



**ST. MARY'S UNIVERSITY COLLEGE  
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF FINANCIAL AND NON FINANCIAL  
REWARD PRACTICE ON EMPLOYEES PERFORMANCE IN  
COMMERCIAL BANK OF ETHIOPIA (NORTH ADDIS  
ABABA DISTRICT CITY BRANCH)**

**BY**

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**MAY 2018**

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**ST. MARY'S UNIVERSITY COLLEGE  
SCHOOL OF GRADUATE STUDIES  
FACULTY OF BUSSINES**

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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of the Professor Belete Kebede. All sources or 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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Name

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Signature

# ENDORSEMENT

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

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Signature

May, 2018

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

**CBE** – Commercial Bank of Ethiopia

**KSAs** - Knowledge, Skills and Attitudes

**HR** – Human Resource

**HRM** – Human Resource Management

**SPSS**- Statistical Package for Social Science

**VIE**- valence, instrumentality and expectancy

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## ABSTRACT

*This research attempts to determine the effect of financial and non- financial reward practice on employee performance at Commercial bank of Ethiopia north Addis Ababa district city branch. The research adopted descriptive research design method. The study also used a cross-sectional quantitative study for determining the effect of reward on employee's performance. Clerical and managerial staffs of the bank were subjects for the study. Data were collected using questionnaires. A total of 371 questioners were distributed and all are collected. Then the researcher performed the analysis process for the collected valid data using Statistical Package for Social Science (SPSS). Descriptive statistics based on a frequency tables were used to provide information on the variables. The results were investigated in terms of descriptive statistics followed by inferential statistics on the variables. Hypotheses were developed to see the effect of all the independent variables (pay/salary, benefit, promotion, recognition and working condition) on the dependent variable (Employee Performance). The findings obtained indicated that reward practices have a positive influence on employee performance. Salary and recognition highly affect the performance of employees. Furthermore, it provided suggestions to overcome the problems to improve employees' performance. The managements must clearly communicate its reward policy and procedure to its employees and the bank should include both financial and non-financial rewards with appropriate mix. In addition to timely offer and improvement of its reward practices must be considered.*

**Key word:** *intrinsic reward, extrinsic reward and employee's performance*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the Study

For any organization to experience effective functioning and quality performance it should have an in depth understanding of its employees needs that should inform the organization's appropriate reward systems. Hafizaetal (2011) argued that due to the fact that organizations have to perform optimally and compete effectively, they must maximize on the resources they have, one of which is the human asset and the most important asset any organization can possess. In order to achieve the required performance standards from the human resource, employee motivation is necessary. Employees will peg their performance to the feeling of trust that their efforts will be rewarded by the management. According to Armstrong (2012) "performance management is the means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements." However, a desired goal and target may only be achieved effectively if the workforce gets a sense of mutual gain of the organization with the achievement of a defined performance target. It's against this background that an organization must strategically set the reward system to evaluate employee's productivity at all levels and reward them effectively. Herman (2009, P.12) "argues that an effective reward system is one that seeks to meet the employees specific needs."

Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their and self-development are also being honed and taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees.

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. Reward systems are very crucial for an organization (Maund, 2001). Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. When employees are rewarded, they get work done. Employers get more of the behavior they reward, not what they assume they will automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behavior and higher performance they have attained. Effective reward systems should always focus on the positive reinforcement. Positive reinforcement encourages the desired behavior. “Reward programs should be properly designed in the organization so as to reinforce positive behavior which leads to performance “(Torrington & Hall, 2006).

The major purpose of the study is to look at the domain of reward practices in the bank and see its effect on the performance of employees in commercial bank of Ethiopia. The study will analyze how the reward practice being provided to the employees will affect their actual performance and which types of rewards influence them more and also to see the perception of employees towards the reward practices. Therefore, in this study the researcher will try to identify the effect of reward on the performance of employees in case of CBE by quantitatively testing the effect of selected variables of monetary and non-monetary rewards practice as an independent variables such as (pay/salary, benefit, promotion, recognition and the working condition) and the dependent variable i.e. employee performance.

### **1.1.1. Background of the companies**

#### **Commercial Bank of Ethiopia (CBE)**

Commercial Bank of Ethiopia (CBE) is the leading bank in Ethiopia, established in 1942. CBE is pioneer to introduce modern banking to the country. It has more than 1235 branches stretched across the country and it is the leading African bank with assets of 495.4 billion Birr as on September 2010 EC. CBE plays a catalytic role in the economic progress & development of the country and it is the first bank in Ethiopia to introduce ATM service for local users. IT has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 33,365 talented and committed employees. It has reliable and long-standing relationships with many internationally acclaimed banks throughout the world.

