



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

**THE EFFECT OF REWARD ON EMPLOYEES'
PERFORMANCE: THE CASE OF ABAY BANK S.C**

**BY
SOLOMON KEFALE**

**JUNE 2019
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY
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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Goitom Abreham (Asst.Prof). 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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St. Mary's University, Addis Ababa, JUNE, 2019

ENDORSEMENT

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

Advisor Signature Date

St. Mary's University, Addis Ababa, JUNE, 2019

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List of Abbreviations and Acronyms

ETB- Ethiopian Birr

BARS- Behavioral Anchored Rating System

HRM- Human Resources Management

MBO- Management by Objective

SPSS- Statistical Package for Social Science

SD- Standard Deviation

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ABSTRACT

The study focused on the effect of reward on employees' performance in the context of ABAY BANK S.C. The study was guided by five research questions. In order to achieve the desired outcome descriptive as well as explanatory research designs have been applied and mixed research approach is adopted. The populations for the study were employees of ABAY BANK and the study population comprised of a total of 600 employees from various functions. Descriptive statistics including frequency tables and mean is used to present the results of the study. Correlations and regression among the variables were calculated using Statistical Package for Social Scientists. In conclusion, the study revealed that all the benefits, incentives and reward systems are important though they have a different meaning to different groups of employees working for ABAY Bank. The study therefore showed that different benefits, incentives and rewards have different effects on employee performance. The study further revealed that there is a need for ABAY Bank to come up with a comprehensive reward system that can motivate employee to increase their performance. Recommendations for improvement at the coming up with a well-structured and monitored reward system which includes both financial and non-financial reward like a profit sharing mechanism, allows, sponsor employees for farther turning and development ; that is well known and understood recognition of employee's outstanding performance.

Key words: Reward, Pay/Salary, Benefit, Recognition, Bonus, Incentives, Employee Performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Reward management has increased importance especially in the current dynamic and competitive environment because it enables organizations to recruit and maintain employees as well as to increase organizational productivity (Dalvi and Ibrahim, 2013). Datta (2012) argues that many organizations consider employees as their main factor in creating organizational value and competitive advantage. As a result, it is important to maintain employees properly to create motivation and increase job productivity through diverse strategies like rewards, incentives and benefit. Therefore, it is necessary for companies to design reward systems based on employees' skills and capabilities as well as in accordance with the organizational goals so as to improve performance and motivation. 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. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees.

According to Ghorbani and Ladoni (2013), reward systems encourage employees' efforts and they indicate the values and ideals of an organization. According to Molahosseini (2014), reward management systems should be designed in a way that ensures maximum benefits for an organization. This requires rewards to be designed in a way that leads to effective organizational performance. Dalvi and Ebrahimi (2013), on their part observe that rewards can be an effective mechanism for encouraging employees and creating innovation as well as motivation. This can in turn lead to organizational transformation through knowledge sharing. According to this contribution; a well-designed reward system creates a sense of belonging among employees in an organization. It enhances employee growth and development, and increases employee self-esteem and this leads to healthier organizations. Thus, organizational development is based on continued employees' motivation and this can be achieved through total rewards management strategy.

Top management of the organizations are to develop relationship between the employees and organization to fulfil the right demands of both parties. Organization's expectation from employees are to follow the rules, policies and regulations of the organization and employee's expectations are better working environment, good financial rewards especially fair pay. If an organization offers more financial rewards, the employees of that organization will be more motivated and satisfied.

1.2 Statement of the Problem

In the world today, most organizations have suffered the consequences of poor performance, low staff morale and high employee turnover due to poor or lack of effective reward management programs (Kirunda, 2010). In this era of globalization, every organization in the world is improving its business processes by adopting advanced technologies and innovations. Companies now are facing so many challenge in acquiring the Right workforce and retaining it (Hafizaet all, 2011). Employing competent human resource, organizations have to offer better working environment, market based salaries, job security, empowerment etc.

Reward management is one of the strategies used in organizations to improve organizational performance. Researchers, practitioners and scholars have established that there is a positive link between reward, benefit and incentives management and desired performance

The aim of rewards, benefit and incentive management is to ensure that the value of employees and the contributions that they make in an organization is recognized and rewarded (Armstrong, 2012). This means that organizations use rewards, benefit and incentives management in order to fulfil and satisfy the needs of their employees as well as to ensure that they operate equitably and fairly. Danish and Usman (2010), point out that those employees are fully motivated and satisfied with their jobs when their needs are met and this may lead to increased organizational performance and commitment. This implies that employees' performance and commitment is based on the ability of an organization to recognize and reward its employees in respect to their input.

Many researchers give high attention for only financial reward examples Asghar A. & Muhammad (2012),give high attention only for financial reward only more over research conducted by Edwinah, et.al in (2012), totally ignore non-financial aspect of

reward however the study include financial rewards and fill the gap by adding non-financial rewards.

reward can be in the form of cash, recognition and praise or a combination of both (Sajuyigbe, et.al (2013). According to the study preliminarily informal interview of some employees to know about the current problems shows that the bank almost ignore non-financial reward for employees. Many authors suggest non-financial rewards have to be consider like that of the financial reward. but the bank reward practice is contradict to those what authors wrote and the bank reward practice, this also affects employees performance. Most of the time managers try to achieve the organization profitability through reduction of cost. Employees benefit also considered as organizational cost. The above mentions practical problem initiate the researcher to conduction this study.

Most of published research like “The Relationship Between Rewards and Employee Performance” by Gohari, et.al (2013), “The Influence of Intrinsic and Extrinsic Rewards on Employee Results” by Hatice, in 2012 and others not include the issue of employees expectation and organization profitability. therefore this study tried to fill this gap by considering the issue of expectation and organization profitability. For more understanding the real observed example is for the last three years the bank salary for its employees increase only the cost of leaving adjustment not the base pay. Therefore there is a gap i.e. the profitability of the bank increase but the employees reward has not been increased or a gap between employees expectation and the bank practice that have been implemented.

1.3 Research Questions

Based on the above observed problems and gap, the study try to raise the Following research questions.

- What types of reward are offered to the employees by ABAY bank?
- How do employees perceive the issue of the attractiveness of reward relatively to other banks?
- What is the effect of the reward on employees’ performance?
- How reward distributed fairly to alleveemployees?
- What is the employee expectation from the bank regarding reward of employees and profit of the bank?

1.4 Objectives of the Study

1.4.1 General Objective;

The general objective of this study is to find out the effect of reward on employees performance.

1.4.2 Specific Objectives;

- To identify the type of reward offering by the bank to employees.
- To evaluate the attractiveness of reward relatively to other banks
- To identify factors that affect employees' performance in relation to reward.
- To assess the distributions of fairness of reward at all level.
- To assess employees reward expectation from ABAY bank S.C

1.5 Scope of the Study

The scope of the study constitutes employees of ABAY bank working in Addis Ababa selected branches. Those are Main Branch and H.O (around Bambis), Urael Branch, Africa Avenues, HayaHulet, HayaHuletSequer, Megenagn, Lideta, Africa Union, Atilas, Shala, Bole Medihaniale, Bambis, Stadium, Lam Beret. Hence in terms of population, the study also covers those stated branches only. This study does not include employees who are working in regional branches and others not selected branches in Addis Ababa because of time and resource. The study delimit in terms of geographical location because of the above limitation. Employee with less than one year experience does not include in this study. Because new for the practice of reward. This study focuses on cross sectional survey research design was end by one-year time period. Methodologically the study use descriptive and explanatory type of research design. The timeframe of the study is from November 2018 to June 2019. Therefore, these study focused on the effects of reward nonemployees' performance of Abay bank regarding to private bank of Ethiopia.

1.6 Significance of the Study

1.6.1 Theoretical Significance

The basis and findings of this research was useful for future researchers, students and academicians digesting the effects and importance of different reward on performance. Finally, the finding of this study was adding new stock of knowledge to the limited literature available about the effect of reward on employee performance in the Ethiopian banking industry. Moreover, it helps to encourage other researchers to undertake further research in the area. It Helps the management of the bank to understand the effect of rewards, benefits and incentives on employees performance

1.6.2 Practical Significance

- To identify the effect that exists on reward on employees performance in ABAY BANK S.C can use the information to adjust their reward , incentives and benefit system of Bank.
- Brings awareness to the bank how the performance of employees can be affected by the level of rewards provide to their employees.
- It suggest solutions that will be helpful to both the employees as well as the management.
- It may help decision makers of the bank in establishing and implementing of the best reward, benefits and incentives program.

1.7 Definition of Terms;

- **Reward:** deal with the strategy, policies and process required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means..Armstrong, (2010).
- **Financial reward:** The financial rewards are rewards which include pay, bonuses, fringe benefits, transportation facility, medical, health and life insurance and benefits like vacation with pay meal facilities. (Saira Y., Madina L. Sumeria A. &Anam S. ,2014)
- **Non-financial reward:** non-financial rewards are related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation. (Armstrong 2010)

- **Benefits:** refers to employee's satisfaction with pension, medical scheme and leave .Employee benefits refer to compensation other than hourly wage or salary.(Armstrong,2010)
- **Employees: performance:** means employee productivity and output as a result of employee development. (Oroh, Lapian, &Padowo, 2014).
- **Incentives:** defined both as methods used by institutions to encourage employees to work with high spirits and also as concrete and moral methods of satisfying the individuals' moral and material desires. (Dr. Ashraf M., 2004)

1.8 Organization of the Study

The study was organized into five chapters. In the first chapter present the introduction part consisting of the background of the study, statement of the problem, objectives of the research, scope of the study, definition of terms and significance of the study. In the second chapter was a discussed relates literature review to the study. In the three chapter, the study presented research design and methodology. In the four Chapter of the study present, analyse and interpret the data and in the five Chapters contains summer of findings, conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELEVANT LITERATURE

Introduction

Human resource is one of the most important resources of gaining competitive advantage over competitors for a firm. And this resource can be retained and optimally utilized through motivating it using different techniques among which reward is of significance importance.

In order to maximize the performance of the employees organization must make policies and Procedures and formulate such reward system under those policies and procedures which increase employee satisfaction and performance Hafiza, (2011).

Human resource management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, Safety, wellness, benefit, employee motivation, communication, administration and training Gang, (2008)

2.1 Theoretical Literature Review

Human resource is one of the most significant resources of gaining competitive advantage over competitors for a company. It can be retain and optimally utilized through motivating it using different techniques among which reward is importance.

In order to improve the performance of the employee's organization must make policies and Procedures and formulate such reward system under those policies and procedures which add to employee satisfaction and performance Hafiza, (2011).

2.1.1 Reward

Reward is the compensation which an employee receives from an organization for his or her service. It is not direct currencies and other forms which can exchange to currencies, but also a comfortable office, positive interpersonal relationship in the organization, having access to decision-making participation, the challenge and common sense of achievement, preferable growth opportunities and so forth these kinds of forms which is difficult to measure in various currencies but they are also rewards. A reward can be anything that attract an employee's concentration and stimulates him to worksAktar, (2012).

It is the benefit that workers receive by performing a duty and discharging a responsibility. Rewards is also defined as one of the significant elements to encourage employees for contributing their best effort to create innovation ideas that lead to better business

functionality and further improve company performance both financial and non-financially Aktar,(2012).

Reward system is significant tool that management can use to transfer employee motivation in preferred ways. It seeks to attract people to join the organization to keep them coming to work, and encourage them to perform to high levels. It consists of all organization components –including people processes rules and decision making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organization. Reward may be broke up in to two categories; intrinsic and extrinsic Mottaz, (2012). Inherent or intrinsic rewards are derived from ‘the content of the task itself and include such Factors as interesting and challenging work self direction and responsibility variety creativity opportunities to use one’s skills and abilities and sufficient feedback regarding the effectiveness of one efforts. An extrinsic reward is the reward that come from the working environments on the other hand comprise promotions, private office space and the social climate. Other examples include competitive salaries, pay raises, merit bonuses and time-off Hatice, (2012).

