non-financial rewards on employee motivation only at Branches level. They identified and explained only the employees' motivational factors found at branch level. But, this research is focused on the effect of reward practices on employees' performance at both Branches and Department level. The main focus of the researcher is therefore be identifying the reward practices of the Bank and to what extent this reward practice affects the employees' performance.

#### **1.4. Research Question**

- ✓ How do employees perceive reward management practice of Dashen Bank?
- ✓ To what extent do non-financial rewards affect employee performance?
- ✓ To what extent do financial rewards affect employee performance?
- ✓ Which of the two types of rewards (financial and non-financial) has high effect on employees work performance in Dashen Bank?

#### **1.5. Research Objective**

##### **1.5.1. General Objective**

The main objective of the research is to assess the effect of reward practices on employee Performance in Dashen Bank S.C.

##### **1.5.2. Specific Objectives**

- ✓ To assess the perception of employees on reward system of Dashen bank
- ✓ Examine the effect of payment on employee performance in Dashen bank.
- ✓ Investigate the effect of benefit reward on employee performance in Dashen bank.
- ✓ Examine the effect of promotion on employee performance in Dashen bank.

- ✓ Investigate the effect of recognition on employee performance in Dashen bank.
- ✓ Examine the effect of working condition on employee performance in Dashen bank.
- ✓ Investigate the effect of supervision on employee performance in Dashen bank.
- ✓ Determine if there is any difference in the level of performance due to reward practice dimensions in Dashen bank.

## 1.6. Significance of the Study

Firstly, the findings of this research were expected to help any concerned body/ stakeholders at different levels by creating and developing awareness on the relationship between reward practices and employee performance.

- ✓ **For Manger of the Bank:** They use it to design a reward system which has high positive effect on employee's performance. And to avoid useless reward practice from their organization
- ✓ **For Policy Maker:** it will be using full to formulate reward and compensation policy by considering different situational factors.
- ✓ **For Academician:** The study is expected to be a stepping stone for further research on the area.

## 1.7. Scope/Delimitation of the Study

To make this research manageable, the scope of the study was limited to employees of the Dashen bank which working at professional level working at Addis Ababa branches and head office. In addition, study only confined to reward practices particularly financial and non-financial rewards. Financial rewards focus only payment and benefit whiles none financial rewards focus promotion, work condition, recognition and supervision.

Lastly, for the sake of quality and specialization and to cope with the available time and resource constraints, this study focuses only the reward practices of Dashen bank.

## 1.8. Definition of Key Terms

**Reward** - refers to both financial and non-financial rewards that are provided to employees in return of their contribution.

**Financial rewards:** are monetary incentives that an employee earns as a result of good performance.

**Non-financial reward:** programs structured to motivate positive behavior change through means other than money.

**Payment:** Pay one received from his or her employer in exchange of service he or she gives. It is the amount of pay (fixed salary or wage) that constitutes the rate for the job (Armstrong, 2006).

**Recognition** – are special awards for employee achievement, is less common and is associated with performance but usually operated separately and where many of the rewards are non-cash. (Stredwick, 2005)

**Benefit** -refers to employee's satisfaction with pension, medical scheme and leave. Employee benefits refer to compensation other than hourly wage or salary.

**Promotion** - refers to opportunities that organizations offer for advancement. (Langton, Robbins & Judge, 2013) asserts that promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing. Working condition - includes working hours, relationship with coworkers, and quantity of work and availability of resources.

**Supervision:** The relationships an employee do have with his/her manager or supervisor. It refers to the characteristics and quality of leadership.(Armstrong & mulris, 2004).

**Employee performance** -is the productivity or result of the employee while doing the job. Employee performance means employee productivity and output as a result of employee development. (Oroh, Lapian, & Pandowo, 2014)

**Working Condition:** Work environment in which an employee perform his/her work. (Gungor 2011),

## **1.9. Organization of the Study**

The study was organized into five chapters. The first chapter discuss the background information of the study, back ground information of the organization, statement of the problem, research questions, the research objectives, significance of the study, scope of the study, limitation of the study, definition of terms and organization of the study . Chapter two is concerned with the

various literatures to be reviewed in order to enhance the knowledge about the area followed by conceptual framework. Chapter three discusses the research design and methodologies are adopted for the study with relevant justifications. Chapter four presents the findings, results and analysis on the effects of reward practices on employee performance in Dashen Bank S.C. Chapter five comprise the summary of findings, conclusions and recommendations.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Theoretical Literature Review**

##### **2.1.1. Concept of Reward**

Reward is the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service. It not 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 challenge and sense of achievement and preferable growth opportunities (Jiang et al, 2009).

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. The reward system consists of all organization components – including people processes rules and decision making activities involved in the allocation of compensation and benefits to employee in exchange for their contribution to the organization (Pratheepkanth, 2011).

Reward management system contains the organization's policies, processes and practices for rewarding its employee in accordance with their contribution, abilities and artifice. It is progressed within the organization's reward philosophy, strategies and policies, and includes agreements in the form of processes, practices, structures and procedures which will provide appropriate types and levels of pay, benefits and other forms of reward (Armstrong, 2010).

Employee 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 conditions, worker and employer relationship, promotion and development opportunities, job security, and company's overall policies and procedures for rewarding employee, etc (Aktar, et al, 2012).

### **2.1.2. The Aim of Reward Practice**

Different writers present varying purpose of reward management. But, the purpose of reward management according to (Chelladurai, 2006), includes attracting and retaining good employees, reducing absenteeism, motivating enhanced performance, developing employee skills, facilitating organizational culture & strategic objectives, and defining and reinforcing organizational structure. Among these, the idea of having or attracting and retaining good employees worth further enlightenment as many of the competitive advantage of firms in today's dynamic business environment lies more on having good pool of human resources than technology, good system in place and other production tools.

Among many the aim of reward management are rewarding people according to what the organization values and wants to pay for; reward people for the value they create, convey the right message about what is important in terms of behaviors and outcomes, develop a performance culture, motivate people and obtain their commitment and engagement, help to attract and retain the high quality people the organization needs; create total reward processes that recognize the importance of both financial and non-financial rewards, develop a positive employment relationship and psychological contract, and align reward practices with both business goals and employee values. Further, it helps to operate fairly – make people feel that they are treated justly- the 'felt-fair' principle of Jaques (1961), apply equitably, function consistently and operate transparently (Armstrong's 2006).

Losey, Meisinger and Ulrich (2005) summarize total reward approach as holistic; reliance is not placed on one or two reward mechanisms or levers operating in isolation. Account is taken of all the ways in which people can be rewarded and obtain satisfaction through their work. The aim is to offer a value proposition and maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth.

According to Lawler (2000) one of the most fundamental debates in the field of rewards management, concerns the extent to which employees are motivated by money. At that point

there is an extensive discussion about whether or not money is a motivator and can influence the levels of job satisfaction.

### **2.1.3. The Concept of Reward Management**

(Armstrong, 2010), Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include arrangements for assessing the value of jobs through job evaluation and market pricing, the design and management of grade and pay structures, performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits.

Rewards management is now one of the strapping features that organizations use to attract and retain its most valuable and worthy assets, the employees. This includes both financial and non-financial rewards. Direct compensation (financial) comes in the form of wages, salaries, incentives, bonuses, commissions and so on. Indirect compensation or non-financial benefits include features such as paid vacation, annual leave entitlement, medical and hospitalization benefits, employer provident fund (EPF) contribution and etc. Productivity and efficiency are important performance indicators in any organization. In order to increase the productivity, members in the organization must perform well in their job. Job performances are relatively higher if the workers are fully motivated. Thus, rewards may affect job performance and workers' motivation level (Mansor, Borhannuddin, & Yusuf, 2012).

(Armstrong, 2010), Reward management is fundamentally about people. It is stakeholder orientated, integrated, Strategic and evidence based. Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards.

People are assessed according to the contribution they make to achieving organizational goals and rewarded accordingly. Having defined expectations, reward management can provide for people to be rewarded in line with the degree to which people meet them.

Managers should be aware of the results expected from people and the behavior needed to achieve these results and to support the organization's values. The reward system should ensure that the results and behavior are valued and recognized.

#### **2.1.4. Importance of Reward Management**

Reward management supports the achievement of business goals by helping to ensure that the organization has the talented and engaged people it needs. It contributes to the achievement of high performance by ensuring that the reward system recognizes and encourages it. Reward management can define expectations through performance management and contingent pay schemes (Armstrong, 2010).

Reward management policies in association with HR policies can help to create a working environment that provides for the just, fair and ethical treatment of employees. These are policies about treating people properly and avoiding the creation of unacceptable reward practices that reflect badly on the organization.

#### **2.1.5. Integrated Reward Management**

Integrated reward management is an approach to reward management that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute in conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM practices within it. As White (2005) cited in (Armstrong, 2010) points out, in an integrated approach 'each individual element of reward supports the other to reinforce organizational objectives.'

Integration takes three forms:

- i. Strategic integration: the vertical integration of reward strategy with business strategy.

- ii. HRM integration: the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development.
- iii. Reward integration: the internal integration of reward to ensure that its various aspects cohere and that a total reward philosophy is adopted that means a full range of mutually supporting financial and non-financial rewards is used (Armstrong, 2010).

### **2.1.6. Reward philosophy**

Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate).

The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy (Armstrong, 2010).

### **2.1.7. Concept of Total Reward**

According to Armstrong and Murlis (2004), total reward concept emphasizes the importance of considering all aspects of reward as an integrated and coherent whole. Each of the elements of total reward, namely base pay, pay contingent on performance, competence or contribution, employee benefits and non-financial rewards, which include intrinsic rewards from the employment environment and the work itself, are linked together. A total reward approach is holistic; reliance is not placed on one or two reward mechanisms or levers operating in isolation. Account is taken of all the ways in which people can be rewarded and obtain satisfaction through their work. The aim is to offer a value proposition and maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. As O'Neal (1998) has explained total reward embraces everything that employees' value in the employment relationship.

The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth (White &Drucker, 2000).

According to Thorpe and Homan (2000), one of the most fundamental debates in the field of rewards management, concerns the extent to which employees are motivated by money. At that point there is an extensive discussion about whether or not money is a motivator and can influence the levels of job satisfaction.

### **2.1.8. Types of Reward**

According to Luthans (2000), cited in (Aktar, Sachu, & Ali, 2012) there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees.

#### **2.1.8.1. Financial Rewards**

According to (Aktar, Sachu, & Ali, 2012), Financial rewards means pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. it comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits.

Financial rewards comprise all rewards that have a monetary value and add up to total remuneration – base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. They are the core elements in total rewards. The management of a reward system requires decisions on levels of pay, how jobs should be valued, the design and operation of grade and pay structures, and the choice of benefits. Such decisions can be complex and difficult, but the problems pale by comparison with the issues surrounding the use of contingent financial rewards (Armstrong, 2010).

### **2.1.8.2. Non-Financial Reward**

Non financial rewards are non monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non financial rewards is also called materials award (Neckermann & Kosfeld, 2008).

Non-financial rewards do not involve any direct payments and often arise from the work itself, for example recognition, achievement, autonomy, scope to use and develop skills, training, career development opportunities and high-quality leadership.

Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work–life balance), recognition, performance management, and learning and development.

Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile.

Non-financial rewards can be classified as follows:

- i. Individual extrinsic rewards: non-financial recognition, praise, feedback.
- ii. Individual intrinsic rewards: fulfilling work, opportunity to grow;
- iii. Collective extrinsic rewards: work–life balance policies, employee well-being services, concierge services, voluntary benefits, learning and development and talent management programmers;
- iv. Collective intrinsic rewards: work environment enhancement and work system design.

Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary/ pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal (Aktar, Sachu, & Ali, 2012).

### 2.1.8.3. Intrinsic Reward

According to Ryan and Deci, (2000) cited in (Mansor, Borhannuddin, & Yusuf, 2012) an intrinsic reward is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence. It fulfills employee's intrinsic factors or motivators, thus motivating him. Examples include by giving challenging task, getting involved in decision making process, giving a higher rank in hierarchy etc.