**VISION:** To become a world-class commercial bank by the year 2025 GC.

#### **MISSION:-**

We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

#### **VALUES**

1. Corporate Citizenship
2. Customer Satisfaction
3. Quality Service
4. Innovation
5. Teamwork
6. Integrity
7. Employees
8. Public Confidence



## 1.2 Statement of the Problem

Reward management is one of the strategies used in organizations to improve organizational performance. The full impact of reward on employee performance can better be appreciated when viewed from the angle of total rewards. Definitions of total reward typically encompass not only traditional, quantifiable elements like salary, variable pay and benefits, but also more intangible non-cash elements such as scope to achieve and exercise responsibility, career opportunities learning and development, the intrinsic motivation provided by the work itself and the quality of working life provided by the organization.

Luthans (2000) highlights two types of rewards which are “financial (extrinsic) and non-financial (Intrinsic) reward and both can be utilized positively to enhance employee’s performance”. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non cash and it is social recognition, praise and genuine appreciation etc. Lotta (2012) agree that financial incentives are indeed effective in motivating employees. Also, Ojokuku and Sajuyigbe (2009) find out that “financial incentives (pay satisfactions dimensions) have significant effect on employee’s performance”. But Perry et al, (2006) discover that “financial reward is not the most motivating factor and financial incentives have a de-motivating effect among employees”. Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employee’s performance. And also, Jensen et al (2007) see intrinsic reward as a tool that motivates employees to perform as expected.

By considering the points mentioned above, when observing the practical application of reward practices in the Commercial bank of Ethiopia, the problem the researcher observes are the rewards provided to employees are mostly focused on cash bonus type of reward, there is also a time gap between good performance and the rewards provided. And the reward practices of CBE bases on branch/groups. Usually individual performance is not yet recognized and rewarded. As mentioned by different authors, it is important for CBE to consider other kind of reward to effectively improve the performance of the employees because of there is certainly no ‘one size fits all’ approach to the type of reward system to apply with in CBE.

Employees may not always expect cash related rewards (they may not be motivated by only cash type of reward so as to enhance their performance level) they might also be initiated by other kinds of rewards that are included in the financial and non-financial type of reward. Immediate rewards are given to employees repetitively so that they can be aware of their outstanding performance. Immediate rewards include being praised by an immediate supervisor or it could be a tangible reward. An experience of imbalanced reward practice between monetary and non-monetary rewards in CBE could be the result of differing managerial philosophy or understanding about the purpose/objective of reward regarding its effect on workers performance and also lack of attention towards what the reward could provide for the performance of the organization in general.

### **1.3 Research Questions**

To address the above problems, this study had tried to answer the following basic research questions:

1. To what extent reward systems are employed in Commercial Bank of Ethiopia?
2. How does a reward practice affect employee's performance?
3. Which kinds of reward practices mostly influence performance level?
4. How do employees perceive the existing reward practices of CBE?
5. To what extent salary, benefit, promotion, recognition and working condition affect employee's performance

### **1.4 Objectives of the Study**

This research would have the following general and specific objectives.

#### **1.4.1. General Objective**

The overall objective of the study was to investigate the effect of selected reward practices on the employee's performance in Commercial Bank of Ethiopia.

#### **1.4.2. Specific Objective**

1. To assess the current provision of reward practices implement in CBE.
2. To identify the effect of the reward practices on the employees performance.
3. To find out which kinds of reward practices mostly influence performance level.

4. To assess the perception of employees towards the existing reward practices of the organization against their contribution.
5. To investigate the effect of salary, benefit package, working condition, promotion and recognition on employees performance.

## **1.5 Hypothesis**

Hypothesis was developed in order to see the association of the independent variables selected monetary and non-monetary rewards that is (pay/salary, benefit, promotion, recognition and the working condition) and the dependent variable i.e. employee performance.

H1:-There is positive and significant relationship between monetary reward and employee performance

H2:-There is positive and significant relationship between non-monetary reward and employee performance

H3:-Total reward practices have significant effect on the Employee Performance

## **1.6 Definition of Terms**

Reward – refers to all of the monetary, non-monetary and psychological payment that an organization provides for its employees in exchange for the work they perform.

Recognition – is any thought, word, or deed towards making someone feel appreciated for what they do. Are special awards for employee achievement, is less common and is associated with performance but usually operated separately and where many of the rewards are non-cash. (Stredwick, 2005)

Pay/salary -refers to the amount of pay (the fixed salary or wage) that constitutes the rate for the job.

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

Promotion - refers to opportunities that organizations offer for advancement. (Robbins & Judge, 2013) Promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing.

Working condition - includes working hours, relationship with coworkers, and quantity of work and availability of resources.

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

### **1.7 Significance of the Study**

The results of this study have the following significances:

- I. Helps the managements of the CBE to understand the importance of reward and how it could be effectively delivered to the employees to improve their performance.
- II. It suggests solutions to problems related to reward system that will be helpful to both the employees as well as the management.
- III. Brings awareness to other financial institutions in the banking sector how the performance of employees can be affected by the level of rewards provided to their employees.
- IV. Give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues.

### **1.8 Delimitation/Scope of the Study**

The scope of the study is limited to employees of the commercial bank of Ethiopia those branches and head offices which are located in north Addis Ababa district (city branches). And clerical and managerial staffs of the bank will be subjects for the study.