2.1.2 Reward Management;

Reward managing is concerned with the strategies, Policies and processes required to ensure that the importance of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded Armstrong, (2010). It is concerning the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to assure the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will consist of 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 well-built features that organizations use to attract and retain its most valuable and worthy assets, the employees. This includes both financial and nonfinancial rewards. Financial reward (monetary reward) comes in the form of wages, salaries, incentives, bonuses, commissions and so on. Non-financial reward (is non-monetary reward) include features such as paid vacation, annual leave entitlement, medical and hospitalization benefits, employer provident fund (EPF) contribution and etc. Productivity and efficiency are significant performance indicators in any organization. In

order to add to the productivity, members in the organization must perform well in their job. Job performances are relatively higher if the workers are fully provoked. Thus, rewards may influence job performance and workers “motivation level. Mansor, (2012)

Armstrong, (2010), Reward management is basically about people. It is stakeholder orientated, integrated, Strategic and evidence based. Reward management is focused 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 involvement they make to achieving organizational goals and rewarded accordingly. Having defined expectations, reward management can give for people to be rewarded in line with the degree to which people meet them.

i. Aims of Reward Management;

The aims of reward management according to (Armstrong, 2010) Reward people according to the value they produce arrange in a line reward practices with business goals and with employee values and needs. Reward the right things to express the right message about what is important in terms of Behaviours and outcomes. It’s Help to be a focus for and retain the high-quality people the organization needs and inspire people, obtain their engagement and commitment. Reward Build up a high-performance culture and support the accomplishment of business goals through high performance and develop sustainable organization’s culture. Reward people according to what the organization importance Be successful the engagement of people.

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

ii. Importance of Reward management;

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

Reward management policies in relationship with HR policies can assist to create a working good Environment that provides for the just, fair and ethical treatment of employees. These

are policies about treating people appropriately and avoiding the creation of unacceptable reward practices that reflect badly on the organization.

2.1.3 Employees Reward

Employee reward consist of arrangements made by employers for their employees which Enhance the latter's well-being. They are provided in addition to pay, and form significant parts of the total reward package. As part of total compensation, they may be deferred or contingent likes a pension scheme, insurance cover or sick pay, or they may be immediate like a company car or a loan. Employee benefits also include holidays and leave arrangements which are not strictly remuneration. Benefits are sometimes referred to dismissively as 'perks' (perquisites) or 'fringe benefits', but when they cater for personal security or personal needs they could hardly be described as 'fringe' Armstrong, (2010).

2.1.4 Reward Process;

These consist of the practice in which policies are implemented and practices carried out; for example, how the outcomes of surveys are applied and how managers manage the pay modification and review process Armstrong, (2010)

2.1.4.1 Internal and External Environment; the examination of these provides the information required to help in the formulation of the strategic plan for the organization and for human Resource management strategy. The internal analysis also influence reward philosophy.

2.1.4.2 Business Strategy; it is the way in which the organization is going in relation to its Environment in order to achieve its objectives.

2.1.4.3 HRM Strategy; this comes from the corporate strategy and is concerned with the key areas of resourcing, skills acquisition and development, performance and quality management, rewards and employees relation. The plan is to make strategies in each of these areas mutually supportive.

2.1.4.4 Reward Strategy; this define the aim of the organization on the reward policies, process and practice required to ensure that it has the skilled, competent, and well motivated people it need to achieve its business goals. It will flow from the business and human resource strategy of the organization and, like them, will be affected by environmental factor. Those preparing reward strategy fundamentally find out where the business intends to go and then take step to help it get there.

Reward strategy strongly influence reward policy and mainly determine the form of pay practice, structures and procedures. Reward strategy defines what an organization desires to do about reward in the next few years and how it intends to do it. It direct to the development of a reward system that consists of the interrelated processes and practices that combine to ensure that reward management is carried out to the benefit of the organization and the people who work there. This is strategic reward, an Approach based on the beliefs that reward and business strategy should be integrated and that it is necessary to be forward looking –to plan ahead and make the plans happen.

2.1.4.5 Reward Policies;

Reward policies are the plane of reward, taking into account ‘market stance’ how internal rates of pay should compare with market rates, for example associated to the median or the upper quartile rate attaining equal pay and the relative significance attached to external competitiveness and internal equity. The scope for the use of conditional rewards related to performance, competence, contribution or skill;

2.1.4.6 Reward Practice; financial and non-financial rewards, job evaluation, external bench marking, pay structures, performance management and employees benefits.

2.1.5 Reward System

According to Nathaniel H, Geraldo C. & Marie P. (2010) a reward system is defined as a prearranged technique of evaluating and compensating employees based on their performance. The Compensations and rewards are known as incentives to the employees. The incentives can be additional benefits in pay or added vacation or sick days, among other things. Reward systems can help to increase company morale, as well as productivity levels which enlarge overall revenue for the company. However, there are a lot of negatives that can come with reward systems if not correctly implemented. Sometimes, instead of helping with the company morale, it can damage it by making some employees feel if the same people are being rewarded over and over again. Reward systems can be difficult if not implemented and carried out correctly, but when used effectively can have positive impacts on the company and its employees.

There are three main types of reward systems frequently used by most companies:

- 1) **Management by Objective (MBO);** Management by Objective defines the specific talents and actions of a certain job. The defined talents and actions need to be as clear and specific as possible. A benefit to using this method is that it engages the employee

in the evaluating process; therefore they learn and understand the entire process. Drawback of this particular method is that it is extremely time consuming. In large companies, this might not be the best method to use because it would take the supervisor conducting the evaluations away from his or her other job responsibilities. Another drawback is that the goals can be too vague to make it clear enough to quantify any results. MBO is the most popular among most companies.

- 2) **Behaviourally Anchored Rating System (BARS);** Behaviourally Anchored Rating System, is a rating scale system that apply categories such as “very poor “to” excellent “to evaluate the employees’ performance. It consists of two columns. One column has the rating scale and the other one is where the anchor statement is written by the person evaluating the employee. The anchor statements reflect the category given for the particular area in question. One major defeat to this method can be the anchor statements if they are not specific enough. If the statement is too vague, it will not be of much help to the employee. However, the best part about this method of evaluating is that it focuses on specific areas ad behaviours that can be chosen so that it does not necessarily have to be about every single aspect of the job. The comments and ratings then give back to the employee are specific to the questions being asked.
- 3) **Multi-Rating Assessment.;** The Multi-Rate Assessment is a type of positioning method that Utilizes other employees, supervisors, managers, and sometimes even customers to rate the employee. The assessment itself is a questionnaire that targets all aspects of the job. The employee also takes the same questionnaire as a way of comparing the results from the other people to his or her own. One of the major benefits from using this type of assessment is the range of results that the employee gets. The employee has a chance to see how his or her performance is doing from all different levels in the company. However, this method is very time consuming and need to be done professionally. It needs to be done professionally in order to ensure the right questions are being asked in order to achieve the most useful results.

2.1.6 Types of reward

2.1.6.1 Intrinsic Reward;

According to Mansor, (2012) an intrinsic reward (inherent) is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence. It fulfils employee’s innate factors or motivators, thus motivating him. Examples include by giving challenging task, getting involved in decision making process, giving a higher rank in

hierarchies. 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

2.1.6.2 Extrinsic Reward

Extrinsic rewards (external) 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 motivate 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 fulfils 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 dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount Mansor, (2012) Extrinsic reward –in the form of salary, incentive pay and benefits serves the purpose of directly recognizing the comparative value of organizational roles and the contribution individuals may make in performing them. Extrinsic employee benefits and perks delivered in a non-cash form (e.g. company cars, paid holiday and health care), or deferred remuneration (e.g. predefined occupational pension benefits or equity share-based rewards that may be financially realized at future Date), may reflect managerial efforts to keep rewards competitive, intended to Recruit and retain sufficient employees of the right calibre, and to secure work accomplishment for the organization. Benefits may also reflect an employer's interest in employee wellbeing. The nature and combination of extrinsic reward is dynamic: for example, present-day contributions to an employee's 'portable 'retirement income fund may be offered in place of a company pension, reflecting the increasingly flexible employment relationship Stephen J& Geoff W,(2011).

2.1.6.3 Financial Rewards

One research result shows that there are different factors that affect the performance of employees which can be classified into two categories; financial and non-financial rewards. Although financial rewards (monetary reward) are important for employee motivation in third world countries because where the inflation rate is so high that people are struggling hard to retain their social status. SairaY,Madiha f, Sumaira A and Anam (2014)

Armstrong (2010) highlights that the tangible (sometimes called monetary, transactional) components of a compensation program are of two general types. With the direct type of compensation, monetary rewards are provided by the employer and base pay and variable pay are the most common forms. Indirect compensation commonly consists of employee benefits.

Base Pay

According to Armstrong (2010), many organizations use two base pay categories, hourly and Salaried. Hourly pay is the most common means of payment based on time; employees who are paid hourly are said to receive wages, which are payments directly calculated on the amount of time worked. In contrast, people who are paid salaries receive payments that are consistent from period to period despite the number of hours worked.

Base pay should be value-added and competitive with the market in general, for which it is common to use individual rates, ranges, spot rates and broadband. When setting pay levels, ability to pay is paramount, supported by an examination of market rates, which may also be supported by a job evaluation database Armstrong, (2010).

Employees who do their best want reasonable pay that satisfies their needs. An equitable pay makes them feel appreciated so they expect to pay according to their efforts because they don't want to be unacknowledged for their services. Money is ranked at the top for creating because people require money to fulfil the basic necessities of life so it motivates the employees more than any other incentive. Others believe that money is influential for fulfilling their nonmonetary needs such as authority, rank and belongingness with preferred groups. It is believed that people who have more money are more powerful in society as compared to those who have lesser money. So it is easier for them to have things their way. That's why money is often viewed as a sign of personal triumph and accomplishment Saira (2014).

Variable Pay

In contrast to base pay, variable pay changes relative to the performance level or results achieved, making it a more flexible and responsive method that rewards key measures of success. Many companies have moved to variable pay to reward different contribution, impact on profit, and increased performance based on the premise that what is measured and rewarded is likely to be demonstrated in greater amounts by employees Armstrong and murlis (2005)

Contingent pay;

Contingent pay –planning and managing schemes that provide for pay progression related to performance, contribution, competence, skill or length of service. Armstrong (2009)

Bonuses

When employees reach certain standards and quotas to achieve the objectives of certain organization they are given bonuses. A bonus is an additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to the company Saira (2014).

Allowances

Allowances are costs by the employers to their employees in order to cover some cost of employees this may consist of transportation allowance, mobile allowance, and Deseret allowance

Profit-related Pay

Profit-related pay is a type of group performance-related pay scheme where a part of the employee's payment is linked to the profits of the organization. If the company's profits hit pre-determined threshold, a bonus will be paid to all members of the scheme. Typically the bonus will be a percentage of the basic pay.

2.1.6.4 Non-Financial Rewards

According to Peter K (2014) The findings of his study revealed that majority of the respondents was more exposed to the use of non-financial rewards (non-monetary reward) for example recognition, training, opportunities to handle greater responsibilities, employee promotion and participation in key decision making and challenging jobs to motivate exemplary performers.

Recognition

Recognition is to acknowledge someone before their peers for desired behaviour or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centres 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, (2013)

Promotion

Promotion is a significant 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, (2013).

Working Conditions

The physical environment in which the work is performed is described here. Unfavourable environmental conditions such as noise, heat, and fumes are detailed along with the frequency overexposure.

Praise

At the most primary level, non-financial recognition can be as simple as personal acknowledgement by managers to employees that they have performed well .perhaps the most obvious benefit of this approach is that a simple, informal 'thank you' does not cost anything. However, good management do suggests that this should occur anyway, regardless of any scheme.

Vouchers

An increasing number of organizations are finding voucher schemes are particularly liked because they give employees a certain element of choice. Moreover, unlike a cash award, vouchers cannot be absorbed in to the employee's salary and quickly forgotten. Vouchers can also be seen as a double reward, that is, one reward when they receive the voucher and another when they spend it.