All these rewards do not require any increase in salary but the employee is still being motivated, feeling a sense of satisfaction of being given the opportunity of working at a higher management rank. An intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her.

According to (Thomas, 2009), the following are descriptions of the four intrinsic rewards and how workers view them:-

- a. **Sense of meaningfulness:** This reward involves the meaningfulness or importance of the purpose you are trying to fulfill. You feel that you have an opportunity to accomplish something of monetary or non-monetary value and something that matters in the larger scheme of things. You feel that you are on a path that is worth your time and energy, giving you a strong sense of purpose or direction.
- b. **Sense of choice:** You feel free to choose how to accomplish your work, how to use your best judgment to select those work activities that make the most sense to you and how to perform them in ways that are appropriate. You feel ownership of your work, believing in the approach you are taking and finally feeling responsible for making it work.
- c. **Sense of competence:** You feel that you are handling your work activities well that your performance of these activities meets or exceeds your personal standards, and that you are doing good, high-quality work. You feel a sense of satisfaction, pride, or even artistry in how well you handle these activities.
- d. **Sense of progress:** You are encouraged that your efforts are really accomplishing something. You feel that your work is on track and moving in the right direction. You see convincing signs ahead that things are working out well, giving you the confidence in the choices you have already made now and in the future.



According to (Gilley, Quatro, & Dixon, 2009), an intrinsic reward is a self-administered motivational stimulus. In short, it is a reward that comes from inside the employee, and is thus experienced by the employee as a natural by-product of performing certain tasks/jobs. Intrinsic rewards are valued emotional states experienced in relationship to the job itself. Intrinsic motivation and rewards are affected primarily via job design and ongoing career development. Specific intrinsic rewards include feelings of competence, personal development, and autonomy. Intrinsic Rewards are derived from the workplace itself and are valued internally by the employee. These include opportunities for personal growth, quality of work life, job satisfaction, challenges, personal and professional development opportunities, a sense of belonging, freedom to act, visionary leadership.

#### **2.1.8.4. Extrinsic Reward**

According to (Mansor, Borhannuddin, & Yusuf, 2012), extrinsic rewards are defined as those remuneration factors that are external to the job such as pay, work condition, security, benefits, promotion contract of services and work environment. It also refers to the core organizational reality, as equitable rewards distribution does drive employee's morale.

Extrinsic rewards drive employee's morale and the rewards distribution has always loomed large in corporations with performance appraisals in present eras of globalization. An extrinsic reward in fact fulfills employees' extrinsic factors or hygiene factors, invariably discouraging him from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted. Extrinsic rewards and resource investment have been seen as necessary tools to motivate employee's creativity, especially in formalized tasks. Extrinsic rewards played a dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount.

Rewards may come in the forms of either monetary or non-monetary. Monetary reward is to compensate associates for excellent job performance through money and incentives, including profit sharing, project bonuses, stock options and warrants, scheduled bonuses, and additional paid vacation time. Non-monetary reward is to compensate associates for excellent job performance through providing opportunities, such as flexible working hours, training, pleasant working and business environment. Prior to this, Taylor (1911) cited in (Mansor, Borhannuddin,

& Yusuf, 2012) stated that, an employee will be fully motivated if the employer pays reward (monetary) for the work done.

### **2.1.9. Reward System**

According to (Armstrong, 2010), reward system contains all elements of reward such as policies, practices, processes, procedures and structures.

The formal reward systems in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance (Batch S. 2009).

The key to an effective reward system is an understanding of what it is that employees need and expect from the work situation (Collings & Wood, 2009).

According to (Armstrong, 2010), Reward systems are based on the reward strategy, which flows from the business strategy, for example to gain competitive advantage, and the HR strategy, which is influenced by the business strategy but also influences it. The HR strategy may, for example, focus on resourcing but it should also be concerned with satisfying people as well as business needs. All these aspects of strategy are affected by the environment.

Reward strategies direct the development and operation of reward practices and processes and also form the basis of reward policies, which in turn affect reward practices, processes and procedures. These different aspects of a reward system are defined below.



**Figure 2.1 how a reward system operates source**

**Source: - Armstrong, 2010**

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### **Reward Strategies**

These set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business and HRM goals.

### **Reward policies**

These set guidelines for decision making and action.

## **Reward Practice**

These consist of the ways in which policies are implemented and practices carried out; for example, how the outcomes of surveys are applied and how managers manage the pay adjustment and review process.

## **Reward Procedures**

These are operated in order to maintain the system and to ensure that it functions efficiently and flexibly and provides value for money; an example is a procedure for conducting an annual pay review.

Reward systems are very crucial for an organization. Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance. The only way employees will fulfill the employers dream is to share in their dream.

Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, non monetary bonuses like vacations or a simple thank-you.

Every organization's reward system should focus on these major areas; compensation, benefits, recognition and appreciation (Sarvadi, 2010) cited in (Njanja, Maina, Kibet, & Njagi, 2013). Benefits such as car loans, medical covers, club membership, ample office space, parking slots and company cars are ways of rewarding and employees do note the types of benefit that their organization offers.

Recognition and appreciation are another integral component of a winning strategic reward system. Recognition is to acknowledge someone before their peers for desired behavior or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Njanja, Maina, Kibet, & Njagi, 2013).

Flynn (1998) cited in (Gohari, Ahmadloo, Boroujeni, & Hosseinipour, 2013) argued that rewards and recognition programs keep high spirits among employees, boosts up their morale and create a linkage between performance and motivation of the employees. The basic purpose of recognition and reward program is to define a system to pay and communicate it to the employees so that they can link their reward to their performance which ultimately leads to employee's job satisfaction. The rewards include the financial rewards, pay and benefits, promotions and incentives that motivate employees to some extent but for committed employees, recognition must be given to keep them motivated, appreciated and committed.

## **2.1.10. Reward Practices**

### **2.1.10.1. Base Pay**

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for shop floor workers, the level of skill required. Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities (going rates) are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

Base pay may be expressed as an annual, weekly or hourly rate. This is sometimes referred to as a time rate system of payment. Contingent pay or allowances as described later may be added to base pay. The rate may be adjusted to reflect increases in the cost of living or market rates by the organization unilaterally or by agreement with a trade union (Armstrong 2007).

### **2.1.10.2. Employee Benefits**

Employee benefits refer to compensation other than hourly wage or salary. Three fundamental roles characterize benefits: protection programs (income and health, respectively), paid time-off, and accommodation and enhancement benefits.

*Protection programs* provide family benefits, promote health, and guard against income loss caused by catastrophic factors like unemployment, disability, or serious illnesses.

***Paid time-off policies*** compensate employees when they are not performing their primary work duties, such as during vacation, holidays, and bereavement.

***Accommodation and enhancement benefits*** promote opportunities for employees and their families. There is a wide variety of programs, including stress management classes, flexible work schedules, and tuition reimbursement (Stone & Stone-Romero, 2008).

The employee benefits include:-

- a. **Fringe Benefits** - this can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services (Ingham, 2007).
- b. **Health Benefits** - most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered (Ingham, 2007).
- c. **Flexible benefit** - this benefit schemes allow employees to decide on the make-up of their benefits package within certain limits (Armstrong, 2010).

### **2.1.10.3. Promotion**

Promotion is an important feature of employee's life style and occupation, affecting other job experience levels and can have an obvious impact on other job aspects like job attachment and responsibilities. Additionally, promotion can influence the instrument of exerting better attempts, if employees put an important value on it. If not, the companies would focus on pay increase to reward high effort and productivity. Indeed, the employees may be worth the promotions since they make an increase in job services (Gohari, Ahmadloo, Boroujeni, & Hosseinipour, 2013).

### **2.1.10.4. Recognition**

Recognition is to acknowledge someone before their peers for desired behavior or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Njanja, Maina, Kibet, & Njagi, 2013).

Recognition is one of the most powerful methods of rewarding people. They need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated (Stredwick, 2005).

Recognition can be provided by positive and immediate feedback from managers and colleagues that acknowledge individual and team contributions. It is also provided by managers who listen to and act upon the suggestions of their team members. Other actions that provide recognition include promotion, allocation to a high-profile project, and enlargement of the job to provide scope for more interesting and rewarding work (Armstrong, 2007).

The most common strategies of recognition programs according to (WorldatWork, 2007) are:

- i. Rewarding employees for making exceptional contributions above and beyond their daily job functions.
- ii. Strengthening employee morale.
- iii. Increasing retention.
- iv. Tying performance to the company's mission.

According to Shore & Shore (1995) cited in (Khan, Shahid, Nawab, and Wali, 2013) employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their workplace and the people they work for.

#### **2.1.10.5. Work Condition**

The physical environment in which the work is performed is described here. Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professional and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included (WorldatWork, 2007).

Working conditions is defined by criteria such as:

- a. Physical effort
- b. Working environment
- c. Sensory attention
- d. Physical risks.

### **2.1.10.6. Supervision**

According to Herzberg (1968), leadership or supervision includes all the skills and abilities of the supervisor to lead, to coach and to solve problems. These aspects are crucial for his or her success and enhance employee motivation in their working environment.

### **2.1.11. Employee Performance**

Employee performance means a performance comprises an event in which normally one group of people the performer or performers act in a particular way for another group of people (Chaundary & Sharma, 2012). It refers to employees' efficiency at work, How well employees perform on the job and assignments assigned to them measured against the generally accepted measure of performance standards set by their companies (Torrington et al, 2008).

Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set the rewards system to evaluate the employee's performance at all levels and rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically (Aktar, Sachu, & Ali, 2012).

A good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence end up accomplishing the organizational goals and objectives.

### **2.1.12. Reward and Employee Performance**

Reward management defined as maximizing the value of organizations' reward budget by aligning performance and reward (Eigenhuis & Dijk, 2008).

Reward strategies, policies and practices focus on performance and contribute to the achievement of a high-performance culture. This is one in which people are aware of the need to perform well and behave accordingly in order to meet or exceed expectations (Armstrong, 2010).



As markets become more competitive on a global scale it is increasingly crucial to maximize the performance of the workforce to maintain the market position (Bishop, & Porter, 2004). Performance improvement can be obtained by identifying a shared vision of where the organizations want to be and clarifying the role of each employee in that process. However, even though there is goal clarity if individuals are not rewarded based on their performance, their performance would not be consistent.

Rewards those are associated with the job itself, such as the opportunity to perform meaningful work, complete cycles of work, see finished products, experience variety, receive professional development training, enjoy good relations with coworkers and supervisors and receive feedback on work results (Gilley, Quatro, & Dixon, 2009).

Reward and performance are the two sides of a single coin. Gomez-Mejia, Balkin, & Cardy (2005) outlined that the main objectives of any compensation and performance system is to motivate employees to work harder and help managers to decide who should be paid more based on individual contribution respectively. Employees should be aware of the relationship between how they perform and the rewards they get. Organizations should apply performance management programs which assist in planning employee performance, monitor performance by effecting proper measuring tools.

Rewards have been shown to motivate performance when certain conditions exist. Individuals are best motivated when they believe that the behavior will lead to certain outcomes that are attractive and that performance at a desired level is possible. Motivation therefore best explains element of reward and the effect it has on performance.

Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more.

Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance (Njanja, Maina, Kibet, & Njagi, 2013).

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them.

Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the lookout for employees who perform well (Njanja, Maina, Kibet, & Njagi, 2013).

## **2.1.14. Theories of Employee Performance**

### **2.1.14.1. The Goal Setting Theory**

It suggests that the individual goals established by an employee play an important role in motivating employee performance. It helps employees to keep following their goals. If goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Guest 2002).

The goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. Skills required include the ability to engage employees in mutual goal setting clarify role expectations and provide regular performance feedback. Time and energy will also need to be given to providing relevant performance incentives, managing processes, providing adequate resources and workplace training. It also advice that in order to drive the organization to peak performance managers and supervisors must put out front the human face of their organization. Principle here is the human-to-human interaction through providing individualized support and encouragement to each and every employee (Salaman et al, 2005).