This study was conceptually delimited to examining the effect of reward practices on employees performance by considering selected types of reward practices (pay/salary, benefit, promotion, recognition, and working condition) and it would test the hypothesis to prove as to which the proposed factors will have effect on performance of the employees and to see whether or not there is a link between the selected reward practices and performance of employees and most theories, empirical studies and employee performance concepts will be considered.

## **1.9 Organization of the Study**

This paper is divided into five sections, which give readers a comprehensive overview of the study. The first section presents the introduction part of the study. The second section will discuss review of related literature; this is followed by the third section which is research design and methodology of study. The last two sections will cover the data analysis and presentation, conclusion and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

In this section, the theoretical foundation for this study will be established .It will reveal the different types of rewards available to employees as well as the most favorable way to apply those rewards to get the best performance from your staff. This thesis explores two of the main theories and practices of rewards in the work place and how they affect employee performance. The theory on reward systems and their effect on performance cannot be evaluated without looking at how work motivation is also affected by these rewards and how that motivation is directly linked to employee performance.

Ensuring you have the right reward strategy and structure in place in your organization is vital for the positive employee performance and motivation of your staff and these rewards systems should be based on what is needed to achieve the desired level of performance and motivation. 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 and up accomplishing the organizational goals and objectives.

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, Shan, & Jamshed, 2011)

Human resource is one of the important assets that organization owns. And Reward helps management to retain efficient and experienced workforce in an organization. (Sajuyigbe, Bosede, & Adeyemi, 2013) This literature review chapter focuses on organizational reward system and their effects on employee's performance in dealing with from theoretical aspect to conceptual frameworks.

## **2.1. Theoretical review on concepts**

### **2.1.1. Reward**

Reward is something given or received in return for service, merit, hardship, etc. Mathis and Jackson (2004) stated that, compensation rewards people for performing organizational work through pay, incentives and benefits. The ability to achieve the company's critical business goals is the preferred criteria imposed by majority of organizations today to reward their employees. Mayo (1998) argues that, many companies are unable to instill the joy of working in performing duties and responsibilities if there are inadequate rewards being promised. Again, reward provides a visible means of promoting quality efforts and telling employees that the organization values their efforts (Evans and Lindsay, 2003).

Bratton and Gold (2003) defined reward as "all the cash, non-cash and psychological payments provided by an organization in return for their contribution. Generally, a reward is given in return for good work or in recognition of merit or for performance of a service rendered. (Mansor, Borhannuddin, & Yusuf, 2012)

Reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility. Reward had been seen to be a vital instrument in employee performance. And a well-rewarded employee feels that he/she is being valued by the company that he/she is working for. (Sajuyigbe, Bosede, & Adeyemi, 2013)

#### **2.1.1.1. Types of Reward**

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

##### **2.1.1.1.1. Financial Rewards**

According to (Aktar, Sachu, & Ali, 2012), "Financial rewards means pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc". It comprises direct payments such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits. Financial rewards are Monterey incentive that an employee earns as a result of good performance. All financial rewards are extrinsic.

#### **2.1.1.1.2. Non-Financial Rewards**

Non-financial rewards are non-monetary and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non-financial reward is also called materials awards. Non-financial rewards do not involve any direct payments and often arise from the work itself. For example recognition, achievement, autonomy, scope to use and develop skills, training, career development opportunities and high-quality leadership.

#### **2.1.1.1.3. Extrinsic Rewards**

According to (Mansor, Borhannuddin, & Yusuf, 2012), “extrinsic rewards are defined as those remuneration factors that are external to the job such as pay, work condition, security, benefits, promotion, contract of services and work environment”. Extrinsic rewards drive employee’s morale and the rewards distribution has always loomed large in corporations with performance appraisals in present eras of globalization. An extrinsic reward in fact fulfills employees’ extrinsic factors or hygiene factors, invariably discouraging him from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted.

#### **2.1.1.1.4. Intrinsic Rewards**

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

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

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

- a) **Sense of meaningfulness:** This reward involves the meaningfulness or importance of the purpose you are trying to fulfill. You feel that you have an opportunity to accomplish



something of monetary or non-monetary value and something that matters in the larger scheme of things. You feel that you are on a path that is worth your time and energy, giving you a strong sense of purpose or direction.

b) **Sense of choice:** You feel free to choose how to accomplish your work, how to use your best judgment to select those work activities that make the most sense to you and how to perform them in ways that are appropriate. You feel ownership of your work, believing in the approach you are taking and finally feeling responsible for making it work.

c) **Sense of competence:** You feel that you are handling your work activities well that your performance of these activities meets or exceeds your personal standards, and that you are doing good, high-quality work. You feel a sense of satisfaction, pride, or even artistry in how well you handle these activities.

d) **Sense of progress:** You are encouraged that your efforts are really accomplishing something. You feel that your work is on track and moving in the right direction. You see convincing signs ahead that things are working out well, giving you the confidence in the choices you have already made now and in the future.

According to (Gilley, Gilley, Quatro, & Dixon, 2009), an intrinsic reward is a self-administered motivational stimulus. In short, it is a reward that comes from inside the employee, and is thus experienced by the employee as a natural by-product of performing certain tasks/jobs.