2.1.7 Reward Philosophy

According to Armstrong (2010) a reward philosophy consists of belief in the need to operate in agreement with the principles of distributive and procedural justice. Reward strategies in the previous have sometimes focused exclusively on business needs and alignment. Yet unless employees see and experience fairness and equity in their rewards, the strategy is unlikely to be delivered in practice. The philosophy recognizes that reward management is a key factor in establishing a positive employment relationship, one in which there is mutuality the state that exist when management and employees are interdependent and both benefit from this interdependency. Such a relationship provides a foundation for the development of a climate of trust.

2.1.8 Employment Performance

Employee performance means a performance holds 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).

Desired performance can only be achieved efficiently and effectively, if employee gets a sense of Mutual gain of organization as well as of him 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. Are ward system that is given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance.

Ways of Measuring the Performance of the Employees

1. **The Amount of the Effort:** It refers to the amount of the physical or mental energy that the individual spends in a specific period of time in the work, in addition to the speed in performance.
2. **The Quality of the Effort:** It refers to the level of the quality of the done work and the degree of matching between the done work and some specific standards. Some kinds of work are not measured by the amount or the speed of performance; but rather by the degree of error-free performance and matching between the production and the required standards.
3. **Manner of Performance:** It is the way in which the work duties are done. For example, Performance can be measured through the manner of performance, measuring problem-solving strategies or in problem detecting.
4. **Rates of Performance:** It refers to the process in which the evaluator increases the employee's Productivity in order to determine the efficiency, the quality and the amount of the employee's work in a specific period of time. Then, he compares the employee's done work with the specified rate Al-Rabayah (2003).

2.1.9 Employees' Benefits

Types of Employee Benefits

Pay for time not worked for (e.g. sick leave, vacation, maternity leave etc).

- ❖ Insurance benefits (e.g. job –related accidents and illness benefits).
- ❖ Retirement benefits (e.g. pensions, profit sharing plans)
- ❖ Employee service benefits (e.g. counselling, subsidized childcare, transport, meals).

Employee benefits can be mandatory and non-mandatory. Mandatory benefits are those required by law e.g. pensions, workers' compensation Edwinah, (2013)

2.1.10 Incentives

By definition, incentives are an external persuading factor that encourages the motive which positively directs the individual into working harder, matching the required performance in the institution, as to get the incentive. Incentives are also defined both as methods used by institutions to encourage employees to work with high spirits and also as concrete and moral methods of satisfying the individuals' moral and material desires. Palmer (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he will work

harder and produce more effectively when he feels satisfied in the institution. In addition to this, incentives can also be defined as the consideration of the excellent performance, assuming that the salary is enough to make the worker appreciate the value of the job that also satisfies his Basic needs in life Palmer, (2012).

2.1.11 the Effect of Rewards on Employees Performance

(Armstrong, 2010) explains that rewards given by an organization can have an effect on employee's performance, Attitude and behaviour towards the organization. According the author explained that financial reward may increase engagement for some people in the short run, but the greatest impact. Engagement is made by non-financial rewards especially when they generate intrinsic motivation through the work itself and the work environment.

Reward systems, are whether monetary or other, can positively affect employees by increasing motivation and productivity. Workers who are aware that outstanding performance or behaviour in the workplace will result in desirable rewards are more likely to strive to meet the goals set forth by employers. This decreases monotony in the workplace and fosters ambition and hard work amongst employees.

Every organization's reward system should focus on these major areas; compensation, benefits, recognition and appreciation (Sarvadi, 2010). Benefits such as car loans, mortgages, medical covers, club membership, ample office space, parking slots and company cars are ways of rewarding.

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. According to Sarvadi (2010), rewards help employees to gauge their performance and know whether they are doing good or bad.

According to Chad (2013), employees feel they would be more productive if they had their earnings linked to certain performance objectives. He further explains that performance based pay includes any arrangement where an element of the total compensation is tied to meeting and exceeding performance targets. Employees value a clear path to follow towards a bright future and a day to day reward is a simple way to keep productive employees performing to their best (Jordan, 2015).

Reward systems can address several important managerial objectives in relations to the employee productivity. The management should pay more attention when developing a good

reward system ensuring that the reward process is clear, stipulating the purpose and different types of rewards in an organization (Geraghty, 2013). Geraghty explains that a good reward system can motivate employees to increase their quality of work, to align their performance with organizational objectives and rewards can therefore be very powerful influence on employee behavior, motivation and productivity and should be part of the organization's strategy. According to Nelson and Spitzer (2012) although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, most likely the essence of the reward would be forgotten.

According to (Shore, 2010), 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, thus there is a need for the employer to really make an effort in showing the employee that his/her wellbeing is of concern to the organization.

Recognition of contributions towards the organization has a positive relationship towards increasing the commitment of the employee towards the organization and its objectives. According to Goodwin & Gremler (2012), the banking industry is in need of employees that are both satisfied and motivated, for without them, customer satisfaction level would also be affected. Interpersonal relationships established between bank personnel and the customers are a big driving force behind ensuring that a customer is satisfied or dissatisfied. When a high perception of value is achieved, then it is also highly likely that the customer will be satisfied, thereby bringing in more business for the bank. According to (Shore, 2010), 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, thus there is a need for the employer to really make an effort in showing the employee that his/her wellbeing is of concern to the organization.

Employees who take advantage of tuition reimbursement tend to stay with the company longer. In addition to improved employee retention, the employer may have employees who are motivated to produce more and easily promotable (Matt, 2014). Tuition reimbursement programs enable employers to get a guarantee that an employee will stay with the organization within an agreed period of time. Some organizations ensure that the employees sign bonding agreements in which stipulate the agreed conditions including the consequences in case an employee decide to leave the organization (Jensen, 2017).

According to Eichner (2016), flexible working hours or flexi-hours arrangement is where an employee is allowed to work for some hours within the day. For example, an employee works

from 10 a.m. to 7 p.m. rather than from 8 a.m. to 5 p.m. Giving people space and time away from the office allowing them to catch up on truly necessary activities, such as spending time with their families and getting enough sleep. When employees feel refreshed, they're much happier to come to work and can focus on meeting deadlines and producing good work - not on watching the clock tick the seconds until it's time to go home.

2.2 Empirical Review

The research of SabaSaleem revealed positive and important relation between financial incentives and employee commitment and increase in financial incentives such as promotion and bonuses enhanced employee commitment which enhances the employee's performance and decreases turnover and employees can only be loyal when their wants and desires are satisfied. SabaSaleem (2011)

According to Dr Ashraf Mohammed (2014) in his research the result shows incentives, rewards, reward system and promotions are four factors found to have important impacts on employee performance in Jordanian travel and tourism institution.

A research conducted by Peter K. result explains that reward is a major motivational factor for employee's performance Peter (2014)

The research conducted by Mirea, (2012) result shows the organization reward should consider the profit of the specific organization Moreover; the inspiration must be closely linked to the performance.

For this, it is required to the managers:

1. To follow the additional reasoning leading to the better performance;
2. Remember that additional resources allocated to the motivation does not mean solving of the Automatic problem, rather they have to consider correctly allocating of these resources and the permanent relationship between motivation and performance.

Mirea ,(2012)

The study conducted by Martha H (2013) investigated the effects of monetary (financial) and nonmonetary (non-financial) rewards on motivation with respect to lower level employees in the retail industry. An empirical study result shows by using a sample of fifty (50) lower level employees drawn using the random sampling technique. The findings of the study indicated a moderate significant relationship effect of non-monetary rewards on lower-level employee motivation ($r = .607, p < 0.01$).

There was major relationship between monetary rewards and motivation ($r = .71$, $p > 0.01$). There was a positive but weak significant relationship between rewards in general and work motivation ($r = .436$, $p < 0.01$) in all cases, demographic variables such as gender and occupation played a significant role in the relationship between rewards and motivation.

According to Khawaja (2012) the study regression analysis was developed to test the association between rewards, motivation and job satisfaction. Results indicate that (1) rewards have positive impact on motivation, (2) motivation is positively related to the job satisfaction (3) rewards have a positive significant effect on job satisfaction.

After considering theories that bear on the impact of extrinsic rewards on intrinsic motivation and discussing a specific study by two authors to demonstrate that extrinsic rewards can actually increase intrinsic motivation, (Gerald E. Ledford Jr., Barry Gerhart, Meiyu Fang, 2013). Come to an outcome that rewards clearly tend to increase performance and this is because they increase total motivation (extrinsic plus intrinsic). Detrimental effects of extrinsic rewards are not inevitable, and appropriate use of rewards can increase intrinsic as well as extrinsic motivation. Negative effects on motivation can be averted systematically by clearly understanding and avoiding the conditions that could create a negative effect. Further, the effects of the reward depend on the social context in which it is provided. If the reward is appropriately implemented, it should enhance, rather than undermine, intrinsic motivation making the incentive affect that much more powerful than if it relies on extrinsic motivation alone. This requires appropriate communication about the importance of the task and the nature of the incentive; specific, meaningful performance goals; appropriate feedback and support from supervisors; selection systems that help sort out those who do not fit the desired culture (and reward strategy) of the organization; and an organizational culture in which incentives are supported by managers and employees. This discussion serves as a reminder that contextual

2.13 Conceptual Frame Work

The conceptual framework of the study specifies the nature of the hypotheses of the study, which were depicted in the diagrammatic form of Figure 1. According to the model, dependent variable is employee's performance and the independent variables mainly are reward, benefits and incentives. The relations of these variables are supported on the basis of review of literatures.

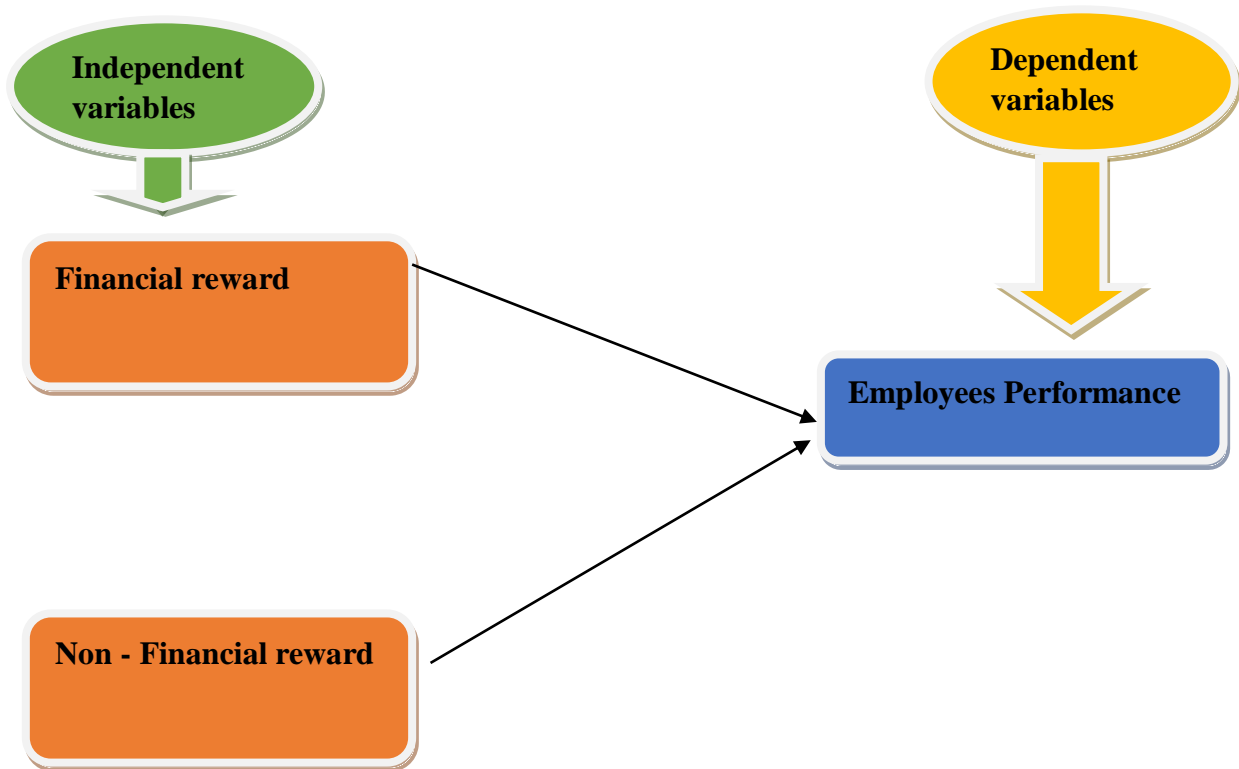


Figure 1 Conceptual Frame Work

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presents research design and technique, data type and source, total population, sampling design technique, method of data collection, data processing & analysis, pilot survey, Validity & Reliability and Ethical consideration. (Zikmund, Babin, Carr and Griffin, 2010) describe a research methodology as a part that must explain technical procedures in a manner appropriate for the audience. It achieves this by addressing the research and sample designs that was used for the study, the data collection and fieldwork conduct for the study and the analysis was done to the collect data Zikmund(2010) that research methodology deals with the description of the methods applied in carrying out the research study.