Employee performance is a major multidimensional construct aimed to achieve results and has a strong link with planned goals of an organization (Abbas and Yaqoob, 2009). Performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization (Sabir et al. 2012).

Employee's goals achievement in this theory is by creating of work environment attractive, comfortable, satisfactory and motivating to employees so as to give them a sense of pride and purpose in what they do. How working environment is designed and occupied affects not only

how people feel, but also their work performance, commitment to their employer, and the creation of new knowledge in the organization (Taiwo, 2010).

#### **2.1.14.2. The Expectance Theory**

It is based on the hypothesis that employees adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The employees modify their behavior in such a way which is most likely to lead them to attain these goals. The theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Guest 2002).

The most widely accepted explanations of motivation have been propounded by Victor Vroom. His theory is commonly known as expectancy theory. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and shall result into realization of personal goal in form of some reward future events. The theory focuses on three things efforts and performance relationship, performance and reward relationship, rewards and personal goal relationship (Salaman et al, 2005).

According to Shields et al, (2007) indicator of high level performances is:

**Quality increases:** results or products are more effective in meeting or exceeding the expectations of stakeholder's

**Cost decreases:** amount of effort or financial resources to produce a result goes down; amount of waste goes down.

**Capability increases:** ability to tackle more challenging performances or projects increases.

**Capacity increases:** ability to generate more output increases.

**Knowledge increases:** depth and breadth of knowledge increases.

**Skills increase:** abilities to set goals persist; maintain a positive outlook, etc. increase in breadth of application and in effectiveness.

**Identity and motivation increases:** individuals develop more sense of who they are as professionals; organizations develop their essence.

## **2.2. Empirical Literature Review**

There were a number of scholars who conducted research studies on an employee performance in the workplace. According to most of these theorists, such performance can actually be predicted, explained and influenced. One of these scholars is Nelson (1997) who established different reward way and relates with employee satisfaction and employee performance. The better satisfied employee expected to perform well.

Danish & Usman (2010) suggested that a firm that fulfills both financial and non-financial rewards could be the best one. Moreover, they investigated the influence of financial motivators on the performance of employee. And the study results showed that better performance was best foreseen by the job reward; and job commitment was best forecasted by a combination of cost values, rewards, and the amount of investment. Indeed, the financial and non-financial rewards motivate the employees; and this motivation leads to realize a higher performance level

According to Gerhart & Milkovich (1990) claims that reward system should be carried out by the simplification of the connection between the given reward and the additional performance. Moreover, they suggested that to achieve positive effect, reward practices have to be performance-dependent. Indeed, managers who attempt to run a fair rewarding system seem to be more prosperous in performance rather than those who reward in an unfair manner.

A research by (Pinar Güngör, 2011) focuses on the relationship between the reward management system applications and employee performance of bank employees on global banks in Istanbul. He concludes that employee performance effectiveness is determined on reward systems. In addition (Madhuri K. and Prabhakar K., 2014) remark that perceived level of rewards and motivation has significant relationship among the private sector employees and the monetary rewards had a significant effect on employee motivation than the non-monetary rewards.

Tausif (2012) conducted a study on the influence of non-financial rewards on employee in educational sector of Pakistan. Structured questionnaire were employed to collect the data from the selected respondents. The researcher developed two competing hypothesis on the relationship between non-financial rewards and employee performance. In the study t test, regression and

correlation to test hypothesis, whether non-financial rewards have positive relationship with employee job satisfaction or negative relationship with job satisfaction. The independent variable promotion, job enrichment and autonomy and its influence on dependent variable employee performance were his areas of study.

The findings of the study reveals that employee performance is positively and considerably associated with non-financial rewards such as promotion, job enrichment and task autonomy.

A study conducted by Payam, Ali, Seyed, & Mahmood (2013) attempts to review various variables in term of relationships between rewards, job satisfaction, and employee performance. In the study, two types of reward were identified, and they were financial reward and non-financial reward. The finding showed that reward can affect job satisfaction and thereby employee performance. Finally the study proposes a new framework based on mediating role of job satisfaction.

Abdul Hameed et al (2014) conducted a research on impact of compensation on employee performance in the banking sector of Pakistani. Findings were Compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance. Descriptive analysis also reveals that all the independent variables have positive impact on employee performance.

Nnaji-Ihedinmah & Egbunike (2015) find out the Effect of Rewards on Employee Performance in selected bank Organizations in Awka Metropolis. The main objective of this study is to determine whether a relationship exists between rewards system and employee performance. More specifically, the study intends to address the relationship between intrinsic (non-financial) and extrinsic (financial) rewards on employee performance.

Isaack Korir, Dinah Kipkebut (2016) examines the effect of financial and non-financial rewards on organizational performance and employee commitment of employees in Universities in Nakuru County. Results indicated that there was a moderate significant positive relationship between financial rewards and affective commitment ( $r = 0.344$ ,  $p < 0.000$ ) and a weak significant positive relationship between financial rewards and normative commitment ( $r =$

0.249,  $p < 0.008$ ). The study found that financial reward management practices collectively have significant effect on organizational performance and commitment.

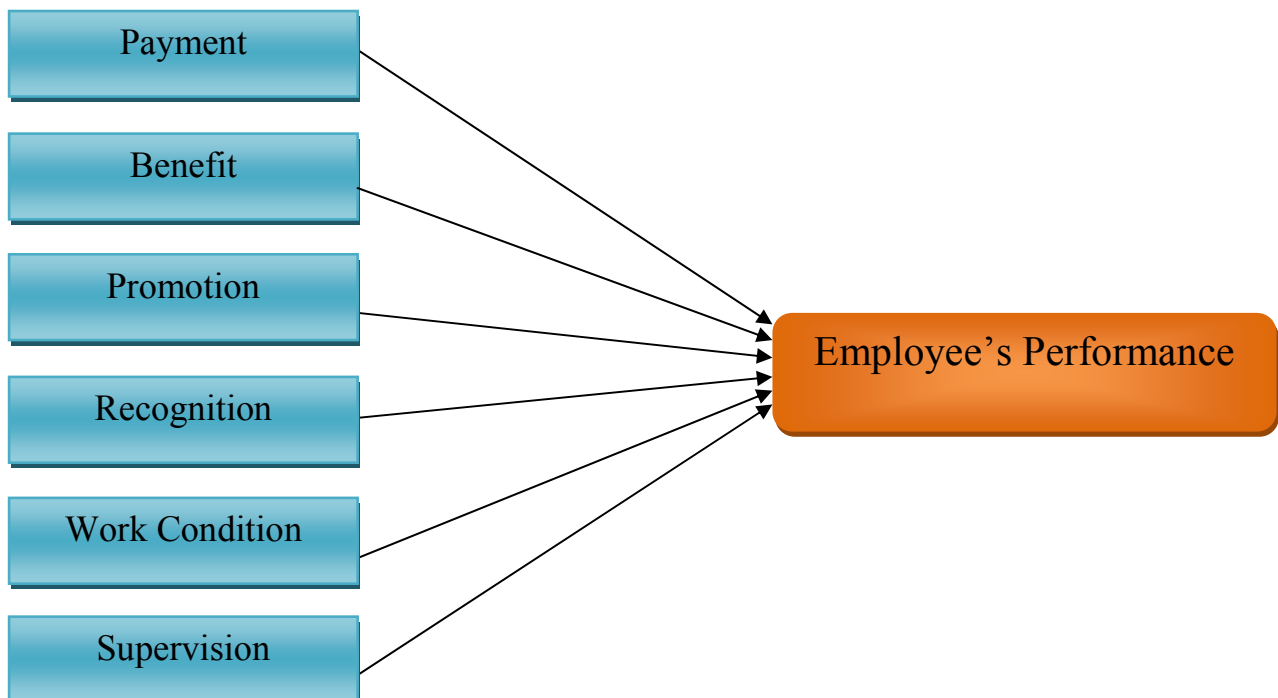
### 2.3. Conceptual Framework

A reward practice of an organization reflects what an organization sees as important. The model is constructed based on a reward system comprising both financial and non financial rewards in order to reward high performers. The bank's reward practices were assessed based on the following variables (sets of data): payment/salary, bonus, recognition, conducive work environment and carrier development opportunity (Armstrong, 2006) & (Hume, 2000).

The study applied independent and dependent variables in order to put the research into practice. These dependent and independent variables are shown in the conceptual framework. Therefore the independent variables are payment/salary, benefit, promotion, recognition, supervision, and working condition and the employee performance was taken as the dependent variable for the study.

**Independent variables**

**the dependent variable**



**Figure 2.2: Conceptual framework**

**Source: - Self-developed**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design and Approach**

According to Kothari, (2004), a research design is arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, research design is the conceptual structure with in which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data.

As this study establishes causal relationship between variables, thus it is explanatory research. The emphasis here was on studied a situation or a problem in order to explain the relationships between variables. Questioners were analyzed using statistics methods.

The study follows quantitative data collection methods. The quantitative approaches used because it is highly structured and which allows for the cost efficient and less tedious data analysis' Schutt (2006).

#### **3.2. Source and Instrument of Data Collection**

To fulfill the purpose of the study, the researcher used or gathers 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 included the reward practices and employee performance was developed from Roberts, R.L. (2005) and Muchiri H. (2016) and a self develop biographical questionnaire. 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 contained closed ended questions and it was administered by the researcher. Employees of Dashen banks were taking to serve as the main source of primary data.

Secondary data on the company's records and on the previous works conducted in the subject matter was collected mainly from books, journals, bulletins and companies manuals and websites.

### **3.3. Population, Sampling size, Sampling frame and Sampling Technique**

#### **3.3.1. Population of the Study**

Target population is defined as the entire group a researcher is interested in. According to Zikmund (2003), the definition of the population was identifiable total set of elements of interest being investigated by a researcher. According to data from Dashen Bank 2017 Annual Report, there are 12 districts and over 320 branches. Therefore, the target population of this study was Dashen Bank professional employee under Addis Ababa City District Office and head office level.

#### **3.3.2. Sampling Size and Frame**

A sample frame represents the comprehensive list of study subjects from which the research draws the sample size (Cooper & Schindler, 2014). For a sample frame to be valid, it has to contain holistic representation of the entire population. This study was adopted a sample frame from Dashen Bank Human Resource Department.

In order to determine the sample size, the study adopted a statistical formula developed by Daniel (1999). As cited by Naing, Winn and Rusli, (2006). The researcher was set its confidence level at 95% with 5% error term. Accordingly, using a Z-score value of 1.96 at this confidence level the following sample was drawn:

$$n = \frac{Z^2 P(1-P)}{d^2}$$

Where:

n= sample size

Z: statistic for a level of confidence.

P= expected prevalence or proportion (in proportion of one if 20% p=0.2)

d= precision (in proportion of one if 5% d=0.05)



$$n = \frac{1,96^2 * 0.2(1-0.2)}{0.05^2}$$

$$n = 245.86 \approx 246$$

For the sake of assuming non-response rate, the researcher over sample the size and increased it to 250, by adding 1.63%  $(250-246/246*100)$  of the respondents to the sample size.

Based on the above information, the sample size (n) is calculated for the target population of 2,469 and it is 250. Therefore, the study's sample size of 250 was considered to represent the population.

By using the sample size obtained from the above formula, the proportion or the strata sample size was determined for each branch in the Dashen bank. The strata sample size was determined based the below mentioned equation:

$$n_h = (N_h / N) * n$$

Where;

$n_h$  is the sample size for stratum  $h$ ;

$N_h$  the population size for stratum  $h$ ;

$N$  is the total population size;

$n$  is the total sample size.