Intrinsic Rewards are derived from the workplace itself and are valued internally by the employee. These include opportunities for personal growth, quality of work life, job satisfaction, challenges, personal and professional development opportunities, a sense of belonging, freedom to act, visionary leadership.

### **2.1.1.2. Designing Effective Reward Policies**

In today's competitive and very challenging business environment developing a strategic reward policies/framework is necessary but it is usually a challenging task of every business organization. The process however cannot be copied from the organizations but needs to be designed, developed and grown within the unique environment of the organization (Wilson, 2003). A properly designed reward program rewards measurable change in behaviour that contribute to clearly stated goals. In developing such a program the challenge lies in

determining what rewards are effective, what behaviors can be changed and the cost and benefit of eliciting the desired change (Hartman et al, 1994)

### **2.1.1.3. Reward Management**

“Reward management refers to the strategies, policies, and processes that are required to people in an organization is recognized by both non-financial and financial means” (Armstrong, 2007). It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) and Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization.

Reward management is a motivational practice that businesses use to reward employees for their achievement and success. The organization sets goals and establishes rules for its employees to follow to achieve those goals; it makes sure that employees are clearly aware of these goals, rules and the rewards they will get for high performance. In fact employees will do their highest when they feel or hope that their hard work are to be rewarded by their managers. Rewards management is now one of the strapping features that organizations use to attract and retain its most valuable and worthy assets, the employees.

Productivity and efficiency are important performance indicators in any organization. In order to increase the productivity, members in the organization must perform well in their job. Job performances are relatively higher if the workers are fully motivated. Thus, rewards may affect job performance and workers motivation level. (Mansor, Borhannuddin, & Yusuf, 2012)

### **2.1.1.4. Total Rewards System**

This concept, although broad in its application, is defined by Taylor (2011, p. 140) as “total reward involves designing a rich mix of complimentary initiatives which aim to maximize the chances that employees will find their work to be ‘rewarding’ in the widest sense of the word” Finding the right blend of tangible and intangible rewards to adequately motivate and retain your employees is a difficult task. The total reward approach is therefore very broad and can never constitute a one size fits all solution to rewarding employees in the workplace.

One important question posed by (De Mattio et al., 1998, p. 174) is how a combination of reward practices can be used to reinforce and encourage high levels of individual performance and, at the same time, foster team work among individuals. Some researchers suggest that rather than choosing individual or group based incentives on their own, a combination of the two incentive strategies may be more effective in motivating performance at the individual level and cooperation at the team level (Heneman and von Hippel, 1995). In their research on how reward strategy effects performance in the Malaysian insurance industry, (Tze San et al., 2012) found that although financial and objective measures are central in designing reward systems, when they incorporated non - financial rewards into the reward system, they seen an increase in both financial and non-financial aspects of performance. They believed this lead to an increase in the organizations reputation, more energy and team spirit in the workplace and made the organization more attractive to potential new recruits. They also concluded that although similar reward systems exist across organizations in this industry, the development of the reward system will depend on the size of the organization

#### **2.1.1.5. Aims of Reward Management**

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

- a. Reward people according to the value they create;
- b. Align reward practices with business goals and with employee values and needs;
- b. Reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- c. Help to attract and retain the high-quality people the organization needs;
- d. Motivate people and obtain their engagement and commitment;
- e. Develop a high-performance culture.
- f. Support the achievement of business goals through high performance;
- g. Reward people according to what the organization values;

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently

and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high performance culture.

## **2.1.2.Reward Practices**

### **2.1.2.1.Salary/pay**

“The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or the level of skill required”. (Armstrong, 2010)

It is the least amount of remuneration that an employee in a given position can receive. Martin (2010) emphasize that the base pay is the salary that an employee receive and it does not include incentive benefits and pays. Where basic pay is given to employee based on the employees skill levels and on the experience. Pay rise is an increase in the amount of salary or hourly pay that employees receives for work performed in an organization. Organizations provides raise for employees in a number of different ways and verity of reason. “Cash bonus is another form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible” (Finkle, 2011).

Companies use cash bonus to reward their employees’ performance during the year under appraisal. But there is also the unspoken expectation that these bonuses will be a factor in motivating employees’ performance next year’s well. Employees who receive a large bonus will likely want to get it next year too. On the other hand, employees who receive a miserly bonus and it reflect how the company assessed their performance, might consider improving next year (Finkle, 2011).

### **2.1.2.2.Employee Benefits**

Benefits are described as forms of value other than payment that are provided to employees for their contribution to the growth of the organization. Benefits can come in two forms tangible and intangible benefits. Tangible benefits include contribution to retirement plans, life insurance, vacation pay, holiday pay, employee stock ownership plans, profit sharing and bonuses, etc. Intangible benefits on the other hand include, appreciation from a boss, likelihood for promotion, office space, etc.