3.1. Research Design and Approach

A research design is the program that guides the researchers in the process of collecting, analysing and interpreting data. The primary aim of this study is to investigate the effect of reward on employee's performance. To achieve this objective, explanatory and descriptive type of research design with a quantitative and qualitative approach was employ. The rationale for the choice of descriptive survey method is the fact of this study that the descriptive studies are used in order to describe and interpret the trend of events that exists (Creswell, 2014).

(Lavrakas, (2008), describes a descriptive survey research design as a systematic research method for collecting data from a representative sample of individuals using instruments composed of closed-ended questions. So that, in this study the descriptive survey research design is employed to process the data to see the effectiveness of reward on employees' performance.

Explanatory research looks for causes and reasons Zegeye, (2009), cited by BIRHANU. It's a good description provokes the `why' questions of explanatory research. Therefore to show the relation between variables explanatory research method use. The research strategies are good way of approaching issues as it enabled to respond and triangulate evidences. Cross sectional survey research method is a study in which various segments of population are sampled at a single point in a time (Zikmend, 2010).

3.2 Population, Sample Size and Sampling Technique

Orodho (2013) defines target population as the set of elements that the study focuses upon and to which the results obtain by testing the sample should be generalize. According to Ralph (2013), a sampling frame is a list of elements from which the sample is actually drawn and is closely related to the population.

The sampling frame constituted the employees of the Bank total population of the study was 600 which locate at Addis Ababa branch. The number of employees gets from human resource of abay bank.

Sampling techniques can be classified into two main groups, probability and non-probability sampling. The population was very large because of this the study use simple random probability sampling techniques. According to Zamboni (2017), sample size is an important concept in statistics, and refers to the number of individual pieces of data collect in a survey. A statistic's sample size is important in determining the accuracy and reliability of a survey's findings. The sample size for this study was considered as 234 this sampling size used form sampling table at 95% confidence level is used to select the appropriate sample size (https://sociology.soc.uoc.gr/socmediapapageometapyxiakoisample_sizesamplesize1.pdf).

3.3 Sources of Data and Data Collection Tools

Study was used both primary and secondary source of data. The primary data basically opinions of the respondents on various aspects at ABAY Bank S.C. The instrument uses for data collection are the self-administered type questionnaires. The secondary data were collected for basically different documents and manuals of the bank.

3.4 Data Analysis Methods

Data was collect and screened to check for completeness and consistency. Coding was done in the questionnaire for the ease of analysis through SPSS. Descriptive analysis was by use of frequency, mean, correlation and regression

3.5 Validity and Reliability test

Validity

Validity is the extent to which differences found with a measuring tool reflect true differences among respondents being tested. The purpose of validity in the study has been to seek

relevant evidence that confirms the answers found with the measurement device which is the nature of the problem. The items are revised and improved according to the employee expertise and advisors.

Validity was achieved by pre-testing the instrument to be used to identify and change any ambiguous or offensive questions and technique as emphasized. Copies of the questionnaire were distributed to thirty respondents as a pilot test. This was done to find out whether the developed instruments measures what it was meant to measure and also to check the clarity, length, structure and wording of the questions. This test also helped the researcher to get valuable comments to modify some questions.

Reliability

The reliability of the scale which is how the collects data is free from random error was check by Cronbach's alpha. Cronbach's alpha is a statistic. It is generally use as a measure of internal consistency or reliability of a psychometric instrument. In other words, it measures how well a set of variables or items measures a single, one-dimensional latent aspect of individuals. In order to be reliable, using SPSS result, the Cronbach's alpha should exceed the threshold of .70. This indicates that there was a high degree of internal consistency amongst the test items. (Streiner, Norman, 1989) As a result, Cronbach's alpha which is a measure of internal consistency of the items included in the questionnaire showed a satisfying reliability, above the 70% as indicated in the table below.

1.1 Reliability Testing Table

Cronbach's Alpha	N of Items
.824	46

This indicates that there was a high degree of internal consistency among the test items

3.6 Ethical Considerations

The study was conducted by considering ethical responsibility. It includes providing information to the respondents the purpose of the study and the use of the information as well. Information gathering was held in strict confidentiality by the researcher. Respondents' anonymity is kept so that participants feel free and safe to express their ideas. The researcher was also notifying that their organization in the study is voluntary, that they have the freedom to get information easily at any time.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with data presentation, interpretation and analysis of the collected data through questionnaire. Descriptive statistics like frequencies, percentage and mean were used to analyse the data moreover Pearson correlation also used to show the relationship between dependent and independent variables finally regression analysis were deployed to show the effect of independent variables over the dependent. The findings from the questionnaires were analysed by using SPSS (version 20). The results from the study are presented in the form of mean and standard deviation table.

As stated in the previous chapter of this paper, questionnaire were designed and distributed to a total of 234 employees of the bank. Accordingly, 222 questionnaires were appropriately filled and returned which gives 94.8% return rate that is assumed to be suitable for further analysis.

The first part of the questionnaire consists of seven items about the demographic information of the respondents. The second part of the questionnaire contained four general questions about general view of reward with “liker Scale “questions. The third part of the questionnaire is the main part of the thesis.

4.1. Demographic Profile of the Respondents

The demographic characteristics of the respondents was analysed and given as below. This was done mainly to determine the suitability of the respondents to provide the Needed information for the validity of the study

Table 4.1 Demographic Profile of the Respondents

Items		Frequency	Percent
Gender	Male	134	60.4
	female	88	39.6
	Total	222	100.0
Age category	18-26	82	36.9
	27-30	97	43.7
	31-35	21	9.5
	36-40	17	7.7
	41-44	5	2.3
	Total	222	100.0
Marital Status	Single	116	52.3
	Married	97	43.7
	Divorced	5	2.3
	Widowed	4	1.8
	Total	222	100.0

Source; (own survey, 2019)

The above table indicates that, the gender distribution of the selected sample. There were large number of male respondents (n=134,) which is 60.4% of the sample and the female respondents (n=88) comprise 39.6% of the sample. The majority of the respondents (43.7%, n=97) were between the ages of 27 and 30 years old. While 36.9% or n=82 of the respondents were between the ages of 18 to 26 years old.9.5% (21) fall under age categories of 31-35.While7.7% (17) of respondents are in the age group of 36-40years. Finally the remaining 2.3% or n=5of the respondents were between the ages of 41-44 to years old. Hence there are no respondents above the age of45 years.

As shown in the above table most of respondents are single or 116 (52.3%) of respondents.97(43.7%) of respondents are married and the remaining 5(2.3%) are divorced, there is4(1.8%) of widowed among the respondents.

In overall the age ,gender and marital status data show us most of respondents are Male as the same time most of respondents are young in the total responses and single. This shows that the majority of the employees in the bank were young and middle age. Therefore, the majority employees were within the productive age

Table 4.2, Education Attainment, Work Positions, Years of Service and Salary Range

Items		Frequency	Percent
Education attainment	College diploma	12	5.4
	bachelor degree	183	82.4
	master degree	27	12.2
	Total	222	100.0
Current position	Managerial	30	13.5
	non managerial	192	86.5
	Total	222	100.0
Years of service in the bank	<1 years	16	7.2
	1-3 years	91	41.0
	4-6 years	85	38.3
	7-10 years	26	11.7
	11-15 years	4	1.8
	Total	222	100.0
Salary range	<3000 birr	1	.5
	3001-7000 birr	49	22.1
	7001-11000 birr	95	42.8
	11001-17000 birr	62	27.9
	17001-25000 birr	15	6.8
	Total	222	100.0

Source; (own survey, 2019)

The above table shows that the educational qualification of sample respondents. A majority of respondents (n=183, 82.4%) held first degree. Respondents with a master's degree account for 12.2% or n=27, respondents with a diploma account for 5.4% or n=12. The table also show us most of 192(86.5%) respondents are non-managerial and 30 (13.5%) are managerial positions. As it can be seen in the above table, the majority (n=91, 41.0 %) of the respondents had work experience from 1 to 3 years, 38.3% (n=85) of respondents had work experience from 4 to 6 years,11.7%(n=26) of respondents had work experience from 7 to 10 years, 1.8 %(n=4) of respondents had work experience from 11 to 15 years and 7.2%(n=16) of the respondents have less than one year experience

With regard of salary range the question starts from 3000 ETB because the salary scale for clerical (office worker) start from 3000 ETB for diploma holders and 5473 ETB for degree holders. in line to the salary range 49 (22.1%) of the respondents are in salary range of 3001-7000 ETB, 95 (42.8%) respondents are between salary range of 7001- 11000 ETB, 62 (27.9%) are salary range of 11001-17000 ETB and the remaining 15 (6.8%) are in range of 17001-25000 ETB , there is no respondents who get more than 25000 ETB.

4.2. Descriptive Statistics Analysis

In this part, descriptive statistics, in the form of mean and standard deviation, was presented to illustrate the level of agreement of the respondents with their implications of the Bank. The responses of the respondents for the variables indicated below were measured on five point Liker scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree. But, while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. 1-1.8= Strongly Disagree, 1.81–2.6 = Disagree, 2.7 –3.3= Neutral, 3.4 –4.20= Agree and 4.2 –5 = Strongly Agree (Best, 1977, as cited by Yonas, 2013).

4.2.1 Descriptive Statistics Respondents on General reward management

Table 4.2.1 Respondents view on General about reward management

General questions about reward management	Mean	Std. Deviation
I believe that the bank pay scale which consider marker vale of each professional	2.3063	1.13195
I have got reward several time	3.1982	1.09561
the reward management policy of the bank motivates me for better performance	2.3018	.98122
the bank reward management policy consider inflation	2.2387	.91826
Valid N (list wise)		

Source; (own survey, 2019)

The study revealed that I believe that the bank pay scale which consider marker vale of each professional as indicated by a mean response of 2.3 and standard deviation response of 1.13 in the descriptive analysis which indicated that 82(36.9%)(Appendix Table 2) of respondents are disagreed. This was also discovered that the bank pay scale is not consider marker vale of each professional. The finding revealed that I have got reward several times as noted by a mean response of 3.19 with a standard deviation of 1.09, this was also reflected in the descriptive analysis 85(38.3%)(Appendix Table 2) of respondents are moderately agree. The study further discovered that the reward management policy of the bank motivates me for better performance as indicated by a mean response of 2.3, with a standard deviation of 0.98 in the descriptive analysis which indicated that 101(45.5%)(Appendix Table 2) of respondents disagreed. It was also shown that the bank reward management policy consider inflation as shown by a mean response of 2.2 with a standard deviation of 0.91 this was also reflected in the descriptive analysis which indicated that 100(45%)(Appendix Table 2) of respondents are disagreed.

In general the reward management of the bank does not consider marker vale of each professional paying scale and paying scale not consider inflation because of this the reward management policy of the bank does not motivates employees for better performance.