**Table 3.1: Sample Size of each stratum**

S.No.	Name of Area Banks	Total Number of employees	Sample Size
1	Head Office Departments	1,113	112
2	Premiur Branch	52	5
3	Main Branch	65	7
4	Grade IV Branch	202	20
5	Grade III Branch	306	31
6	Grade II Branch	331	34
7	Grade I Branch	400	41
	<b>Total</b>	<b>2,469</b>	<b>250</b>

*Source; Dashen Bank, 2017*

### **3.3.3. Sampling Techniques**

This study adopted stratified simple random sampling techniques. Stratified sampling is defined as sampling technique where study population is placed in various groups based on similar characteristics of the members of the group. The groups are referred to as 'strata' (Denscombe, 2007). Simple random sampling on the other hand is defined as a sampling that is done randomly within a study population so as to give every member equal opportunity of being sampled (Saunders et al., 2012). This study adopted stratified sampling since the employee population was not homogeneous. North Addis District, East Addis District, South Addis District, West Addis District and Head Office were placed in different strata. Simple random sampling was subject to select representative Branches from each stratum. From all districts select four grade IV, four grade III, five grade II and eight grade I branches and five departments from Head Office by using simple random sampling method. Then from each branch selected sample respondent employees based on their number of employees by using simple random sampling and distributed proportionally.

### **3.4. Method of Data Analysis and Presentation**

Data processing and analysis is an important part of the whole survey operation. It includes manual editing, coding, data entry, data cleaning, and consistency checking. The researcher made all these activities of data processing. Descriptive, Correlation and regression analysis methods were used to analyze the collected data. Descriptive tools such as frequency and percentage was employed to present results. Statistical analysis tool such as correlation coefficients will work out and use to explore the relationship between variables and multiple regressions to predict the effect of six components of reward practices on employee performance. STATA version 21 will be use for the analysis.

### **3.5. Validity and Reliability Test**

#### **3.5.1. Validity**

Before the questionnaire was distributed to the respondents, the validity of the instruments was checked by the advisor as to whether it measures what it purported to measure. Accordingly,

based on the approval obtained from the advisor, the questionnaire was used considering that, they are valid.

### 3.5.2. Reliability

Prior to the actual data collection reliability test was conducted on selected employees to check whether the data collection instrument was consistent and dependable in measuring what it intends to measure. Accordingly 50 questionnaires were distributed and collected to measure the reliability of the instruments and the following result was obtained using Cronbach's Alpha on SPSS.

**Table 3.2 Cronbach's Alphas of RP Constructs**

Variables	Items	Cronbach's Alpha	Internal consistency
All Items	32	0.943	Excellent
Payment	5	0.762	Acceptable
Benefit	4	0.741	Acceptable
Promotion	5	0.818	Good
Recognition	5	0.844	Good
Working Condition	4	0.745	Acceptable
Supervision	4	0.707	Acceptable
Employee Performance	5	0.719	Acceptable

*Source; own survey, 2018*

Hence, since the value of Cronbach's alpha of all the constructs was above the acceptable range, we can conclude that the data collection instrument was consistent and dependable.

### 1.10. Model Specification

Linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey, 2005). In this study multiple regressions was employed. Multiple regression analysis takes into account the inter-correlations among all variables involved. This method also takes into account the correlations among the predictor scores (Adams, 2007). They added multiple regression analysis, which means more than one

predictor is jointly regressed against the criterion variable. This method is used to determine if the independent variables will explain the variance in dependent variable.

Therefore, the equation of regressions on this study is generally built around two sets of variables, namely dependent variable (Overall employee performance/ $Y_i$ ) and independent variables (payment / $X_1$ /, Benefit / $X_2$ /, Promotion/ $X_3$ /, recognition/ $X_4$ /, working condition / $X_5$ /, and working condition / $X_6$ /). The basic objective of using multiple regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables. That is it is primarily used to identify the effect of major determinant factors of reward practices on the overall employee performance in Dashen Bank S.C.

The dependent variable is employee performance while the independent variables are payment, benefits, promotion, recognition, work condition and supervision

$$EP = f(x_1, x_2, x_3, x_4, x_5, x_6)$$

$$EP = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + e_i \text{ ----- (1) Where}$$

EP =employee performance which is the dependent variable

$\beta_0$ =average performance.

$X_1$  = payment,  $X_2$ = benefits,  $X_3$ =promotion,  $X_4$ =recognition and  $X_5$ =work condition,  $X_6$ = supervision

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  are coefficients of each independent variable

$e_i$ = error term or residual or unexplained variable.

### **1.11. Ethical Considerations**

The present study was conducted based on the permission obtained from Dashen Bank SC. employees of the Bank was also clearly instructed on top of the questionnaire that, the study is conducted to explore the effect of reward practices on employee performance the case of Dashen Bank SC and it is truly used for academic purposes only. For the sake of protecting the privacy of the respondents, instruction was put in place stating that, customers are not required to write their name and address on the questionnaire. Finally, the researcher wants to assure that, all the respondents fill the questionnaire based on their bestowed interest.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1. Introduction

This particular study concentrates on the “The Effect of Reward Practices on Employees Performance” in the case of Dashen Bank SC. Hence, the study followed quantitative research design as its plan of action. A total of 250 questionnaires were distributed to the selected 21 branches and 5 head office departments, according to their percentage contribution to number of employees. Accordingly, the entire distributed questionnaire was collected and the researcher managed to get 100% response rate, which increased the quality as well as the generalizability of the study.

Pertinent to the methodology, descriptive statistic for analyzing the demographic data and as well as multiple regressions for analyzing the basic constructs of reward practice such as, Payment, Benefit, Promotion, Recognition, Working Condition, Recognition and Supervision against the dependent variable of Employee Performance was used.

The data collected from employees of Dashen Bank, was first loaded into SPSS version 21, so that the required output of frequency distribution for demographic data and multiple regression for the basic questions of reward practices components and the dependent variable employees performance was obtained.

In analyzing, multiple regressions, between the predictor variables, the average of the response obtained from the employees was taken into consideration. Data collected using a five point Likert scale was measured at an ordinal level and it is usually non parametric in nature. Due to this, average was calculated in order to convert the data into continuous and hence took the nature of parametric test where it is possible to conduct linear multiple regression Cohen J. et al (2010).

## 4.2. Respondents Profile

Descriptive statistic was used to analyses the demographic characteristics of the respondents and hence the result of the analysis is described in detail hereunder:

**Table 4.1 Gender, Age and Educational status of the respondents**

<b>Gender of the respondents</b>		<b>Frequency</b>	<b>Percent</b>
Valid	Female	83	33.2
	Male	167	66.8
	<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Age of the respondents</b>		<b>Frequency</b>	<b>Percent</b>
Valid	23-35	207	82.8
	35-45	34	13.6
	45-60	9	3.6
	<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Educational status of the respondents</b>		<b>Frequency</b>	<b>Percent</b>
Valid	Diploma	12	4.8
	First Degree	211	84.4
	Master's Degree	27	10.8
	<b>Total</b>	<b>250</b>	<b>100.0</b>

*Source – own survey, 2018*

### 4.2.1. Gender of the Respondents

From 250 sample drawn from the total population, **33.2% (83)** of them are female respondent and the remaining **66.8 % (167)** are represented by male respondents who took the biggest share of the total population considered under the study.

### 4.2.2. Age of the Respondents

The SPSS output result on the age of the respondents showed that, the largest proportion of the respondents fall on the age bracket between 23-35 years, whose accounts for **82.8%(207)**, followed by respondents who's age are between the range of 35-45, covering the second largest proportion of **13.6% (34)**. The remaining age category, meaning respondents with the rage between 45-60 are accounted for **3.6 %( 9)**. From this result we figured out that most of the respondents are from the productive age.

### 4.2.3. Educational Status of the Respondents

The data extracted from SPSS showed that, the upper hand of the respondents possessed first degree in their educational qualification which accounted for **84.4% (211)** from the total respondents considered for the study. The second largest percentage was taken by those respondents whose qualification was master's degree, covering around **10.8 % (27)**, followed by respondents whose qualification which accounted for **4.8 % (12)**. The fact that the majority of the respondents are have first degree.

**Table 4.2 Marital status, years of service, current position and salary range of the respondents**

<b>Marital status of the respondents</b>		<b>Frequency</b>	<b>Percent</b>
Valid	Single	166	66.4
	Married	81	32.4
	Divorced	3	1.2
	<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Year of service in the Bank</b>		<b>Frequency</b>	<b>Percent</b>
Valid	1-3 years	93	37.2
	3-5 years	62	24.8
	5-9 years	69	27.6
	More than 9 years	26	10.4
	<b>Total</b>	<b>250</b>	<b>100.0</b>

<b>Current position of the respondents</b>		<b>Frequency</b>	<b>Percent</b>
Valid	Junior	102	40.8
	Senior	117	46.8
	Manager	31	12.4
	<b>Total</b>	<b>250</b>	<b>100.0</b>
<b>Salary range of the respondents</b>		<b>Frequency</b>	<b>Percent</b>
Valid	3500-5000	8	3.2
	5001-8000	101	40.4
	8001-15000	130	52.0
	15001-20000	9	3.6
	20001-25000	2	.8
	<b>Total</b>	<b>250</b>	<b>100.0</b>

*Source – own survey, 2018*

#### **4.2.4. Marital Status of the Respondents**

With regard to respondents' marital status, **166(66.4%)** are single, **81(32.4%)** are married and **1.2 %( 3)** are divorced. Research conducted on this area consistently indicates that married employees are ready to accept responsibility and to perform more with compared to unmarried coworkers (Austrom et. al. 1988; Federico et. al. 1976; Garrison and Muchinsky 1977; Watson 1981).

#### **4.2.5. Respondents Years of Service in the Bank**

The above table also depicts years of service that respondents have in the bank. **93 (37.2 %)** have been working in the bank between one to three year, **62 (24.8%)** are between three to five years, **69 (27.6%)** are between five to nine years, and **26 (10.4%)** are more than 9 years.



#### 4.2.6. Current Position of the Respondents

With regard to position classification job category of the respondents which were junior, senior and manager, **102 (40.8%)** were junior, **117 (46.8%)** were senior and **31 (12.4%)** were line manager, this entails that majority of the respondents were senior and junior employees.

#### 4.2.7. Salary Range of the Respondents

Finally Under salary classification, the participants were classified in to six categories based on the salaries held at the time of study. As above table 4.2 illustrates that the majority, **52% (130)** of participants were categorized under 8,001 – 15,000. The second higher categories were 5,001 – 8,000, which are **101 (40.4%)**. The third categories were classified as 15,001 – 20,000, which is **3.6% (9)**. The other categories were 3,500 – 5,000 which constitutes **3.2% (8)**, finally salary categorized under 20,001 – 25,000 is constitute **0.8% (2%)**.

### 4.3. Perception of respondents towards reward practices of the Bank

This part of the paper describes the finding of the respondent’s perception towards the current payments practice of the bank. Descriptive statistics is done in the form of mean and standard deviation for five dimensions and it is presented in the following table.

#### 4.3.1. Perception of Respondents towards the Current Payment Practice of the Bank

**Table 4.3: Mean and standard deviation for Measures of respondent’s Perception of Payment Practice**

<b>Descriptive Statistics</b>			
Payment	N	Mean	Std. Deviation
My basic payment is reasonable with respect of my contribution	250	2.5400	1.27077
My salary is fair when compared with that of similar jobs in other companies.	250	2.1760	1.10540
My salary is enough to satisfy my needs.	250	1.7600	.93911
Salary increment is managed fairly.	250	2.1600	1.07472
Salary adjustment is made according to the current market.	250	1.8400	1.00521
<b>Over all perception of employees towards the payment of bank</b>	<b>250</b>	<b>2.0952</b>	<b>0.80823</b>

*Source; own survey*

From the table depicted above, we can understand that mean average and standard deviation average of employees' response in respect of payment is 2.0952 and 0.80823 respectively which can show the employees of the bank are considerably don't motivated by the overall payment system of the organization. Further, if we see in to basic payment of the bank, the basic payment are well associated with the nature of tasks in the company which can give a perception that it is an important factor to be considered in their level of performance (Mean=2.54). Yet, employees' responses on whether salary is enough to satisfy their needs rated low (Mean=1.76).