According to martin (2010), “employee benefits are the range of additional rewards that are provided to employees by an employer as part of their total remuneration packages”. Employee benefits refer to compensation other than hourly wage or salary. Three fundamental roles characterize benefits: protection programs (income and health, respectively), paid time-off, and accommodation and enhancement benefits.

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

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

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

The employee benefits include:-

- a) Fringe Benefits - this can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services. (Ingham, 2007)
- b) Health Benefits - most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered. (Ingham, 2007)
- c) Flexible benefit - this benefit schemes allow employees to decide on the make-up of their benefits package within certain limits. (Tina Stephens, 2005)

### **2.1.2.3.Promotion**

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

#### **2.1.2.4. Recognition**

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

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

The recognition should be meaningful, but also stay within established program boundaries: For example, recognition should be given only for performance considered over and above established standards. Recognition rewards usually are relatively small and are given at the time of achievement. (Ruddy, 2007)

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

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

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

#### **2.1.2.5. Working Conditions**

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

### **2.1.3. Relationship between Rewards and Performance**

Reward and performance are the two sides of a single coin Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more (Maund, 2001).

Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006).

Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance. (Thomson&Rampton, 2003).

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the lookout for employees who perform well

#### **2.1.3.1. Employees' Performance**

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

According to (Torrington, 2008) performance management is the means of getting better results by understating and managing performance with in an agreed framework of planned goal, standards and competency requirement. Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully

set the rewards system to evaluate the employee's performance at all levels and rewarding them whether visible pay for performance or 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. A reward 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.

#### **2.1.4. Perception of Employees**

According to Babakus et al, (2003) cited in (Khan, Shahid, & Nawab, 2013), the perceptions that employees have with regards to their reward climate influences their attitudes towards their employees. In addition, the commitment of managers towards their organization is also shown by how the manager rewards his/her employees. And Gouldner (1960) cited in (Khan, Shahid, & Nawab, 2013) mentions the norm of reciprocity, which focuses on the ability of organization to accommodate the needs of their employees, and reward them for their efforts.

In exchange for the rewards provided to them, employees should reciprocate by increasing their commitment towards their organization and their work. What companies need to realize is that by remixing their rewards in a more cost-effective way, they can strengthen their programs and improve employee's perception of value without necessarily increasing their overall investment (Ruddy, 2007).

#### **2.1.5. Factors that Influence a Company's Reward Systems**

A given reward system is affected by various internal and external factors. Only some of the factors that are directly relevant to the study will be mentioned; mainly the internal factors. Source of internal factors are within the company. These are the company's reward philosophy, organizational culture, organization's financial performance, employees' perception, and others. External factors are beyond the control of the organization. These are the labor market, level of competition, economic condition etc.



### **2.1.6. Criteria for an Effective Reward System**

It has clearly defined and achievable According to (Armstrong, 2010), the criteria for an effective reward system include the following:-

- a. It supports the achievement of business goals.
- b. It takes account of the needs of employees as well as those of the organization and its other stakeholders.
- c. Objectives.
- d. It can be turned into actionable programs that anticipate implementation requirements and problems.
- e. It is coherent and integrated, being composed of components that fit with and support each other.
- f. It provides a framework within which consistent reward decisions can be made.

## **2.2. Theoretical Review on Theories of Reward System**

### **2.2.1. Vroom's Expectancy Theory**

Vroom suggested that individuals will choose behaviors they believe will result in the achievement of specific outcomes they value. In deciding how much effort to put into work behavior, individual are likely to consider three things; valence, instrumentality and expectancy.

All these factors are often referred to as 'VIE' and they are considered to influence motivation in a combined manner. Managers should therefore attempt to ensure their employees that increased effort will lead to higher performance which will hence lead to valued rewards. (Njanja, Maina, Kibet, & Njagi, 2013).

Vroom's (1964) expectancy theory is helpful in emphasizing the complexity of individual thought processes which may or may not lead to action. It is suggested that assessments, firstly of whether effort is likely to result in achievement of a specific task and whether success in the task will lead to the individual's desired personal reward precede any possible action. It is this calculative thought process and the fact that the individual's desired reward may not be money that emphasizes the complex nature of an effective reward system. (Collings & Wood, 2009).

Expectancy theory (Vroom, 1964 and Porter and Lawler, 1968), which states that motivation, will be high when people know what they have to do to get a reward, expect that they will be able to get the reward and expect that the reward will be worthwhile.

### **2.2.2. Adam's Equity Theory**

Equity theory centers on the importance of feelings of fair treatment and the possible behavioral manifestations which may result from perceived inequity. This theory highlights the fact that individuals make comparisons and that feelings of unjust treatment in comparison with fellow employees may result in withholding effort, restricting output, reducing cooperation and even withdrawal. (Collings & Wood, 2009).

Equity theory (Adams, 1965) which states that “people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably”. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated.

### **2.3. Empirical Studies**

The model is constructed based on a reward system comprising both financial and non-financial rewards in order to reward high performers.

Danish and Usman (2010) in study to determine the impact of reward and recognition on job satisfaction and motivation of employees from both private and public sectors organizations in Pakistan found that rewards and recognition were positively related with motivation. They conclude that effective rewards management leads to increase employee motivation and commitment.