4.2.2 Descriptive Statistics Respondent son Types of Reward

Table 4.2.2 Respondents view on Types of Rewards

Types of Rewards Provided By the Bank	Mean	Std. Deviation
The bank provide financial reward like allowances	3.5586	.99031
The bank provides financial reward like bonus for good performance.	3.6081	.97225
The bank provide non-financial reward like promotion	3.5856	1.04183
The bank provide non-financial reward like recognition	2.4730	1.07909
The bank provide extrinsic reward like benefits	2.4595	1.12386
The bank provide extrinsic reward like transportation allowance	3.4099	1.05010
The bank provide extrinsic reward like incentives	2.5946	1.10432
The financial reward of the bank affect your performance positively	3.4910	1.08357
The non-financial reward of the bank affect your performance positively	3.4595	1.00931
Valid N (list wise)		

Source; (own survey, 2019)

The study revealed that the bank provide financial reward like allowances as indicated by a mean response of 3.5 and standard deviation response of 0.99. This was also revealed in the descriptive analysis which indicated that 123(55.4%) (Appendix Table 3) of respondents are agreed. Therefore we can conclude the bank provide financial reward like allowances.

The study further discovered that the bank provides financial reward like bonus for good performance. As indicated by a mean response of 3.6 and 0.97 standard deviation. This was also in the descriptive analysis which indicated that 134(60.4%)(Appendix Table 3) of respondents are agreed. The bank provides financial reward bonus for good performance. The study revealed that the bank provide non-financial reward like promotion has scored a mean and standard deviation of (3.5 and 1.04), this shows that 102(45.9%)(Appendix Table 3) of respondent is agreed. Therefore the bank gives non-financial reward like promotion.

The study regarding of the bank provide non-financial reward like recognition from this we can understand most of the respondents are disagreed or they believe the bank does not provide non-financial rewards like recognition, moreover the mean value 2.4, (SD=1.07) shows on average most 94(42.3%)(Appendix Table 3) of respondents disagreed so the bank have not yet provide non-financial reward like recognition.

The study revealed that the bank provide extrinsic reward like benefits has scored a mean (2.5) and the standard deviation (1.1), this shows that 86(38.7%) (Appendix Table 3) of respondent is disagreed. Therefore the bank not give at satisfy amount of benefits. The bank gives attention in extrinsic reward like benefits.

The study regarding of the bank provide extrinsic reward like transportation allowance has scored a mean (3.4) and the standard deviation (1.0), this shows that 111(50%) (Appendix Table 3) of respondent is agree. Therefore the banks give transportation allowance but not at satisfy amount.

The study further discovered that the bank provide extrinsic reward like incentives. As indicated by a mean response of 2.5 and 1.1 standard deviation. These shows 88 (39.6%)(Appendix Table 3) of respondents disagreed. Then the banks not give at satisfy level of incentives. And the bank gives attention in extrinsic reward like benefits, incentives, recognition and transportation.

The study revealed that the financial reward of the bank affect your performance positively. From this we can understand the financial reward of the bank is positively affect the employees performance . It is encourage the employees for better performance, the mean value 3.49, (SD=1.0) also show that 97(43.7%) (Appendix Table 3) of respondents are agree. The study further discovered that the non-financial reward of the bank affect your performance positively from this we can understand the non-financial reward of the bank is positively affect the employees performance . It initiate employee like promotion and encourage the employees for better performance, the mean value 3.49, (SD=1.0) this show that 71 (32%) of respondents are agreed.

In general with regards of the type of reward, the bank provides financial rewards and moderate in non-financial reward but the bank improves extrinsic rewards. Finally Employees' performance positively affect by bonus and Promotion. Overall 37.8%.of respondents are agreed that the banks give financial rewards and non-financial.

4.2.3 Descriptive Statistics Respondents on Attractiveness of reward relatively to other banks

Table 4.2.3 Respondents view on Attractiveness of reward of the bank relatively to other banks

attractiveness of reward of the bank relatively to other banks	Mean	Std. Deviation
The bank pay competent bonus in the banking industry	2.4279	1.12227
The bank cover medical expense up to reasonable amount	3.4279	1.15015
The bank provide comparable pay value in the bank industry	2.2703	.96496
The bank insurance coverage is attractive than the other banks	2.3063	1.10771
The bank transportation allowance is computable than the other banks	2.2387	1.40192
The bank is concerned with the development needs of the employees and sponsors them for training programs that addresses their competency gaps.	2.6622	1.10052
The bank pays according to contribution to the attainment of bank objective.	3.1622	1.20737
The management recognizes employees' efforts towards achieving the bank's objectives.	3.3919	1.07818
The bank allows purchasing share for the employees.	3.3829	1.19663
The bank has a profit sharing mechanism for all the employees	2.8559	1.22454
Valid N (list wise)		

Source; (own survey, 2019)

The study revealed that the bank pay competent bonus in the banking industry. The above table shows most of respondents are disagree with the item, the mean value 2.4 (SD=1.1) this shows that 85 (38.3%) (Appendix Table 4) of respondents are disagreed. The banks improve the bonus scale to competing industry.

The study regarding of the bank cover medical expense up to reasonable amount that scored a mean (3.4) and the standard deviation (1.1), this shows that 99(44.6%)(Appendix Table 4) of respondent is agreed. Therefore the banks cover medical expense up to tolerable and reasonable amount.

It was further revealed that the bank provide comparable pay value in the bank industry the result of respondents are disagreed with the item moreover the mean value 2.2, (SD=.96) this shows that 95(42.8%)(Appendix Table 4) of respondents are disagreed.

As shown in the above table of respondents for the bank insurance coverage is attractive than the other banks. Therefore the bank attractiveness of insurance coverage is not good which shown by the mean value 2.3 (SD=1.1) this show that 98 (44.1%) (Appendix Table 4) of responses disagree.

The study revealed that the bank transportation allowance is computable than the other bank the above table shows most of respondents are disagree with the item, the mean value 2.2 (SD=1.4) also shows that 91 (41%) (Appendix Table 4) of respondents are disagree means that the bank transportation allowance is not computable than the other banks.

It was also shown that the bank is concerned with the development needs of the employees and sponsors them for training programs that addresses their competency gaps. The bank is not concerned with the development needs of their employees. It indicated that a mean response of 2.6, and (SD=1.1) this was also reflected in the descriptive analysis were 84 (37.8%) (Appendix Table 4) of respondents are disagreed. As shown in the above table for the bank pays according to contribution to the attainment of bank objective. Hence the mean value 3.1 (SD=1.2) this shows that 92 (41.4%) (Appendix Table 4) respondents' moderately agree but not that match happy or not that matches unhappy.

It was also shown that the management recognizes employees' efforts towards achieving the bank's objectives the result show the management does recognize employees' efforts towards achieving the bank's objectives as noted by a mean response of 3.39 and (SD=1.07) This was further noted 111 (50%) (Appendix Table 4) of respondents are agreed.

The study revealed that the bank allows purchasing share for the employees the result show that the employees of the bank purchasing of stock option (share ownership) offered to employees irrespective of their grade / category as noted by 3.38, and (SD=1.2) this show that 97 (43.7%) (Appendix Table 4) of respondents who moderately agreed stock options to purchasing (share ownership) for all employees. Lastly, the study revealed that the bank does have a profit sharing mechanism for all the employees as noted by a mean response of 2.8 and (SD=1.2) it shows that 70 (31.5%) (Appendix Table 4) of respondents are moderately disagree.

4.2.4 Descriptive Statistics Respondents on the effect of reward on employees' performance

Table 4.2.4 Respondents view on the effect of the reward on employees' performance

The effect of the reward on employees' performance	Mean	Std. Deviation
Salary adjustment or increment affect my work performance	3.5946	.91125
The bonus plan encourages to perform better	3.3198	1.18110
The bank's bonus payment is performance based.	3.3018	1.23446
The existing of benefit package (medical coverage, paid vacation time, insurance coverage) are motivating employees to perform optimally(maximum)	2.5225	1.08754
Bonus payment and profit sharing of the bank affect my work.	3.4189	1.13369
The bank promotion system affect my performance positively	3.3649	1.10418
The amount of transportation converge affect my working performance	3.5541	.96277
the cash bonus given by the bank affect my performance	3.4955	.95010
Valid N (list wise)		

Source; (own survey, 2019)

The study revealed that Salary adjustment or increment affect my work performance as indicated by a mean response of 3.59 and standard deviation response of (0.91). This was also revealed in the descriptive analysis which indicated that 117(52.7%) (Appendix Table 5) of respondents agreed that Salary adjustment or increment affect performance.

It was discovered that the bonus plan encourages performing better as indicated by a mean response of 3.3 and standard deviation response of 1.1. This was also revealed in the descriptive analysis which indicated that 90 (40.5%) (Appendix Table 5) of respondents are moderately related to agree.

The above table shows that the bank bonus payment is performance based indicated by the mean value 3.3(SD=1.2) this also implicate that 95(42.8%) (Appendix Table 5) of moderately agree. The above table shows the existing benefit package item responses shows the mean value 2.5 (SD=1.0) the descriptive analysis which indicated that 80 (36%) (Appendix Table 5) of respondent disagree. The existing benefits package are not motivating employees and affect the employees performance.

The above table shows the result of bonus payment and profit sharing of the bank affects my work. The results shows bonus payment and the profit of the bank are affect the employees

performance, the mean value 3.4(SD=1.1) the descriptive analysis which indicated that 84 (37.8%) (Appendix Table 5) of respondents agree.

The bank promotion system affect my performance positively has scored a mean and standard deviation of (3.36 and 1.1), this shows that 109 (49.1%) (Appendix Table 5) of the bank employees are near to the agreement level or moderately agree.

The finding revealed that the amount of transportation converge affect employees performance. as noted by a mean response of 3.55 with a standard deviation of 0.9, this was also reflected in the descriptive analysis 119(53.6%)(Appendix Table 5) of responded are agree. the amount of transportation converge affect employees performance.

Still on financial reward, the study revealed that the monetary or cash bonus given by the bank affect my performance as indicated by a mean response of 3.49, this was also discovered that 119 (53.6%) (Appendix Table 5) of response are agreed. Means that cash bonus given by the bank affect employees' performance.

4.2.5 Descriptive Statistics Respondents on Distribution or fairness of reward at all level

Table 4.2.5 Respondents view on Distribution or fairness of reward at all level

Distribution or fairness of reward at all level	Mean	Std. Deviation
I earn the same salary with others doing the same job in the bank	3.1892	1.12168
The bank has highly favored better incentive scheme for employees.	2.5225	1.06654
Salary increment is fair and based on my performance	2.5270	1.00977
The payment structure is more favored to all employees	2.5360	1.20559
Everyone have equal chance to be promoted	3.3829	1.21539
Distribution of bonus to all level (both managerial & non-managerial) is fair	3.2027	1.18030
The gap between salary scale of managerial & non-managerial employees is too wide	3.7793	1.01166
Leave arrangement is fair to all level	3.5225	1.03641
Stock Option (share ownership) is for all employees irrespective of their grade / category	3.5090	1.03224
Valid N (list wise)		

Source; (own survey, 2019)

I earn the same salary with others doing the same job in the bank has scored a mean and standard deviation of (3.18 and 1.1), this was also reflected in the descriptive analysis 101(45.5%)(Appendix Table 6) of responded indicted that employees are moderately agree. It

was also discovered that the bank has highly favored better incentive scheme for employees would be not encouraged to the current incentive scheme as indicated by mean response 2.5 with SD=1.06 this 85(38.3%)(Appendix Table 6) of respondents are disagreed. The Salary increment is fair and based on my performance has scored a mean and standard deviation of (2.5 and 1.0). This reflected in the descriptive analysis 115(51.8%) (Appendix Table 6) of responded are disagree. Salary increment is not fair and not based on individual performance.

The finding revealed that the payment structure is more favored to all employees has scored a mean and standard deviation of (2.5 and 1.20). This reflected in the descriptive analysis 62(27.9%) (Appendix Table 6) of responded are disagree. The bank current payment structure not favor to all employees.

As shown in the above table in regard of everyone have equal chance to be promoted the mean value 3.38 (SD=1.21) which shows that 110(49.5%)(Appendix Table 6) of responded are moderate agree .everyone have equal chance to be promoted in the bank.