#### 4.3.2. Perception of Respondents towards the Benefits package in the Bank

**Table 4.4: Mean and standard deviation of respondents for Benefit packages of Bank**

<b>Descriptive Statistics</b>			
Benefit	N	Mean	Std. Deviation
The benefit I receive are as good as other banks offer	250	2.3920	1.17467
The benefit package we have is equitable	250	2.5680	1.18108
I am satisfied with long term benefit and insurance policies of the company	250	2.8280	1.24765
There are few rewards for those who work here	250	3.0800	1.25535
<b>Over all perception of employees towards the benefit of bank</b>	<b>250</b>	<b>2.7170</b>	<b>0.92525</b>

*Source: Own Survey*

From the table depicted above, we can understand that mean average and standard deviation average of employees' response in respect of benefit is 2.717 and 0.92525 respectively which can show the employees of the bank are considerably moderately motivated by the overall benefit package of the organization. Further, if we see in to rewards for those who work here, the rewards for those who work here are well associated with the nature of tasks in the company which can give a perception that it is an important factor to be considered in their level of performance (Mean=3.08). Yet, employees' responses on whether the benefit they receive are as good as other banks offer rated low (Mean=2.392).

### 4.3.3. Perception of Respondents towards the Promotion practices of the Bank

**Table 4.5 Mean and standard deviation for Measures of Promotion Expectation**

<b>Descriptive Statistics</b>			
Promotion	N	Mean	Std. Deviation
There exists an opportunity for promotion in the bank	250	2.6520	1.19356
Staffs are promoted in a fair and transparent way	250	2.2480	1.20011
I am satisfied with promotion system of the bank	250	1.9600	1.10784
Criteria for promotion is acceptable to me	250	1.8960	1.12884
Promotion is very important to improve my work motivation	250	4.3800	1.00381
<b>Over all perception of employees towards the promotion of bank</b>	<b>250</b>	<b>2.6272</b>	<b>0.83971</b>

*Source: Owen Survey*

As seen in the table above, employees' believe the overall nature of the banks promotion system moderately affect their work performance (Mean=2.62). In congruent with this, the bank criteria for promotion is not acceptable to them (Mean=1.896) which can be taken as a factor unfavorably contributing to their performance. Whereas, employees' promotion is very important to improve their work motivation (mean=4.38) as an element of promotion perceived to be the best contributor to raise employee work performance.

### 4.3.4. Perception of Respondents towards the Recognition

**Table 4.6: Mean and standard deviation for Measures of recognition**

<b>Descriptive Statistics</b>			
Recognition	N	Mean	Std. Deviation
I am given a written appreciation letter for my good work	250	2.3520	1.22724
I usually acquire acknowledgement for the work done by me	250	2.6400	1.33173
I am ready to accept constructive criticism regarding my work	250	4.1560	.96300
I am praised regularly for my good work	250	2.8800	1.29006
I receive feedback on making progress	250	3.5880	1.12039
<b>Over all perception of employees towards the recognition of bank</b>	<b>250</b>	<b>3.1232</b>	<b>0.86011</b>

*Source: Own Survey*

As seen in the table above, employees' believe the overall nature of the banks recognition system moderately affect their work performance (Mean=3.1232). In congruent with this, written appreciation letter for my good work (Mean=2.352) which can be taken as a factor unfavorably contributing to their performance. Whereas, employees' readiness to accept constructive criticism regarding their work (mean=4.15) as an element of recognition perceived to be the best contributor to raise employee work performance.

#### 4.3.5. Perception of respondents toward working conditions of the Bank

**Table 4.7: Mean and standard deviation for Measures of working condition**

<b>Descriptive Statistics</b>			
Working Condition	N	Mean	Std. Deviation
I have freedom to try new methods of doing in my job	250	2.7840	1.34184
Company rules and procedures are conducive for work	250	2.0360	1.20354
There are high varieties of jobs in my work	250	2.9000	1.33308
I have reasonable work autonomy in my job	250	2.8840	1.23476
<b>Over all perception of employees towards the working condition of bank</b>	<b>250</b>	<b>2.6510</b>	<b>0.92973</b>

*Source: Own Survey*

From the table depicted above, we can understand that mean average and standard deviation average of employees' response in respect of work condition is 2.651 and 0.92973 respectively which can show the employees of the bank are considerably moderately motivated by the overall working condition of the organization. Further, if we see in to employees' trust that their work is redundant, the work redundant are well associated with the nature of tasks in the company which can give a perception that it is an important factor to be considered in their level of performance (Mean=2.9). Yet, employees' responses on whether the company rules and procedures are conducive for work rated low (Mean=2.036).

#### 4.3.6. Reaction of Respondents towards the supervision

**Table 4.8 Mean and standard deviation for quality of supervision**

Descriptive Statistics			
Supervision	N	Mean	Std. Deviation
My supervisor Support me in case of problems	250	2.5920	1.33291
My supervisor treat me equally with other staffs	250	2.5720	1.39305
I receive adequate guidance and support from my supervisor	250	2.6080	1.32868
My supervisor is cooperative	250	2.6440	1.41608
<b>Over all perception of employees towards supervision of bank</b>	<b>250</b>	<b>2.6040</b>	<b>1.20603</b>

*Source: Own Survey*

As seen in the table above, employees' believe the overall nature of the banks quality of supervision moderately affect their work performance (Mean=2.64). In congruent with this, supervisor treat them equally with other staffs (Mean=2.572) which can be taken as a factor unfavorably contributing to their performance. Whereas, supervisor cooperative level (mean=2.64) as an element of quality supervision perceived to be the best contributor to raise employee work performance.

#### 4.3.7. Perception of Respondents towards the levels of employee performance

**Table 4.9: Mean and standard deviation for Measures of employee performance**

Descriptive Statistics			
Employee Performance	N	Mean	Std. Deviation
I am always committed to the mission and vision of my organization.	250	1.8800	.98258
I enjoy my tasks and the division of work approach.	250	2.4200	1.23357
I am given an opportunity to improve my performance through learning more skills.	250	2.6960	1.28460
I make decisions rationally in relation to customers that was satisfy them more.	250	1.6920	.83422
I feel my performance contributes for the growth of my organization.	250	3.0200	1.35460
<b>Over all perception of employees towards the level employee performance</b>	<b>250</b>	<b>2.3416</b>	<b>0.79230</b>

*Source: Own Survey*

Finally from the above table, we can understand that mean average and standard deviation average of employees' response in respect of employee performance is 2.3416 and 0.7923 respectively which can show the employees of the bank are considerably have lower level of performance. Further, if we see in to the performance contributes for the growth of their organization., the performance contributes are well associated with the nature of tasks in the company which can give a perception that it is an important factor to be considered in their level of motivation (Mean=3.02). Yet, employees' responses on whether they make decisions rationally in relation to customers that was satisfy them more rated low (Mean=1.692).

#### **4.4. The relationship between reward practices and employee performance**

The Pearson's Product Movement Correlation Coefficient was computed to determine the relationships between payment, benefit, recognition, promotion, supervision and working condition with employee performance. Correlation analysis is a useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If  $r = -1$  there is perfectly negative correlation between the variables. If  $r = 0$  there is no relationship between the variables and if  $r = +1$  there is perfectly positive relationship between the variables. For values of r between +1 and 0 or between 0 and -1, the different scholars have proposed different interpretations with slight difference. For this study diction rule given by Bartz (1999) was used. Bartz (1999) described the strength of association among variables as mentioned in following table.

**Table 4.10 Interpretation of R value**

<b>Value of r</b>	<b>Description</b>
0.80 or higher	Very High
0.6 to 0.8	High
0.4 to 0.6	Moderate
0.2 to 0.4	low
0.2 or Lower	Very low

*Source; Bartz (1999)*

**Table 4.11 Correlation matrix between Reward Practice and Employee Performance**

**Correlations**

		Employee Performance	Payment	Benefit	Promotion	Recognition	Working Condition	Supervision	Reward Practices
Employee Performance	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	250							
Payment	Pearson Correlation	<b>.512**</b>	1						
	Sig. (2-tailed)	.000							
	N	250	250						
Benefit	Pearson Correlation	<b>.457**</b>	<b>.464**</b>	1					
	Sig. (2-tailed)	.000	.000						
	N	250	250	250					
Promotion	Pearson Correlation	<b>.586**</b>	<b>.420**</b>	<b>.456**</b>	1				
	Sig. (2-tailed)	.000	.000	.000					
	N	250	250	250	250				
Recognition	Pearson Correlation	<b>.604**</b>	<b>.375**</b>	<b>.440**</b>	<b>.423**</b>	1			
	Sig. (2-tailed)	.000	.000	.000	.000				
	N	250	250	250	250	250			
Working Condition	Pearson Correlation	<b>.669**</b>	<b>.471**</b>	<b>.401**</b>	<b>.432**</b>	<b>.546**</b>	1		
	Sig. (2-tailed)	.000	.000	.000	.000	.000			
	N	250	250	250	250	250	250		
Supervision	Pearson Correlation	<b>.367**</b>	<b>.271**</b>	<b>.273**</b>	<b>.239**</b>	<b>.330**</b>	<b>.342**</b>	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		
	N	250	250	250	250	250	250	250	
Reward Practices	Pearson Correlation	<b>.750**</b>	<b>.689**</b>	<b>.711**</b>	<b>.683**</b>	<b>.729**</b>	<b>.753**</b>	<b>.638**</b>	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	
	N	250	250	250	250	250	250	250	250

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

*Source; own survey, 2018*

The result of Pearson correlation test between the dependent variable *employee performance* and the independent variable *Payment* showed that, there is a positive relationship between the two variables at the significance level of (**R=0.512\*\***), (**P<0.01**). According to Bartz, (1999) measure of association, the magnitudes of relationship between the two variables are moderate.

Pearson correlation test was conducted to know the degree of association between the dependent variable *employee performance* and the independent variable *benefit*. Hence, the result of the study showed that, both variables are positively correlated to one another at a significant level of (**R=0.457\*\***), (**P<0.01**). According to Bartz, (1999) measure of association, the magnitudes of relationship between the two variables are moderate.

The result of Pearson correlation test between the dependent variable *employee performance* and the independent variable *promotion* showed that, there is a statistically significant positive relationship between the two variable at the level of (**R=0.586\*\***), (**P<0.01**). Bartz, (1999) classified this magnitude of relationship as a moderate one.

Pearson correlation test was conducted to know the degree of association between the dependent variable *employee performance* and the independent variable *recognition*. Hence, the result of the study showed that, both variables are positively correlated to one another at a significant level of (**R=0.604\*\***), (**P<0.01**). Bartz, (1999) classified this magnitude of relationship as a higher one.

As usual, Pearson correlation test was conducted to check the degree of association between the dependent variable *employee performance* and the independent variable *working condition*, which the fifth construct element of reward practice considered under this study.

Accordingly, the test result of the study showed that, there is a significant positive relationship between the two variables at a level of (**R=0.669\*\***), (**P<0.01**).Based on Bartz, (1999) correlation table, the magnitude of relationship between the two variables was higher.

Pearson correlation test was conducted to know the degree of association between the dependent variable *employee performance* and the independent variable *supervision*. Hence, the result of the study showed that, both variables are positively correlated to one another at a significant level of (**R=0.367\*\***), (**P<0.01**).



Under this test, the average sum of all the reward practice constructs discussed so far was taken into consideration, in order to know the degree of association between all components of *reward practice* and *employee performance*. Hence, the result of Pearson correlation test showed that, both variables are correlated at a degree of ( $R=0.750^{**}$ ), ( $P<0.01$ ). At this level we could say that, the correlations between the two variables are strong, according to Bartz, (1999).

**Concluding remark on the correlation**

The researcher considered six constructs of reward practice, i.e. *Payment, Benefit, Promotion, Recognition, Working condition and Supervision*, to see their degree of correlation with the dependent variable employee performance. Accordingly, all the components of reward practice are positively associated with employee performance using Pearson correlation.