Extensive research has been conducted on the factors that affect motivation, job satisfaction and job performance. Wyatt's 2005 survey of Canadian strategic rewards and pay practice found that employees are seeking to adapt reward strategies that provide a competitive advantage by attracting top talents and engaging employees in a way that drive business result. The survey found that 77% of organizations have either adapted a total reward strategy or plan to do so. While employers are seem satisfied with their performance and

reward efforts, the western Wyatt work Canada 2005/2006 study shows that only 24% of employees believe that excellent performance is rewarded at their company.

Lotta (2012) agree that “financial incentives are indeed effective in motivating employees”. Also, Ojokuku and Sajuyigbe (2009) find out that “financial incentives (pay satisfactions dimensions) have significant effect on employees’ performance”. But perry et al, (2006) discover that financial reward is not the most motivating factor and financial incentives have a de-motivating effect among employees (Srivastava, 2001).

Mendonca (2002) also sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive by motivating employees to achieve organizational success. (Armstrong, 2010), He also noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

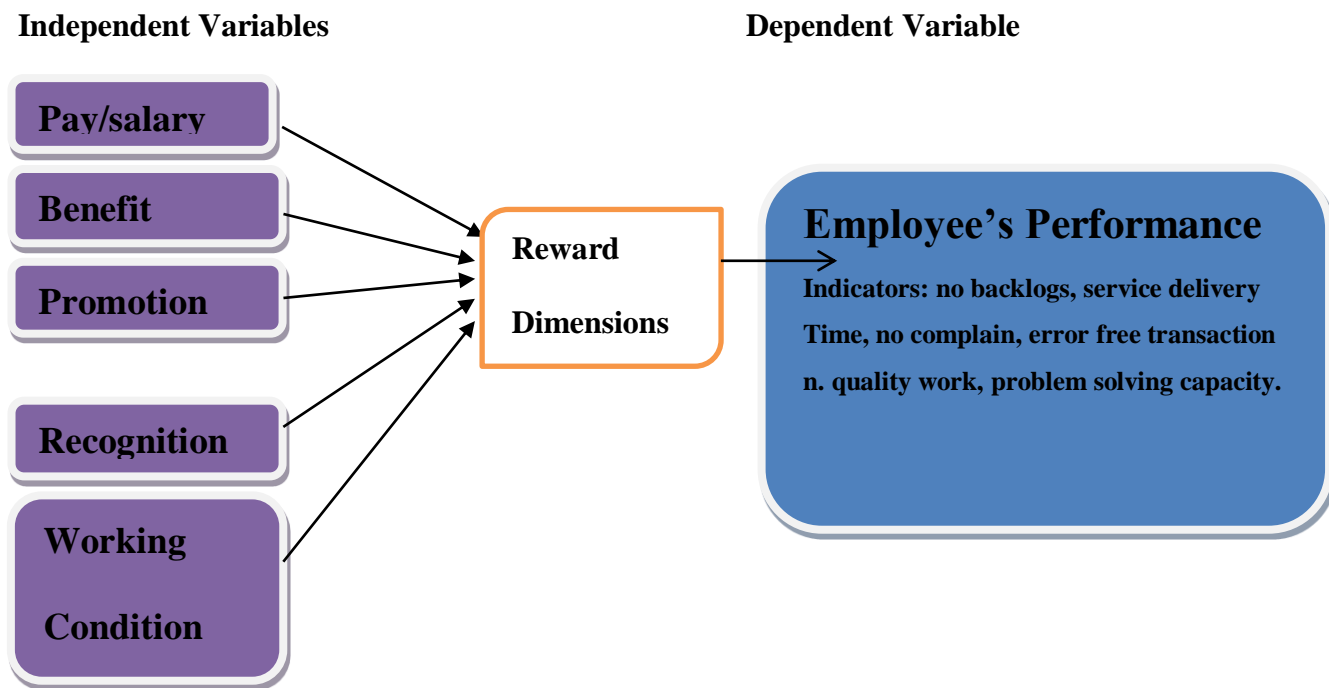
Khan (2010) analyzed the role reward plays in motivating employees of commercial bank of Kohat, Pakistan. His specifically analyzed the valiance explained by predictor variable (payment, promotion, benefit, and recognition) in criterion variable (employee motivation). He notes that commercial banks play important role in worldwide economy and their employees are the best sources of delivering good services to their customers. Excellent services provided and offered by employees can create a positive perception and ever lasting image in the eyes of banks’ customers. His found that employee work motivation in commercial bank of Pakistan in the form of payment, promotion, recognition, and benefits led to higher productivity and that among the four independent variables promotion has greater effect in productivity.

In Ethiopia context Mulugeta Alemu(2017) study are the impact of intrinsic and extrinsic reward on employee motivation between public and private bank. The major finding of his study reveals that public commercial bank employee’s in Ethiopia motivated by intrinsic rewards more than the private commercial bank employees, while private sector commercial

bank employees in Ethiopia motivated by the extrinsic reward more than the public sector commercial bank employees.