Distribution of bonus to all level (both managerial & non- managerial) is fair has scored a mean and standard deviation of (3.20 and 1.18), this was also reflected in the descriptive analysis 102(45.9%) of responded are neutral the bank employees not know distribution of bonus to all level (both managerial & non- managerial) is fair.

There is the gap between salary scale of managerial & non -managerial employees is too wide has scored a mean and standard deviation of (3.77 and 1.01) this reflected in the descriptive analysis 96(43.2%) (Appendix Table 6) of respondents are agree. The study revealed that Leave arrangement is fair to all level has scored a mean and standard deviation of (3.52 and 1.03), this was also in line with over 135(60.8%)(Appendix Table 6) response that agree . the Leave arrangement is fair to all level. The study revealed that there is stock option (share ownership) offered to employees as noted by mean 3.50 and SD=1.03), this shows that 85 (38.3%) (Appendix Table 6) of respondents are agreed. The bank give stock options (share ownership) irrespective of their grade / category are for all employees.

4.2.6 Descriptive Statistics Respondents on Expectation of reward and benefits

Table 4.2.6 Respondents view on Expectation of reward and benefits

Expectation of reward and benefits of employees from the bank	Mean	Std. Deviation
Your expectation regarding loan benefit is satisfied	3.5676	1.10221
The employees get enough & comparable bonus than that of other banks	2.2207	1.00268
Salary increment of the bank is matched or similar to what you expect	2.2252	1.03500
Do you expect the bank applies performance based career development	3.0135	1.18237
The benefits are as good as most other organizations offer.	2.2297	1.14014
The bank has a clear career Development procedure.	3.3198	1.18873
Valid N (list wise)		

Source; (own survey, 2019)

The result regarding the expectation regarding loan benefit is satisfied shows the mean value 3.56 (SD=1.10) this reflected in the descriptive analysis 93(41.9%)(Appendix Table 7) of respondents' are agree. Employees of the bank expectation regarding loan benefit are satisfied.

As shown in the above table on the result of employees get enough & comparable bonus than that of other banks score the mean value 2.22 (SD=1.00) this reflected in the descriptive analysis where 102(45.9%)(Appendix Table 7) of respondents' are disagree. The bank it not pay enough& comparable bonus than that of other banks it not sufficient amount.

Salary increment of the bank is matched or similar to what you expect score the mean value 2.22 (SD=1.03) this reflected in the descriptive analysis where 108(48.6%)(Appendix Table 7) of respondents' are disagree. The bank its Salary increment is not matched or not similar to what expect employees.

The finding revealed that do you expect the bank applies performance based career development score the mean value 3.01 (SD=1.18) this reflected in the descriptive analysis where 72 (32.4%) (Appendix Table 7) of respondents' are neutral. Employees of the bank does not know about the bank applies performance based career development.

The study revealed that the benefits are as good as most other organizations offer has scored a mean and standard deviation of (2.22and 1.14), this reflected in the descriptive analysis where 100(45%) (Appendix Table 7) of respondents' are disagree. The benefits are not good as most other organizations offer the bank improve the benefit page compared to other

organization. The bank has a clear career Development procedure score the mean value 3.31 (SD=1.18) this reflected in the descriptive analysis where 96 (43.2%) (Appendix Table 7) of respondents 'are moderately agree.

4.3 Correlation Analysis

Correlation coefficient statistics measure the degree to which two sets of numbers are related. In this section, the researcher tried to accomplish the goal of the study through applying Pearson's correlation (r) as it is the most widely used method of measuring the degree of relationship between two variables. According to Kothari (2004), correlation analysis deals with the joint variation of two or more variables for determining the amount of correlation between two or more variables. The coefficient shows the direction and magnitude of the relationships, whether it is strong, moderate, weak, positive and negative. A strong relationship has higher coefficient value whereas smaller coefficient value is an indicator of weak relationship. Similarly, according to (cited by abebualSingh 2006) for expressing the degree of relationship quantitatively between two sets of measures of variables, we usually take the help of an index that is known as coefficient of correlation. It is a kind of ratio which expresses the extent to which changes in one variable are accompanied with changes in the other variable. It involves no units and varies from -1 (indicating perfect negative correlation) to + 1 (indicating perfect positive correlation).

Accordingly the following values correlation r is closest to:

- $+0.30 \Rightarrow$ a weak (positive) linear relationship
- $-0.30 \leq$ a weak (negative) linear relationship
- $+0.50 \Rightarrow$ a moderate (Positive) relationship
- $-0.50 \leq$ a moderate (negative) relationship
- $0 =$ No linear relationship
- $+0.70 \Rightarrow$ a strong (positive) linear relationship
- $-0.70 \leq$ a Strong (negative) linear relationship
- Exactly $+1 \Rightarrow$ a perfect (Positive) linear relationship
- $-1 \leq$ A perfect (negative) linear relationship

Table 4.3 Correlation Analysis of Independent variables

Independent variables	No. of observations	Employee Performance	
		Pearson Correlation	Sig. (2-tailed)
Types Of Reward	222	.138*	.040
Attractiveness of rewards relative to other bank	222	.247**	.000
Distribution of Fairness of reward	222	.232**	.002
Expectation of reward, benefits	222	.390**	.000

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

Source; (own survey, 2019)

Pearson Correlation Coefficient was used to assess the relationship between types of reward and employee Performance. Pearson Coefficient Value Sig. (2-tailed) =.040 at 95% confidence level, and $P < 0.005$, this implies that there was a positive but moderately significant relationship between types of reward and performance. 13.8% of types of reward on were explained by the variation of employee Performance the bank, at $r = 13.8\%$ at 0.05 level of confidence. The results are shown on the above table

As shown on the above table 4.3 correlations result between employee performance and Attractiveness of rewards relative to other bank a Pearson correlation coefficient result of 0.247. This means that those independent variables have insignificant relationship and positive correlation with the dependent variable (employee performance). The positive direction indicating that, when the independent variables increase dependent variable also increases and vice versa. The relationships have also statistically significant since the p value 0.000 and $0.001 < 0.05$.

Pearson Correlation Coefficient was used to assess the relationship between Distribution of reward and employee Performance. Pearson Coefficient Value Sig. (2-tailed) =0.01 at 1% confidence level, and $P < 0.005$, this implies that there was a positive but insignificant relationship between Distribution of reward and employee Performance. 23.2% of the Distribution of reward were explained by the variation of employee Performance in the bank, at $r = 23.2\%$ at 0.01 level of confidence. The results are shown on Table 4.3.

The above correlation coefficient table 4.3 also shows the correlation result between employee performance and Expectation of reward, benefits. In this case, the Pearson correlation coefficients between variables are 0.39 with the significant level of $p=0.000$. This means the variables have a strong uphill linear relationship and the value has 1% level of confidence. The value positive indication shows that, when the independent variables increase dependent variable also increases and vice versa.

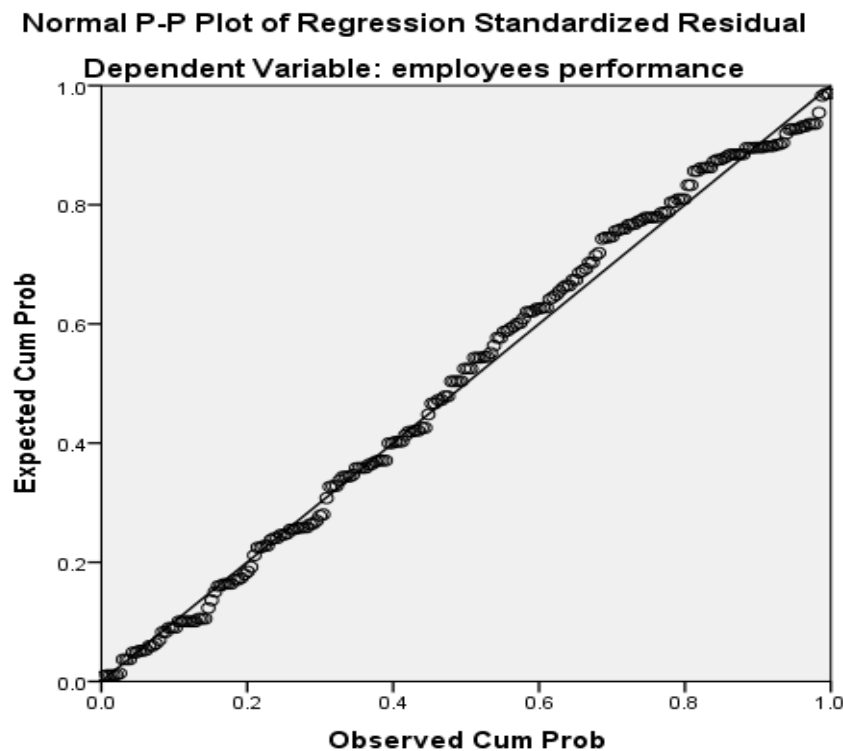
4.4 Regression Analysis Assumption Test

Before applying regression analysis, the researcher tests its assumptions like normality, linearity and multicollinearity.

4.4.1 Normality test

In order to determine normality graphically, we can use the output of a normal P-P Plot. If the data are normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data are not normally distributed. As we can see from figure 4.4.1 the normal P-P plot above, the data is normally distributed.

Figure 4.4.1 normal P-P plots test



4.4.2 Multi co linearity analysis test:

Multico linearity is states of very high inter correlations or inter-associations among the independent variables. It is therefore a type of disturbance in the data, and if present in the data the statistical inferences made about the data may not be reliable. Multi co linearity can also be detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). The values of tolerance are less than 0.2 or 0.1 and simultaneously the value of VIF 10 and above. As table 4.13 shows the calculated tolerance value of the dimensions of the independent variable is ranging from 0.677 up to 0.731 indicate all the Tolerance values are within the acceptable level of greater than 0.1, whereas the VIF values are also less than the cut of value of 10. The fact that the Tolerance and VIF values are falling within the acceptable limit entails in this particular study multi co linearity is not a serious problem and it is possible testing multiple regression analysis.

Table 4.4.2 Multi co linearity Test

Model		Coefficients	
		Collinearity Statistics	
		Tolerance	VIF
	types of reward	.677	1.477
	Attractiveness of rewards relative to other bank	.693	1.443
	Fairness of reward	.729	1.373
	Expectation of reward and benefits	.731	1.368

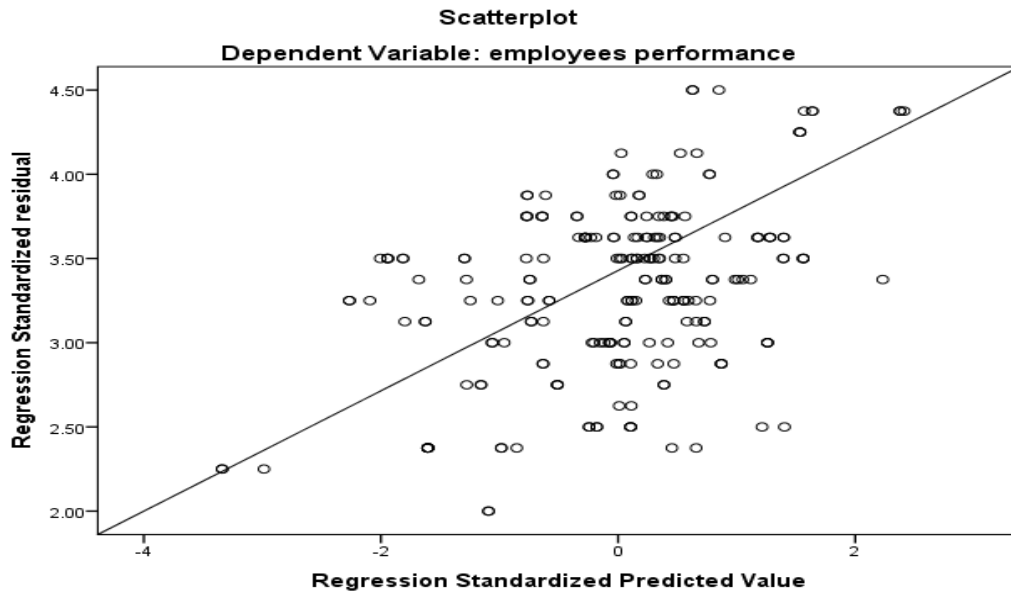
a. Dependent Variable: employees performance

4.4.3 Scatter plot analysis test

Scatter plot graphs the actual values the data against the values predicted by the model. The scatter plot displays the actual values along the X-axis, and displays the predicted values along the Y-axis. It also displays a line that illustrates the perfect prediction, where the predicted value exactly matches the actual value.