**Table 4.12 Pearson Correlations Financial and Non-financial Reward and Employee performance**

<b>Correlations</b>			
	Employee Performance	Financial Reward	Non-Financial Rewards
Employee Performance	1		
Financial Reward	$.564^{**}$	1	
Non-Financial Rewards	$.741^{**}$	$.605^{**}$	1

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

**Source; own survey, 2018**

From above table show that, there is moderate positive and significance between financial rewards and employee performance at ( $r=.564$ ,  $p<0.01$ ) 99% level of significance. On other side there is also high positive and significance relation between non-financial rewards and employee Performance a ( $r=.741$ ,  $p<0.01$ ), but non-financial rewards are highly correlated with employee performance than financial rewards.

**4.5. Effect of Reward Practices on Employee Performance**

Depending on the number of variables, one can run either simple linear regression with one dependent or one independent variable or otherwise, run multiple regressions to see the linear relationship between one dependent and two or more independent variables. This particular study put in place, linear multiple regressions to study, the effect of reward practices (i.e. Payment,

Benefit, Promotion, Recognition, Working Condition and Supervision) on the dependent variable Employee Performance. Hence, to be able to develop the regression line formula, the dependent and the independent variables are denoted as, (**X1=Payment, X2=Benefit, X3=Promotion, X4=Recognition X5=Recognition and X6=Supervision**) and the dependent variable, **Y=Employee Performance**.

Before running a multiple regression on the SPSS, the researcher conducted a test of basic assumptions that are required to be fulfilled while conducting multiple regression, which otherwise be impossible to do. The tests for the five assumptions of multiple regressions are presented hereunder:

**1. Assumption 1- Normality of the Distribution**

This assumption formally applies to the distribution of the errors (or, equivalently, the conditional distribution of the response variable) for any given combination of values on the predictor variables, Matt N, Carlos A, and Deson K (2013). One way of measuring the normality of distribution is through checking the level of skewness and kurtosis. Usually the value of skewness and kurtosis for normal distribution is varied from 1 to -1.

**Table 4.13 Normality of the data**

<b>Descriptive Statistics</b>					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Employee Performance	250	.462	.154	-.257	.307
Payment	250	.950	.154	1.084	.307
Benefit	250	-.056	.154	-.603	.307
Promotion	250	.569	.154	.439	.307
Recognition	250	-.635	.154	.350	.307
Working Condition	250	.220	.154	-.594	.307
Supervision	250	.536	.154	-.909	.307
Valid N (listwise)	250				

*Source; own survey, 2018*

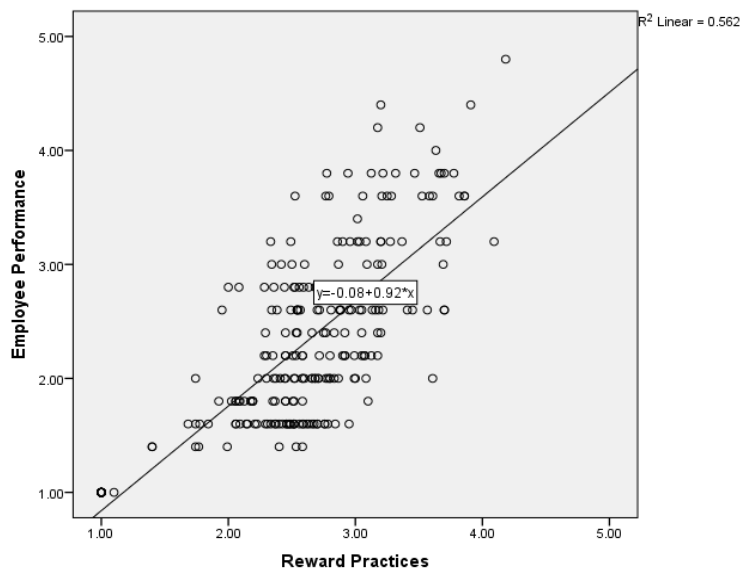
As it is showed in table 4.13, except the Kurtosis statistics payment, (1.084), all variables are within the acceptable range for normality (-1.0 to +1.0). The Skewness statistics for all variable are within the suggested range of normality (-1.0 to +1.0).

## 2. Assumption 2-Linear relationship

The model that relates the response Y to the predictors X1, X2, X3... Xn is assumed to be linear in the regression parameters (Chatterjee & Hadi, 2012). This means that the response variable is assumed to be a linear function of the parameters ( $\beta_1, \beta_2, \beta_3, \dots, \beta_n$ ) but not necessarily a linear function of the predictor variables X1, X2, X3...Xn, as cited by, Matt N, Carlos A, and Deson K (2013).

The result of this study also showed that, there is a linear relationship between the independent variables of reward practice components and the response variable employee performance. This means that, for every increase in the independent variable of Payment, Benefit, Promotion, Recognition, Working condition and supervision, the dependent variable employee performance will increase.

**Figure 4.1 linear relationships between reward practice components and employee performance**



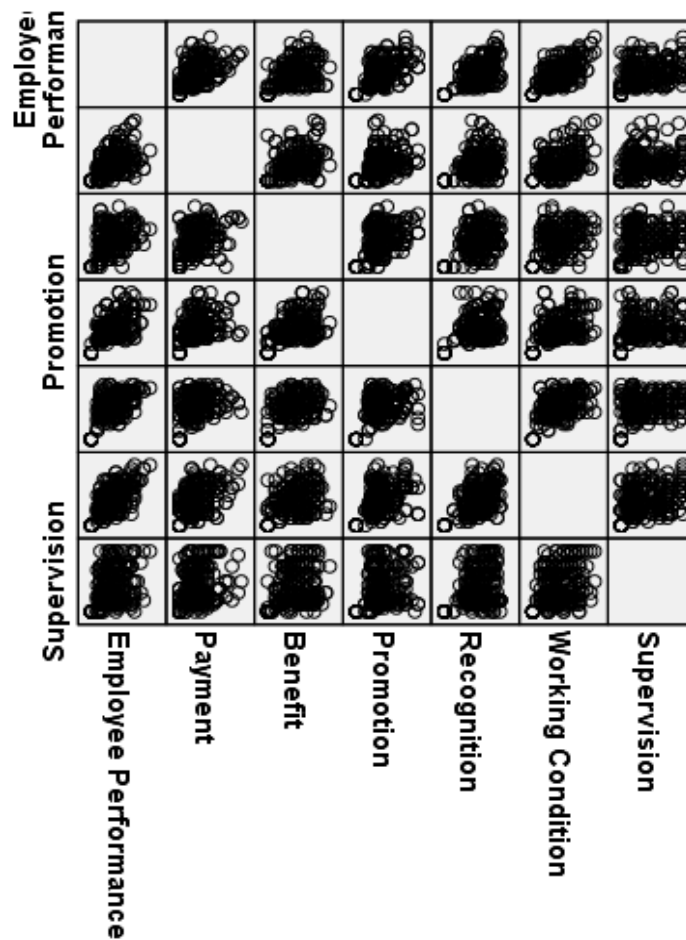
*Source; own survey, 2018*

**3. Assumption 3- Homoscedasticity (equal variance)**

The model errors are generally assumed to have an unknown but finite variance that is constant across all levels of the predictor variables. This assumption is also known as the homogeneity of variance assumption. (Weisberg, 2005), as cited by, Matt N, Carlos A, and Deson K (2013).

It means simply that, the variance of Y for each value of X is constant in the population. This assumption can be checked by visual examination of a plot of the standardized residuals (the errors) by the regressions standardized predicted value. The following scatter plot was obtained from the average results of the dependent variable employee performance and the independent variables of reward practice constructs to see whether homoscedasticity is really a pressing problem of this particular study.

**Figure 4.2 homoscedasticity between variables**



*Source; own survey 2018*

When we visually look in to the right corner of the first row in the scatter plot diagram, we see that the variance between the dependent variable employee performance and the independent variables of payment, benefit, promotion, recognition, working condition and supervision is very minimal and hence we concluded that the assumption of homoscedasticity was proved in this particular study.

#### 4. Assumption 4- Independent of residuals

The errors are assumed to be independent (Chatterjee&Hadi, 2012; Fox, 1997; Weisberg, 2005). Breach of this assumption leads to, biased estimate of standard errors and significance, even if the estimate of the regression coefficient remain unbiased but yet inefficient. (Chatterjee&Hadi, 2012), as cited by, Matt N, Carlos A, and Deson K (2013).

The Durbin-Watson statistic is used to test for independent of residuals. This particular test was obtained from the model summary part of the regression output. The table below showed the Durbin-Watson test of this study.

**Table 4.14 Durbin-Watson test results**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.787 <sup>a</sup>	.620	.610	.49452	1.580

a. Predictors: (Constant), Supervision, Promotion, Payment, Recognition, Benefit, Working Condition

b. Dependent Variable: Employee Performance

*Source; own survey*

The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50. Babatunde O.S, Oguntunde P.E, Ogunmola A. O and Balogun O.S, (2014).

In this case, Durbin-Watson is 1.672, close to 2 and within the acceptable range and hence, we assumed independence of residuals assumption.

## 5. Assumption 5-Multicollinearity

The last of the assumptions of the classical linear regression model is that the independent variables,  $X_i$ , are linearly independent of each other. If this assumption is not satisfied and the independent variables are thus multicollinear, the result is that the individual regression Coefficients for each variable are not identifiable. Because multicollinearity makes the regression coefficients quite unidentifiable, it is important, if the aim is to estimate the regression equation, to reduce it as much as possible. Michael A and Patrick N, (1970) PP, 11.

Pair-wise correlation among the independent variables and the value of tolerance and variance inflation factor, (VIF) is considered to check multicollinearity. Accordingly, the following result was obtained from this study.

**Table 4.15 Pair-wise correlation among the independent variables (X1, X2, X3, X4, X5, and X6).**

### Correlations

	Employee Performance	Payment	Benefit	Promotion	Recognition	Working condition	Supervision
Employee Performance							
Payment	.423**						
Benefit	.352**	<b>.394**</b>					
Promotion	.486**	<b>.307**</b>	<b>.301**</b>				
Recognition	.477**	<b>.197**</b>	<b>.217**</b>	<b>.165**</b>			
Working condition	.595**	<b>.352**</b>	<b>.260**</b>	<b>.278**</b>	<b>.380**</b>		
Supervision	.230**	<b>.174**</b>	<b>.156*</b>	<b>.087</b>	<b>.142*</b>	<b>.190**</b>	

*Source; own survey, 2018*

According to (Hair et al., 2006) the pair-wise correlation among the independent variable should not exceed **0.80**. As it is portrayed in the above table, the bold values showed the pair-wise correlation result and hence none of them exceeded the tolerable range of 0.80 to the maximum. Armed with this, we can say that multicollinearity was not a problem in this particular study.

### 4.5.1. Regression Analysis results

Once all the multiple regression assumption was met, the researcher decided on the data and further processed it. Under this part, the researcher was mainly focused on the three most important elements of regression output, i.e. the Model summary, the ANOVA test and the Beta coefficient. The average response obtained from the employee of Dashen Bank under the dependent variable, *employee performance* each of the predictor variables, *Payment, Benefit, Promotion, Recognition, Working condition and Supervision* was used.

**Table 4.16 Model Summary of the Regression Result**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787 <sup>a</sup>	.620	.610	.49452

a. Predictors: (Constant), Supervision, Promotion, Payment, Recognition, Benefit, Working Condition

b. Dependent Variable: Employee Performance

*Source: own survey, 2018*

The regression model considered employee performance as dependent variable and the reward practice score for the individual components as the independent variables. A multiple regression analysis is conducted to evaluate how well the six variables predict employee performance. As it is depicted under the model summary table, the linear combination of the six variables is significantly related to employee performance ( $R^2 = 0.620$ ,  $F=66.027$  and  $P<0.001$ ). This means that, **62.0 percent** of the positive variance of employee performance in the sample can be accounted for by the linear combination of the six variables of reward practice (i.e. **Payment, Benefit, Promotion, Recognition, Working condition and Supervisor.**) in Dashen Bank SC.