Total reward could be used to manage and motivate people by thoroughly understanding the relative significance placed on the various aspect of the reward proportion and applied the well-designed total reward strategy effectively. According to (Armstrong & Stephen, 2006) total reward is seen as the combination of both the financial and non-financial rewards made available to the employees.

The above studies have dealt with reward in organizations and its relationship with factors such as employee motivation, satisfaction, employee performance, and effect of quality of work done. Overall the studies show reward to have positive effect. However, different rewards seem to have a different impact on employee attitude, satisfaction, and performance. There are mixed findings when it comes to individual rewards and their effect of performance.



**Figure 2.2, Conceptual Framework (Self-Developed)**

In this study independent and dependent variables will be applied in order to put the research into practice. These dependent and independent variables are shown in the conceptual framework. Therefore the independent variables are monetary and non-monetary reward

such as: pay/salary, benefit, promotion, recognition and working environment and the employee performance was being taken as the dependent variable for the study.

Today's organizations are operating in a very dynamic and highly competitive environment. To remain relevant in the market, they have to be able to respond quickly to ever changing customer demands. Reward management is one of the ways used by organizations for attracting and retaining suitable employees as well as facilitating them to improve their performance.

In designing a reward system, the organization should specify group or organizational goals to be achieved and the specific behaviors or performance that will attract rewards. By so doing the rewards system will help management shape behavior of employees and at the same time achieve organization's goal. There is certainly no 'one size fits all' approach to the type of reward system to apply within your organization. According to the Chartered Management Institute (2004), "the notion of rewards system is gradually replacing the traditional idea of a standard pay system, as it incorporates all aspects of employee compensation into the package".

Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they acknowledged their well-being is taken seriously by their employers. It can be concluded that today, it is generally accepted that a combination of rewards from total rewards perspective is the most effective approach to take within an organization.

This literature review may not be a comprehensive or collective review of all aspects of rewards but rather those most relevant to the organization in question. Lack of time has been an element in the collection of data and information for this literature review. Thus the research would like to mention that this was an issue in the over-all collection of information in this literature review.

## **2.4 Employees reward systems and challenges of reward system in commercial bank of Ethiopia**

The reward system of CBE consists of all organization component including people process rules and decision making activities involved in the allocation of compensation and benefit to employees in the exchange of their contribution to the organization. Commercial Bank of Ethiopia provide reward to employees in multiple ways: CBE provide lounge service at a very low price, provide learning opportunity by covering all or part of the cost of its employees for first degree and master degree students. Provide room for marriage anniversary at a very low price which has a significant cost reduction compared to the service provided by other organization. The above mention reward practices are not usually noticed by employees of the bank; usually the employees of the bank noticed the cash bonus reward which is distributed at the year end. The major challenges of the reward practice of CBE are the existence of poor communication between the reward provider and receiver (employees) .the bank should create awareness regarding the different mechanisms that the bank uses to motivate its employees. CBE has more than 18,000 employees across the country the existence of large number of employees can be stated as a major obstacle in the reward practices of the bank. CBE provide learning opportunity for its employees but small numbers of employees who have much more experience are the end user, so there is tight competition to be benefited from the reward practices of the bank.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

The aim of this chapter is to discuss the overall methodological considerations of the research. In this chapter the research design, population of the study, sample and sampling techniques, sources of data collection, instruments of data collection and procedures of data collection will be discussed thoroughly. It will also discuss the methods of data analysis, validity and reliability and the ethical considerations of the research in depth

#### **3.1. Research Design**

Research design is a comprehensive plan for data collection in an empirical research project. It is a “blueprint” for empirical research aimed at answering specific research questions or testing specific hypotheses (Anol, 2012).

This study adopts descriptive study. Descriptive research design was used in order to understand and systematically describe the reward practice of CBE since it is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation. The study also used a cross-sectional quantitative study of Commercial bank of Ethiopia. Cross-sectional surveys are studies aimed at determining the frequency or level of particular attribute in a defined population at a particular point in time, (Lotta, 2012). This will help the researcher to suggest solutions to the problems identified in the organizations. This type of research design helps to portray accurately the characteristics of a particular individual, situation or a group (Creswel, 2003).

#### **3.2. Population of the study**

Clerical and managerial staffs of the bank were subjects for the study. These staffs include customer service officers, branch controller, customer relation officer, customer service managers, branch managers, and head office staffs working in the CBE to provide the necessary variety of information required for the study, since clerical employees are mainly engaged to day-to-day major business activities of the bank.

While the non-clerical staffs in CBE will not be considered because majority of such employees are not literate and lacks basic understanding on how to fill questionnaires and

openly participate in the study, so the researcher didn't consider such group of employees. Also employees of less experience or who worked in the bank for less than one year will not be included since they are recently employed; the employees not have significant understanding of the banks compensation and benefit management process.