Figure 4.4.3 shows the patterns in scatter plots of employee performance against the independent variables weather they have linear relation and the assumption have met. From

the graph above the straight line shows the expected linear relationship, and the points scattered around that line show how the actual data diverges from the expected. This analysis tells you at a glance how closely a set of results is correlated with a particular input, and how much variation there is from the ideal model.



4.4 Regression Analysis

Regression analysis is a statistical method to deal with the formulation of mathematical model depicting relationship amongst variables which can be used for the purpose of prediction of the values of dependent variable, given the values of the independent variable (Kothari, 2004 cited by tizitataye 2018)

To determine the effect of independent variable on the dependent variable (employee performance) regressions analysis was conducted. Regression analysis helps in establishing a functional relationship between two or more variables and predicts the values of dependent variables from the value of independent variables. In this model, employee performance as dependent variable and types of reward and Expectation of reward and benefits, Fairness of reward, Attractiveness rewards of relative to other bank as independent variables were used.

The regression coefficients analysis results are present in table 4.4.1

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	2.261	.254		8.894	.000
	types of reward	-.083	.085	-.074	-.985	.326
	Attractiveness of rewards relative to other bank	.073	.070	.080	1.041	.299
	Fairness of reward	.083	.074	.082	1.119	.264
	Expectation of reward and benefits	.244	.056	.320	4.396	.000
	reward management	.074	.057	.092	1.308	.192

a. Dependent Variable: employees performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.417 ^a	.174	.155	.47207

a. Predictors: (Constant), reward management, Expectation of reward and benefits, types of reward, Fairness of reward, Attractiveness of reward relative to other bank

As illustrated in table above the value of adjusted R square is .174 Adjusted R² = .155 which means that the whole independent variables explains 17.4% of the variability of the dependent variable (employee performance).

The above table also depicts the extent to which each independent variable influences the dependent variable. The relative importance independent variable contributing to the variance of the employees' performance (dependent variable) was explained by the standardized Beta coefficient. The beta values of the independent variables i.e. types of reward, Attractiveness of rewards relative to other bank, Fairness of reward, Expectation of reward and benefits and reward management are -.074, .080, .082, .320 and .092 respectively. The result obtained from the regression analysis showed that Expectation of reward and benefits of the organization is more significant and statistically meaningful when compared with the other variables in terms of employees performance. This can be understood as a meeting expectation of reward and benefit of employees was increase employees' performance by .320 which is significant

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter provides discussions, conclusions and recommendations based on the results and findings on the effect of reward on employee's performance in case of ABAY BANK. The findings were based on the respondents' questionnaires based on the research questions. This chapter therefore provided the researcher's discussion on the findings of the research as compared to analysis of the literature review based on the purpose of the study. The conclusions and recommendations were provided in this chapter

5.1. Summary of Major Findings

After analyzing the primary data collected, the study revealed that there were large number of male respondents (n=134,) which is 60.4% of the sample showing that the bank is dominated by male employees. 116 (52.3%) of respondents are single. The bank had 43.7%, (n=97) were between the ages of 27 and 30 years old. It was also revealed that a high number of respondents were degree holders n=183,(82.4%). n=91(41.0%) of the respondents had work experience from 1 to 3 years. signifying that the bank had so many new employees. 192 (86.5%) of the employees non-managerial position. The salary range is 95 (42.8%) of respondents are between salary range of 7001- 11000 ETB.

Generally the pay scale of the bank & reward management policy does not consider market value and inflation rate respectively because of this respondents are not motivated for better performance.

with regards of the type of reward, the bank provide financial rewards and extrinsic Reward like bounce, transportation allowances but not non-financial rewards is given without promotion and the bank not give at satisfy amount of benefits and incentives. finally the effect of reward on employees performance in the bank have Positive effect means that the employees of the bank is encourage if pay bounces, benefits, incentives but the amount is not satisfy because of this employees not motivated for better performance.

Generally the pay and bonus of the bank is not satisfied the employees and not compared to the market. The medical coverage is attractive for the employees but not insurance, benefits and transportation allowance. The bank allows purchasing share for

employees but employees not know or neutral there is no information to purchase share in the bank. The bank was not concerned with the development needs of the employees and did not sponsor them for Training programs that addresses their competency gaps. With regard of the management recognizes employees' efforts towards achieving the bank's objectives 50% of respondents agree. The study discovered that the bank has a profit sharing mechanism for all the respondents indicated neutral.

The study discovered that 52.7% of the respondents indicated that Salary adjustment or increment affect my work performance then most employees are agree. The bonus plan encourages to perform better 40.5% of respondents are agree. The study further revealed that majority which is 42.8% of respondents are agreeing this indicated that the bank's bonus payment is performance based. With regard of the existing of benefit package (medical coverage, paid vacation time, insurance coverage) are motivating employees to perform optimally (maximum) 36% of respondents disagree. The study discovered that bonus payment and profit sharing of the bank affect my work 37.8% of the respondents agree. The study discovered that the bank promotion system affect my performance positively. 49.1% of the respondents agree. The study discovered that the amount of transportation converge affect my working performance 53.6% of the respondents agree. The study discovered that the cash bonus give by the bank affect employees performance 45.5% of the respondents agree.

The study discovered that I earn the same salary with others doing the same job in the bank 45.5% of the respondents moderately agree. With regard of the bank has highly favored better incentive scheme for employees 38.3% of the respondents disagree. Indicate that the bank is not giving better incentive scheme for employees. The study further revealed that majority which is 51.8% of respondents are disagreed. this indicated that the Salary increment is not fair and not based on my performance. The study discovered that 27.9% of the respondents disagree indicated that The payment structure not is more favored to all employees.

The fairness of reward, benefits and incentive is not favored to all employees. The pay gap between managerial and non-managerial position is too wide. Leave arrangement, providing of incentives is moderate and fair Distribution of bonus and promoted. The bank gives Stock Option (share ownership) for all employees irrespective of their grade / category respectively.

With regard of the expectation of loan benefits the employees of the bank is satisfy, the bonus payment and other benefit without loan relatively to other banks not satisfied, and

expectation of salary increment and actual increment of salary are dissatisfied employees of the bank. On the other hand the bank clears career development procedure.

The values of Correlation Coefficient in case of significant relationship vary from lowest .138** to highest .390**. The lowest value corresponds with types of reward while highest value is for Expectation of reward, benefits. Expectation of reward, benefits are highly relating with employees' performance.

The regression analysis done to ascertain the extent to which the variables mentioned explain the variance in employee performance. The value of Adjusted R²=.155 which indicates 15.5% of variance in employees' performance is explained by the independents variables. The standard coefficients of Beta show that while observing the extent to which each independent variable influences the dependent variable, the beta values of the independent variables i.e. Types of reward-0.78, Attractiveness of financial & non-financial rewards 0.80, Fairness of reward, 0.84, Expectation of reward and benefits and reward management are .320 and .092 respectively.

5.2 Conclusions

From the findings, the researcher conclude that the effects of reward on employee performance dominant importance. Essentially, what came out from the study is that reward are the most important in employees performance. But, the study discovered that the bank does not have appropriately structured, well selected, implemented and checked reward to meet up with the current dynamic rate of the business trends.

with regards of the type of reward, the bank provide financial rewards like salary, bonus, allowance, medical reimbursements but not provide non-financial rewards without promotion. this are motivators that refers to monetary helps to satisfy the physiological and security needs and extrinsic rewards. finally the effect of reward on employees performance in the bank have positive effect but the amount is not satisfy because this not motivated for better performance.

The attractiveness of financial & non-financial reward of the bank relatively to other banks is not satisfied like salary, pay value, insurance coverage, and transportation allowance and bonus. The medical coverage benefits are attractive for the employees. The bank allows purchasing share for all employees. The bank was not concerned with the development needs of the employees and did not sponsor them for Training programs that addresses their competency gaps.

In general the fairness of reward, benefits and incentive is not favoured to all employees this affect employees performance. The pay gap between managerial and non-managerial position is too wide. Leave arrangement and providing of promotion are moderate and give Stock Option (share ownership) for all employees irrespective of their grade / category.

With regard of the expectation of loan benefits is satisfied but employees bonus relatively to other banks and expectation of salary increment and actual increment of salary is differ it creates dissatisfaction among the employees by the bank. Over all the bonus and salary, benefits and incentives affect employees' performance.

According to correlation relationship between variables there is a positive and significant relationship between the independent and the dependent variables (Employees' performance). And also it has been observed that employees consider both financial and non-financial reward to stay with the company and perform better. The regression analysis value of adjusted R square also shows that 15.5% variance in employees' performance is explained by those independent variables.

5.3 Recommendations

Human resources are generally regarded as the most important asset in an organization. It is people who provide experience, talent, skills and knowledge necessary to achieve the organizational goals. The survival or progress of an organization depends on its ability to identify, select, train and retain the right people.

From this study it was observed that there is a direct and positive relationship between reward and employee performance which means that the total rewards are directly proportional to employee performance. This indicates that the variation in total reward necessarily results a variation in the level of employee performance. This shows that management the bank have to use of different tactics, strategies and policies to improve the level of performance of employees in the organization.

Based on the finding and analysis of the study, the following recommendations are proposed:-

- ✓ According to the study the bank mostly provide financial rewards but not attractive Therefore the study recommends the bank to provide attractive amount of financial reward when come to non-financial rewards the bank does not give sufficient level of non-finical reward without promotion then the bank give advice to improve it.
- ✓ The bank should maintain its strength on its rational and fair payment system the salary/pay grade compete in the market and to narrow too wide gap of salary between managerial and non-managerial positions. Too wide gap of salary between managerial and non-managerial position leads the bank to assume the average salary of the bank is bigger than event in the market but not actually because the average salary expense of the bank is rise because of too wide gap between managerial and non-managerial pay grade therefore the researcher recommend the bank to use pyramid structure salary adjustment.
- ✓ The person who works in the bank industry the main benefit is loan benefit, the researcher recommend the bank give better loan benefit to employees then continued by this strategies .A salary system advised to design to promote internal salary equity as well as external salary equity (based upon salary comparisons among individuals in similar positions from similar Banks). The bank meets employees' expectation like benefits, incentives, bonuses and salary increment reasonable time period.

5.4. Limitations of the Study

Beside researcher's lack of experience for the study, the following points are limitations the Researcher had faced while conducting the study:

- ✓ Respondents were suspicious and reserved to communicate freely and openly for the questions
- ✓ Lack of willingness of the employees regarding filling out the questionnaires or providing the required data with care and being unable to return the questionnaire on time.
- ✓ Due to time and Budget Constraints, the research was limited on the scope.

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APPENDICES

APPENDIX 1 – Questionnaire Distributed To Respondents

ST MARY UNIVERSITY

MASTERS OF ARTS PROGRAM INMBA GENERAL

Dear respective respondents

I am a post graduate student in MBA in GENERAL and I am conducting my senior thesis on the title “**The effect of reward on employee’s performance in case of ABAY BANK**” and the objective of this questionnaire is to collect data from ABAY bank employees which help to measure the effect of reward on employee’s performance. The information collected shall be used for research purpose only. I assure you that your responses will not disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated.

Thank you!

Note

- Please put “√” mark in the box to the point which highly reflects your idea?
- Your honest and unbiased response will greatly contribute for the research to achieve its objective and there is no need to write your name.