**Table 4.17 ANOVA on components of employee performance**

ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	96.881	6	16.147	66.027	.000 <sup>b</sup>
Residual	59.426	243	.245		
Total	156.307	249			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Supervision, Promotion, Payment, Recognition, Benefit, Working Condition

*Source; own survey, 2018*

ANOVA (Analysis of variance), Used to compare whether the mean of one dependent variable differ significantly across the categories of another independent variables. ANOVA provides, the result of test of significance for  $R$  and  $R^2$  using an F-statistic. According to Cohen, J (2013), if the result of the test is significant, with P-value below 0.05, then we reject the null hypothesis that  $R^2$  is equal to zero and accept the research hypothesis that  $R^2$  is significantly different from zero and there is a relationship between the independent and dependent variable in the population.

As it is depicted on the ANOVA table above, the **P-value** of the dependent variable employee performance and the independent variables of reward practices constructs of payment, benefit, promotion, recognition, working condition and supervision is well below **0.05(P<0.001)**.

Therefore, we concluded that the  $R$  and  $R^2$  between the dependent variable employee performance and the independent variables of reward practice constructs are statistically significant (different from zero), based on the opinion collected from employees of Dashen Bank.



**Table 4.18 Beta coefficient of regression result**

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

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.166	.137		-1.212	.227
Payment	.124	.048	.127	2.611	.010
Benefit	.020	.042	.023	.470	.639
Promotion	.249	.045	.264	5.494	.000
Recognition	.208	.047	.226	4.478	.000
Working Condition	.288	.044	.338	6.539	.000
Supervision	.048	.028	.073	1.692	.092

a. Dependent Variable: Employee Performance

*Source; own survey, 2018*

Under the Beta Coefficient table, the researcher was highly emphasized on the values of the standardized Beta coefficient in order to figure out the relative importance of each independent variable, in predicting the dependent variable and on the unstandardized Beta coefficient in order to formulate the linear regression equation.

Standardized beta coefficient is sometimes called relative importance weight. More specifically, **RIWs** are the proportionate contribution from each predictor to **R<sup>2</sup>**, (i.e. in our case to the **R<sup>2</sup>=0.620**), after correcting for the effects of the inter-correlations among predictors (Lorenzo-Seva et al., 2010). This method is recommended when the researcher is examining the relative contribution each predictor variable to the dependent variable Johnson, (2000, and 2004).

From table 4.17 we can infer that, *working condition* is found to be the most important dimension of reward practice construct in Dashen Bank in determining the variation in employee performance which accounted for **33.8%** of the beta coefficient. The second most important element of reward practice that contributed most, to the positive variation in the dependent variable employee performance is *promotion*, accounted for **26.4%** of the beta coefficient, followed by, *recognition* and *payment*, which had a beta coefficient share of **22.6%** and **12.7%**

respectively. This implies that reward dimensions (working condition, promotion, recognition and payment) have positive significant effect on employees' performance.

In the case of Dashen Bank, *benefit* element of reward practice contributed least to the variance in the response variable among the others, accounted for only **2.3%** and it is statistically insignificant at p-value greater than Alpha, **(0.639 > 0.05)**.

In the other case *supervision* element of reward practice also contributed least to the variance in the response variable among the others, accounted for only **7.3%** and it is statistically insignificant at p-value greater than Alpha, **(0.639 > 0.05)**.

**Note that:** This doesn't mean that benefit and supervision elements have no contribution; rather its contribution was insignificant.

This is sometimes called, the Beta Weights. According to Pedhazur, (1997), a  $\beta$  weight coefficient informs us, as to how much change in the criterion variable (i.e. *employee performance* in our case) we might expect with a one-unit change in the predictor variables, (i.e. *Payment, Benefit, Promotion, Recognition, Working condition* and *Supervision* in our case) holding all other predictor variables constant.

The linear multiple regression formula for on dependent variable, employee performance and more than one independent variable of reward practice constructs, Payment, Benefit, Promotion, Recognition, Working condition and Supervision, took the form of:

$$Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + e$$

Where,  $Y'$  = the dependent variable employee performance

$a$  = y axis intercept (the constant beta value)

$b_1, b_2, b_3, b_4, b_5, b_6$  = beta weight for each independent variables

$X_1, X_2, X_3, X_4, X_5, X_6$  = representing, trust, Payment, Benefit, Promotion, Recognition, Working condition and Supervision respectively.

$e$  = the error term (**0.05** in our case)

Taking in to consideration the unstandardized beta value in the table above, the regression equation of this particular study to the nearest decimal was written as:

$$Y' = -0.166 + 0.124X_1 + 0.020X_2 + 0.249X_3 + 0.208X_4 + 0.288X_5 + 0.048X_6 + 0.05$$

The negative value for the constant intercept should not be a cause for concern here. This simply means that, the expected value of the dependent variable employee performance was less than zero when all independent variables are set to zero.

### ***Findings from the equation***

- ✓ For every unit increase in the value of ***Payment*** in Dashen Bank, setting all other predictor variable to zero, the value of response variable ***employee performance*** will increase by **12.4%**.
- ✓ For every unit increase in the value of ***Benefit*** in Dashen Bank, setting all other predictor variable to zero, the value of response variable ***employee performance*** will increase by **2.0%**.
- ✓ For every unit increase in the value of ***Promotion*** in Dashen Bank, setting all other predictor variable to zero, the value of response variable ***employee performance*** will increase by **24.9%**.
- ✓ For every unit increase in the value of ***Recognition*** in Dashen Bank, setting all other predictor variable to zero, the value of response variable ***employee performance*** will increase by **20.8%**.
- ✓ For every unit increase in the value of ***working condition*** in Dashen Bank, setting all other predictor variable to zero, the value of response variable ***employee performance*** will increase by **28.8%**.
- ✓ For every unit increase in the value of ***Supervision*** in Dashen Bank, setting all other predictor variable to zero, the value of response variable ***employee performance*** will increase by **4.8%**.

## **4.6. Discussion of the Result**

The objective of this study is to examine the effect of reward practices on employee performance at Dashen Bank S.C. The study was conducted by distributing questionnaires to employees' the entire distributed questionnaire was collected and the researcher managed to get 100% response

rate and obtained valid and used for the analysis. To test the reliability of the scale Cronbach's coefficients (alpha) were computed for the 50 questionnaires administered for pilot survey and the Cronbach's coefficient (alpha) for the overall scale items was 0.943 which is acceptable according to George and Mallery (2003).

According to Ponduri and Soudikar, (2016) in our country, Ethiopia, a study in Dessie town on four commercial banks (Commercial Bank of Ethiopia, Construction and Business Bank, Dashen Bank, and Wegagen Bank) showed many employees believed that the current compensation and benefit was not fair and banks need to cope-up with ongoing cost of life. Compensation and benefit packages were not periodically updated and evaluated for effectiveness. Furthermore, the existing benefits are not well communicated to employees. When employees are participating on compensation process banks need to take factors like market condition, nature of the jobs, competitors, government regulations and also the internal factors like values of the job grades through job analysis. Some employees felt that organizations considering seniority than performance. They explained that there was great imbalance of salary payment and benefits between supervisor and clerical officer, this may affect the majority of employees' perception on compensation management system and benefit policy. From this we can conclude that this thesis is most likely agreed with Ponduri and Soudikar that current reward practice dimensions have don't satisfy employees within Dashen Bank.

The finding showed the mean values for payment, benefit, promotion, working condition, and work content are the lowest. Therefore mean values indicating those areas where employees were most likely to be demotivated. It therefore appears that the overall analysis about perception of employees towards the current reward practice of the bank as being not enough to satisfy the motivation level of employees. This is similar as the study conducted by Tamene, 2015 and Biruk, 2017.

Payment is reasonability with respect of their work contribution, fairness, satisfaction level of their need, and salary adjustment. The correlation in table 4.11 shows that payment is positively related with a value of 0.512 and it has significant impact on employee performance because according to table 4.18 the P value shows 0.010 which is less than 0.05. benefit also positively related with employee performance with amount of 0.457 according to correlation in table 4.11. benefit deals with as good as other bank offer and equitability in the benefit package is but the impact on benefit and employee performance is not significance because according to table 4.18

p value shows 0.639 which is greater than 0.05. This indicate that payment contribute significantly to employee performance and benefit is positive but not contribute significant to employee performance and this support the findings of Adeyemi, Bosede and Sajuyigbe,(2013) and Lotta (2012).

Promotion deals with criteria for promotion, opportunity for promotion, fair and transparent and criteria. According to table 4.11 it shows that it is positively related with employee performance with the value of 0.568 and it has significant impact with the amount of p value 0.000 which is less than 0.05 according to table 4.18. Recognition also positively related with employee performance with the amount of 0.604 as shown on table 4.11 it has also significant impact on employee performance with amount of p value 0.000 according to table 4.18. As mentioned before Recognition deals with appreciation, acknowledgement, praised regularly to their performance. Supervision also positively related with employee performance with amount of 0.367 according to correlation in table 4.11. supervision deals with support, equal treat, cooperativeness of quality supervision is but the impact on supervision and employee performance is not significance because according to table 4.18 p value shows 0.092 which is greater than 0.05. The last reward practice dimension that will discuss is working condition. Working condition is try new method and company rule and procedure for better work performance. According to table 4.11 working condition is positively related with employee performance with amount of 0.669 and it has significant impact on employee performance as shown by table 4.18 with amount of p value .000 which is less than 0.05. From this reward practice dimensions and employee performace discussion we can understand that it answers the research questions about the effect of the reward practices on employee performance. This result is similar to the findings of perry et al, (2006) and Srivastava, (2001) who believe that non financial reward is a strong motivating tool.

(Ermias, 2017) tried to test the effect that the reward practice dimensions on employee performance. The mean score values for reward practice dimensions was between 2.36 and 3.33. The multiple regression results showed that reward practice dimensions have positive and significant effect on employee performance. The R square value of 0.515, demonstrates that 51.5% of variation in employee performance can be accounted by the reward practice dimensions from this we can conclude that this thesis is most likely agreed with Ermias that reward practice dimensions have positive and significant effect on employee performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. SUMMARY

Based on the data collected from employees of Dashen Bank and the analysis made so far, the following important summary of the finding was obtained.

The mean score for the independent variables of payment, benefit, promotion, recognition, working condition and supervision was 2.0952, 2.7170, 2.6272, 3.1232, 2.6510 and 2.6040 respectively while the mean score for the dependent variable of employees' performance was 2.3416. Here the mean score for recognition is highest while the mean score for payment is lowest. This implies that employees in the Bank have relatively good feeling towards the recognition such as, given a written appreciation letter for their good work, usually acquire acknowledgement for the work done by them, readiness to accept constructive criticism regarding their work, praised regularly for their good work and receive feedback on making progress.

Results from Pearson's Product Moment Correlation Coefficient and as per Bartz (1999) interpretation of  $r$  value were used to discuss the relationship between dependent variable (employee performance) and an independent variables payment, benefit, promotion, recognition, working condition and supervision. The relation between dependent and independent variable shows that there is statistically significant relationship exist between all variables of reward practices and employee performance. Though both financial and non-financial reward has positive and significant relationship with employee performance, non-financial reward variables have high degree of relationship with performance of employee's than financial reward variables.

Five tests for classical linear regression model (CLRM) assumptions namely normality, linearity, homoscedasticity, multicollinearity and independence of residual are conducted and discussed.

Results from regression analysis indicates that .620 of variance that explained employee performance of Dashen Bank employees are in terms of the independent variables i.e. payment, benefits, promotion, recognition, working condition and supervision.

Working condition in particular and non-financial reward in general is a major determinant for effective employee performance at Dashen Bank. Based on the findings of this study benefit and supervision were not strict determinant of employee performance of the bank. Therefore adjustment in conducive work environment is major areas of concern for bank.

## **5.2. CONCLUSION**

This study has pointed out the effect of reward practices on employee performance the case of Dashen Bank SC. The study considered six reward practices constructs such as, Payment, Benefit, Promotion, Recognition, Working condition and Supervision as independent variables and witnessed their effect on the response variable employee performance. The data collection instruments were adopted from previous studies conducted by Roberts, R.L. (2005) and Muchiri H. (2016). Reliability test was also conducted to check the consistency and dependability of the instruments and accordingly the Cronbachs Alpha value obtained from the respondents helped the researcher to concluded that, the instruments was proven to be reliable.

Reward practices play a vital role in motivating employees to perform their assigned job. Since money/financial reward and non-financial rewards are a main motivator in encouraging the employee's performance required in today's competitive business environment. The ability to attract, keep and motivate high- performance is becoming increasingly important in today's competitive organizational environments. The study also revealed that employee's will improve their performance if the all reward package problems identified and tackled by the management.

Therefore, from the findings the present study, the researcher concluded that:

The most of the finding showed that the Mean values for payment, benefit, promotion, working condition, recognition and supervision are the lowest. Therefore the mean values are indicating those areas where employees were most likely to be demotivated. It therefore appears that the overall analysis about perception of employees towards the current reward practice of the bank as being not enough to satisfy the performance level of employees. This is similar as the study conducted by Biruk A. (2017).

All the reward practice constructs considered under the present study was positively correlated with the response variable employee performance using Pearson correlation test and hence, we

concluded that, for every unit increase in the independent variables, the dependent variable employee performance will increase in Dashen Bank SC.

All the multiple regression assumptions of normality, linearity, independence of residuals, homoscedasticity and multicollinearity were proven to valid under the present study.

From the model summary part of multiple regressions we concluded that reward practices has significant impact in explaining the variance in the dependent variable employee performance in Dashen Bank SC.

From result, we concluded that, the **R** and **R<sup>2</sup>** of the linear combinations of reward practice components were statistically significant in explaining the variance in the response variable employee performance in Dashen Bank SC.

From the standardized Beta coefficient we concluded that, working condition dimension of reward practices was the most important predictor of the response variable employee performance in Dashen Bank SC, followed by promotion, recognition, and payment according to their order of importance. Whereas, benefit and supervision the least contributor to the positive variance in the response variable employee performance.

The model summary of reward system in aggregate multiple regression analysis revealed that the **R square** value of **.620**, demonstrates that **62%** of variation in employee performance explained by the reward practice considered in this study.

### **5.3. RECOMMENDATIONS**

Effective, fair and equitable reward administration should be put in place to help encourages, support and sustained improvement in work performance that in turn contributes to the overall success of organizations. Therefore, other things remain as it is, organization that operates in a competitive market to make profits, it should place the right reward tools that can boost the motivational level of its employees.

If rewards offered are not competitive, it will be difficult to recruit staff since potential employees can obtain better rewards from competitors. Existing staff may also be tempted to leave the organization if they are aware that their reward system is uncompetitive. High staff turnover can lead to higher costs of recruitment and training of new staff. Losing existing employees may also mean that some of the organizations accumulated knowledge is lost forever and hence it leads to uneconomical cost.



As distinguished in the study, respondents have shown their area of interest that non-financial and financial rewards play a critical role in increasing their work performance. Therefore, the management of the bank should keep these rewards practices more attractive to increase employee work performance. Based on conclusion the following recommendations have been mentioned.

- More attention should be given to working conditions, as the result of the study found to be best predictors and most contribution factors of employee performance is more than the other non-financial reward factors. So Dashen Bank should develop approaches to enrich these factors so as to improve the performance of its employees and thereby make them committed to accomplish assigned tasks. Especially, Dashen Bank should allow conducive working condition that gives freedom to try new methods of doing in their job to its employees and conducive company rules and procedures for work.
- Dashen Bank should also give for its employee opportunity for promotion and it should be fair and transparent and acceptable criteria in order to get the best out of performed employee. Since promotion is the second highly significant and predictors of employee performance.
- The bank should pay competitive, reasonable and attractive payment in order to get and retain competent and motivated employee. Since payment is the third highly significant and predictors of employee performance.
- Optimum benefit package and quality supervision also enhancing employee work motivation should further be encouraged.
- In general, the effectiveness of reasonable payment & benefits, opportunity for promotion and recognition, convenient work condition & quality of supervision are directly affects employee performance. Therefore, the proper implementation of all these aspects leads to high employee performance because of without good employee performance organization cannot achieve its objectives. As study investigated demotivated employee have no commitment, belongings, loyalty, responsibility and lack the value of work done.
- The study also recommends that future research may explore to find out other unaddressed variables, since performance of employees affected by many factors other than reward and the geographic sample limited to Addis Ababa areas. The result might be different outside the city of Addis Ababa where life living costs are lower than Addis Ababa which is the future works of other researchers.

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# APPENDICES

## **Appendix 1- structured questionnaire on components of Reward Practices**



**St. Marry's University**

**School of Graduates**

**Master of Arts Program in General-MBA**

Dear

Respondents,

I am a postgraduate student of the St. Mary University. I am currently undertaking a research project on the effect of rewards practice on employee performance in Dashen Bank S.C. Please recall that you are selected as a possible participant because you are an employee of this organization. Your participation in the study is completely voluntary.

The research work is for academic purpose only. Any information obtained in connection with this study will remain strictly confidential.

The questionnaire will take approximately 15-20 minutes of your time. Your honest and true opinion will be valuable for this research. Thank you in advance for your assistance.

Mulugeta Gashaw.

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Mobile 0921777502

**Part one: Demographic Information**

**Instruction:** Put  $\surd$  or  $\times$  sign in the box answer to the questions of your choice.

1. Gender      Male                          Female
2. Age
- 23-35                  35-45                  45-60
3. Marital Status
- Single          Married          Divorced          Other
4. What is your current educational status?
- Diploma          First Degree          Master's Degree          above Masters
5. Years of service in the bank
- 1-3                  3-5                  5-9                  More than 9
6. Current Position \_\_\_\_\_
7. In which of the following salary ranges fall your salary?
- |               |                          |               |                          |
|---------------|--------------------------|---------------|--------------------------|
| 3,500-5,000   | <input type="checkbox"/> | 5,001-8,000   | <input type="checkbox"/> |
| 8,001-15,000  | <input type="checkbox"/> | 15,001-20,000 | <input type="checkbox"/> |
| 20,001-25,000 | <input type="checkbox"/> | above 25,000  | <input type="checkbox"/> |

**Part Two: - Research Related Questions**

The following questions are presented on a five point likert scale. If the item strongly matches with your response choose 5 (strongly agreed), if you moderately agree on the idea choose 4 (agreed), if you can't decide on the point choose 3 (neutral), if you don't agree with the idea choose 2 (disagreed) and if you completely disagree with the point choose 1 (strongly disagree).

5 = Strongly Agreed

4 = Agreed

3 = Neutral

2 = Disagreed

1 = Strongly Disagreed

The purpose of this questionnaire is to give you a chance to tell how you feel about your present job, what things you are agree with & what things you are not agreed with.

**Remember:** Keep the statement in mind when deciding how satisfied you feel about the aspect of your job.

Do this for all statements. **Please answer every item.**

**Be frank and honest.** Give a true picture of your feelings about your present job.

		Strongly Disagreed	Disagreed	Neutral	Agreed	Strongly Agreed
<b>A. Payment</b>						
1.	My basic payment is reasonable with respect of my contribution	5	4	3	2	1
2.	My salary is fair when compared with that of similar jobs in other companies.	5	4	3	2	1
3.	My salary is enough to satisfy my needs.	5	4	3	2	1
4.	Salary increment is managed fairly.	5	4	3	2	1
5.	Salary adjustment is made according to the current market.	5	4	3	2	1
<b>B. Benefit</b>						
6.	The benefit I receive are as good as other banks offer	5	4	3	2	1
7.	The benefit package we have is equitable	5	4	3	2	1
8.	I am satisfied with long term benefit and insurance policies of the company	5	4	3	2	1
9.	There are few rewards for those who work here	5	4	3	2	1
<b>C. Promotion</b>						
10	There exists an opportunity for promotion in the bank	5	4	3	2	1
11	Staffs are promoted in a fair and transparent way	5	4	3	2	1
12	I am satisfied with promotion system of the bank	5	4	3	2	1
13	Criteria for promotion is acceptable to me	5	4	3	2	1
14	Promotion is very important to improve my work motivation	5	4	3	2	1

<b>D. Recognition</b>						
15	I am given a written appreciation letter for my good work	5	4	3	2	1
16	I usually acquire acknowledgement for the work done by me	5	4	3	2	1
17	I am ready to accept constructive criticism regarding my work	5	4	3	2	1
18	I am praised regularly for my good work	5	4	3	2	1
19	I receive feedback on making progress	5	4	3	2	1
<b>E. Work Condition</b>						
20	I have freedom to try new methods of doing in my job	5	4	3	2	1
21	Company rules and procedures are conducive for work	5	4	3	2	1
22	There are high varieties of jobs in my work	5	4	3	2	1
23	I have reasonable work autonomy in my job	5	4	3	2	1
<b>F. Supervision</b>						
24	My supervisor Support me in case of problems	5	4	3	2	1
25	My supervisor treat me equally with other staffs	5	4	3	2	1
26	I receive adequate guidance and support from my supervisor	5	4	3	2	1
27	My supervisor is cooperative	5	4	3	2	1
<b>G. Employees Performance</b>						
28	I am always committed to the mission and vision of my organization.	5	4	3	2	1
29	I enjoy my tasks and the division of work approach.	5	4	3	2	1
30	I am given an opportunity to improve my performance through learning more skills.	5	4	3	2	1
31	I make decisions rationally in relation to customers that satisfy them more.	5	4	3	2	1
32	I feel my performance contributes for the growth of my organization.	5	4	3	2	1

## Appendix 2- Statistical Outputs

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.787 <sup>a</sup>	.620	.610	.49452	1.580

a. Predictors: (Constant), Supervision, Promotion, Payment, Recognition, Benefit, Working Condition

b. Dependent Variable: Employee Performance

### ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	96.881	6	16.147	66.027	.000 <sup>b</sup>
Residual	59.426	243	.245		
Total	156.307	249			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Supervision, Promotion, Payment, Recognition, Benefit, Working Condition

### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.166	.137		-1.212	.227		
1 Payment	.124	.048	.127	2.611	.010	.662	1.511
Benefit	.020	.042	.023	.470	.639	.653	1.532
Promotion	.249	.045	.264	5.494	.000	.679	1.473
Recognition	.208	.047	.226	4.478	.000	.614	1.629
Working Condition	.288	.044	.338	6.539	.000	.585	1.708
Supervision	.048	.028	.073	1.692	.092	.838	1.194

a. Dependent Variable: Employee Performance

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.750 <sup>a</sup>	.562	.561	.52519	1.364

a. Predictors: (Constant), Reward Practices

b. Dependent Variable: Employee Performance

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	87.904	1	87.904	318.698	.000 <sup>b</sup>
Residual	68.404	248	.276		
Total	156.307	249			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Reward Practices

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

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-.077	.140		-.555	.580		
Reward Practices	.918	.051	.750	17.852	.000	1.000	1.000

a. Dependent Variable: EP Employee Performance

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.755 <sup>a</sup>	.570	.567	.52164	1.302

a. Predictors: (Constant), Non-Financial Rewards, Financial Reward

b. Dependent Variable: Employee Performance

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	89.095	2	44.548	163.710	.000 <sup>b</sup>
Residual	67.212	247	.272		
Total	156.307	249			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Non-Financial Rewards, Financial Reward

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

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-.088	.139		-.637	.525		
Financial Reward	.194	.056	.182	3.475	.001	.634	1.577
Non-Financial Rewards	.713	.059	.631	12.038	.000	.634	1.577

a. Dependent Variable: Employee Performance