Thank you very much, in advance, for your sincere cooperation. If you have any comment and questions you can contact me through the following address; Solomon kefale(+251928524116) (solomonkefale8@gmail.com)

Employees with less than one year of experience are not required to fill this questionnaire

Part I: -GENERAL INFORMATION

1. Age Category

- 18-26 27-30 31 -35 36 -40 41 - 46 46 and above

2. Marital Status

- Single Married Divorced Widowed

3. Gender

- Male Female

4. Educational Attainment

- High school certificate College Diploma Bachelor's Degree
 Master's Degree Doctorate Degree Other (Please Specify)

5. Current position:

- managerial non - managerial

6. Years of service in the bank

- < 1 Years 1 -3 Years 4-6 Years 7-10 Years
 11-15 > 15 Years

7. In which salary range does your salary level

- < 3000 birr 3001 - 7000 birr 7001 -11,000 11,001 -17,000
 17001- 25000 > 25000

Part II: - General questions about reward management

No.	Description	Strongly Agree	Agree	neutral	Disagree	Strongly disagree
1	I believe that ABAY bank pay scale which considers market value of each professional?					
2	I have got rewards several times since my employment at ABAY bank?					
3	The reward management policy of ABAY bank motivates me for a better performance?					
4	ABAY bank reward management policy considers inflation?					

Part III SPECIFIC Questions

The Following Questions are presented on a five point liker Scale. If the item strongly matches with your response choose 5 (Very Agreed), if you moderately agree on the idea choose 4 (Agreed), if you can't decide on the point choose 3 (I don't know), if you disagreed with the idea choose 2 (Disagreed), and if you completely disagreed with the point choose 1 (Very disagreed).

5 = Very Agreed

4 = Agreed

3 = I don't know (neutral)

2 = Disagreed

1 = Very 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.

1) The effect of Types of Reward on employees' performance

No.	Description	Strongly agree	Agree	neutral	Disagree	Strongly disagree
1	The bank provide financial reward like allowances					
2	The bank provides financial reward like bonus for good performance.					
3	The bank provide non-financial reward like promotion					
4	The bank provide non-financial reward like recognition					
5	The bank provide extrinsic reward like benefits					
6	The bank provide extrinsic reward like transportation allowance					
7	The bank provide extrinsic reward like incentives					
8	The financial reward of the bank affect your performance positively					
9	The non-financial reward of the bank affect your performance positively					

2) Attractiveness of reward relative to other bank

1	The bank pay competent bonus in the banking industry					
2	The bank cover medical expense up to reasonable amount					
3	The bank provide comparable pay value in the bank industry					
4	The bank insurance coverage is attractive than the other banks					
5	The bank transportation allowance is computable than the other banks					
6	The bank is concerned with the development needs of the employees and sponsors them for training programs that addresses their competency gaps.					
7	The bank pays according to contribution to the attainment of bank objective.					

8	The management recognizes employees' efforts towards achieving the bank's objectives.					
9	The bank allows purchasing share for the employees.					
10	The bank has a profit sharing mechanism for all the employees					

3) The effect of the reward on employees' performance?

No.	Description	Strongly Agree	Agree	neutral	Disagree	Strongly disagree
1	Salary adjustment or increment affect my work performance					
2	The bonus plan encourages to perform better					
3	The bank's bonus payment is performance based.					
4	The existing of benefit package (medical coverage, paid vacation time, insurance coverage) are motivating employees to perform optimally(maximum)					
5	Bonus payment and profit sharing of the bank affect my work.					
6	The bank promotion system affect my performance positively					
7	The amount of transportation converge affect my working performance					
8	the cash bonus given by the bank affect my performance					

4) Distribution or fairness of reward at all level

No.	Description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	I earn the same salary with others doing the same job in the bank					
2	The bank has highly favored better incentive scheme for employees.					
3	Salary increment is fair and based on my performance					
4	The payment structure is more favored to all employees					
5	Everyone have equal chance to be promoted					
6	Distribution of bonus to all level (both managerial & non-managerial) is fair					
7	The gap between salary scale of managerial & non-managerial employees is too wide					
8	Leave arrangement is fair to all level					
9	Stock Option (share ownership) is for all employees irrespective of their grade / category					

5) Expectation of reward and benefits of employees from the bank

No.	Description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	Your expectation regarding loan benefit is satisfied					
2	The employees get enough & comparable bonus than that of other banks					
3	Salary increment of the bank is matched or similar to what you expect					
4	The bank applies performance based career development					
5	The benefits are as good as most other organizations offer.					
6	The bank has a clear career Development procedure.					

Thank You for completing the questionnaire!!!

APPENDIX2-Frequency Table for Reward Management

No.	Description	Strongly Agree	Agree	neutral	Disagree	Strongly disagree
1	I believe that ABAY bank pay scale which considers market value of each professional?	4(1.8%)	44(19.8%)	30(13.5%)	82(36.9%)	62(27.9%)
2	I have got rewards several times since my employment at ABAY bank?	20(9.0%)	85(38.3%)	50(22.5%)	53(23.9%)	14(6.3%)
3	The reward management policy of ABAY bank motivates me for a better performance?	2(.9%)	32(14.4%)	42(18.9%)	101(45.5%)	45(20.3%)
4	ABAY bank reward management policy considers inflation?	4(1.8%)	15(6.8%)	57(25.7%)	100(45%)	46(20.7%)

APPENDIX 3- Frequency Table for Types of Reward

No.	Description	Strongly Agree	agree	neutral	Disagree	Strongly disagree
1	The bank provide financial reward like allowances	26(11.7%)	123(55.4%)	26(11.7%)	43(19.4%)	4(1.8%)
2	The bank provides financial reward like bonus for good performance.	24(10.8%)	134(60.4%)	24(10.8%)	33(14.9%)	7(3.2%)
3	The bank provide non-financial reward like promotion	39(17.6%)	102(45.9%)	35(15.8%)	42(18.9%)	4(1.8%)
4	The bank provide non-financial reward like recognition	10(4.5%)	33(14.9%)	47(21.2%)	94(42.3%)	38(17.1%)
5	The bank provide extrinsic reward like benefits	5(2.3%)	50(22.5%)	34(15.3%)	86(38.7%)	47(21.2%)
6	The bank provide extrinsic reward like transportation allowance	20(9%)	111(50%)	46(20.7%)	30(13.5%)	15(6.8%)
7	The bank provide extrinsic reward like incentives	14(6.3%)	34(15.3%)	54(24.3%)	88(39.6%)	32(14.4%)
8	The financial reward of the bank affect your performance positively	35(15.8%)	97(43.7%)	41(18.5%)	40(18%)	9(4.1%)
9	The non-financial reward of the bank affect your performance positively	38(17.1%)	71(32%)	70(31.5%)	41(18.5%)	2(0.9%)

APPENDIX 4- Frequency Table for Attractiveness of Reward Relative to Other Bank

	Description	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	The bank pay competent bonus in the banking industry	1(.5%)	58(26.1%)	27(12.2%)	85(38.3%)	51(23%)
2	The bank cover medical expense up to reasonable amount	35(15.8%)	99(44.6%)	24(10.8%)	54(24.3%)	10(4.5%)
3	The bank provide comparable pay value in the bank industry	1(.5%)	29(13.1%)	48(21.6%)	95(42.8%)	49(22.1%)
4	The bank insurance coverage is attractive than the other banks	12(5.4%)	24(10.8%)	36(16.2%)	98(44.1%)	52(23.4%)
5	The bank transportation allowance is computable than the other banks	9(5.1%)	28(12.6%)	22(9.9%)	91(41%)	70(31.5%)
6	The bank is concerned with the development needs of the employees and sponsors them for training programs that addresses their competency gaps.	4(1.8%)	65(29.3%)	37(16.7%)	84(37.8%)	32(14.4%)
7	The bank pays according to contribution to the attainment of bank objective.	21(9.5%)	92(41.4%)	38(17.1%)	44(19.8%)	27(12.2%)
8	The management recognizes employees' efforts towards achieving the bank's objectives.	21(9.5%)	111(50%)	39(17.6%)	36(16.2%)	15(6.8%)
9	The bank allows purchasing share for the employees.	32(14.4%)	97(43.7%)	41(18.5%)	28(12.6%)	24(10.8%)
10	The bank has a profit sharing mechanism for all the employees	18(8.1%)	66(29.7%)	36(16.2%)	70(31.5%)	32(14.4%)

**APPENDIX5- Frequency Table forthe Effect of Reward on Employees’
Performance**

No.	Description	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	Salary adjustment or increment affect my work performance	25(11.3%)	117(52.7%)	50(22.5%)	25(11.3%)	5(2.3%)
2	The bonus plan encourages to perform better	31(14%)	90(40.5%)	38(17.1%)	45(20.3%)	18(8.1%)
3	The bank’s bonus payment is performance based.	31(14%)	95(42.8%)	30(13.5%)	42(18.9%)	24(10.8%)
4	The existing of benefit package (medical coverage, paid vacation time, insurance coverage) are motivating employees to perform optimally(maximum)	6(2.7%)	44(19.8%)	51(23%)	80(36%)	41(18.5%)
5	Bonus payment and profit sharing of the bank affect my work.	36(16.2%)	84(37.8%)	55(24.8%)	31(14%)	16(7.2%)
6	The bank promotion system affect my performance positively	21(9.5%)	109(49.1%)	40(18%)	34(15.3%)	18(8.1%)
7	The amount of transportation converge affect my working performance	24(10.8%)	119(53.6%)	42(18.9%)	30(13.5%)	7(3.2%)
8	the cash bonus given by the bank affect my performance	26(11.7)	101(45.5%)	55(24.8%)	37(16.7%)	3(1.4%)

APPENDIX 6- Frequency Table for Distribution or Fairness of Reward

No.	Description	Strongly Agree	agree	Neutral	Disagree	Strongly disagree
1	I earn the same salary with others doing the same job in the bank	16(7.2%)	101(45.5%)	29(13.1%)	61(27.5%)	15(6.8%)
2	The bank has highly favored better incentive scheme for employees.	8(3.6%)	37(16.7%)	55(24.8%)	85(38.3%)	37(16.7%)
3	Salary increment is fair and based on my performance	9(4.1%)	36(16.2%)	40(18%)	115(51.8%)	22(9.9%)
4	The payment structure is more favored to all employees	12(5.4%)	43(19.4%)	51(23%)	62(27.9%)	54(24.3%)
5	Everyone have equal chance to be promoted	29(13.1%)	110(49.5%)	25(11.3%)	33(14.9%)	25(11.3%)
6	Distribution of bonus to all level (both managerial & non managerial) is fair	19(8.6%)	102(45.9%)	28(12.6%)	51(23%)	22(9.9%)
7	The gap between salary scale of managerial & non managerial employees is too wide	56(25.2%)	96(43.2%)	38(17.1%)	29(13.1%)	3(1.4%)
8	Leave arrangement is fair to all level	20(9%)	135(60.8%)	20(9%)	35(15.8%)	12(5.4%)
9	Stock Option (share ownership) is for all employees irrespective of their grade / category	37(16.7%)	85(38.3%)	61(27.5%)	32(14.4%)	7(3.2%)

APPENDIX7- Frequency Table for Expectation of Reward and Benefits

No.	Description	Strongly Agree		agree	neutral	Disagree	Strongly disagree
1	Your expectation regarding loan benefit is satisfied	45(20.3%)		93(41.9%)	32(14.4%)	47(21.2%)	5(2.3%)
2	The employees get enough & comparable bonus than that of other banks	7(3.2%)		19(8.6%)	42(18.9%)	102(45.9%)	52(23.4%)
3	Salary increment of the bank is matched or similar to what you expect	4(1.8%)		34(15.3%)	23(10.4%)	108(48.6%)	53(23.9%)
4	Do you expectation the bank applies performance based career development	21(9.5%)		72(32.4%)	39(17.6%)	69(31.1%)	21(9.5%)
5	The benefits are as good as most other organizations offer.	12(5.4%)		27(12.2%)	22(9.9%)	100(45%)	61(27.5%)
6	The bank has a clear career Development procedure.	27(12.2%)		96(43.2%)	46(20.7%)	27(12.2%)	26(11.7%)