The research participants or the population of the study were limited to employees of the CBE, but only branches of the bank which are located in North Addis Ababa district was surveyed, this is done to minimize the difficulty that the researcher will face while administering the questionnaire that will be distributed to the respondent. The branches and the employees were selected randomly since the employees of the bank working in one branch can be represented by the others because different employees may work in same grade or position at different branches. Since the research covered those employees who are clerical and who have been working in those branches which are found in north Addis Ababa district, the target population of the study reaches a total of 2788.

### **3.3. Sample size and sampling technique**

#### **3.3.1. Sample size**

To get representative sample for the target population we have deployed a rule of thumb which is a suggestion by scholars (see the table in annex). Based on the table the sample size for the target population at 95% confidence level i.e. at 5% margin of error will be 371.

The sub sample size for randomly selected 15 branches was determined using the formula by Krecjje and Morgan (1970)

$$s = \frac{XS}{P}$$

Where; s= Sub sample size for each branch

X=Population of employees in each branch

S=Total sample size for the study

P=Total population of the selected branches



No.	Branch	No of employees	Selected sample
1.	Addis Ababa	184	104
2	Asko branch	45	26
3	Arat Kilo	78	45
4	Arbegnoch	21	12
5	Birhanenaselam	29	17
6	Bela	18	10
7	Churchilgodana	21	12
8	Chilot	15	9
9	Kechene	38	22
10	Kebena	30	17
11	Filuha	18	10
12	Aradagiorgis	80	46
13	Gedamsefer	26	15
14	Dejachwube	22	13
15	Entoto	23	13
	TOTAL	648	371

**Table 1 Proportional Allocation for Branches and Head Offices Employees**

### **3.3.2. Sampling Technique**

The researcher used simple random sampling method to select the sample for the study. Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process. I.e. lottery method/technique was used to draw the samples. The employees were selected randomly since the employees of this bank working in one branch can be represented by the others because there is same level or job grade and position in all branches of the bank.

### **3.4. Source and method of Data Collection**

To fulfill the purpose of the study, the researcher gathered both primary and secondary data. Primary data were collected from the samples selected i.e. the employees, by the use of questionnaire as a method for data collection. The questionnaires were developed from

different sources which are found to be appropriate for the study. The questionnaire as instrument of data collection was used because it provides wider coverage to the sample and also facilitates collection of a large amount of data. The questionnaire contained close ended questions and it was administered by the researcher. Employees of the bank were taken to serve as the main source of primary data.

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

### **3.5. Methods of Data Analysis**

After collecting the questionnaires the researcher checked if there were unintended participants who fill the questionnaire distributed to the samples and organize the returned questionnaires. Then the researcher perform the analysis process for the collected valid data using statistical package for social science (spss)

Descriptive and inferential statistics were used for the data analysis process. The descriptive statistics includes means and standard deviation. The inferential statistics (correlation analysis and regression analysis) were employed to test the hypothesis developed. Tables were used to easily understand the data analysis.

### **3.6. Validity and Reliability of the Research Instrument**

The quality of a given measure is expressed in terms of its reliability and validity (William d.crano and Marilyn b. brewer, 2002). The validity and reliability of the data were checked carefully. Validity and reliability of scores on instruments, additional standards for making knowledge claims, lead to meaningful interpretations of data.

#### **3.6.1. Validity**

Validity refers to the extent to which the measurement instrument actually measures what it intended to measure. It is used to suggest determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers an account (Creswel, 2003).

(Kothari, 2004), Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. The content validity will be verified by

the advisor of this research, who looks into the appropriateness of questions and the scales of measurement. Peer discussion with other researchers was also conducted since it is another way of checking the appropriateness of questions. Moreover, copies of the questionnaire will be distributed to twenty respondents as a pilot test. This will be done to find out whether the developed instruments measure what it meant to measure and also to check the clarity, length, structure, and wording of the questions. This test will help the researcher to get valuable comments to modify some questions.

### **3.6.2. Reliability**

Reliability has to do with the accuracy and precision of a measurement procedure. When instruments are robust and perform well at all times under different conditions.

Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation, the closer the reading of Cronbach's Alpha to digit 1, the higher the reliability is in internal consistency. In general, reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable and those over 0.80 good. (1).

### **Ethical Consideration**

In the context of research, according to Saunders, Lewis and Thornhill, (2001:130), "... ethics Refers to the appropriateness of your behavior in relation to the rights of those who become the Subject of your work, or are affected by it".

The data were collected from those willing sample respondents without any unethical behavior or forceful action. The results or a report of the study will be used for academic purpose only and response of the participants is kept confidential and analyzed in aggregate without any modification by the researcher. In addition, the researcher respects the work of previous investigations or study and cited appropriately those works that has been taken as a basis.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND DISCUSSION

This chapter entails the findings from the analysis of the collected data. The chapter first gives the demographic characteristics of the respondents, before giving the analysis of mean and standard deviation of the responses to the questionnaire items arranged in line with the study objectives before finally giving the correlation analysis findings.

#### 4.1. Response Rate

Out of the 371 questionnaires dispatched, all the 371 were returned dully filled giving a response rate of 100%. Given that this is well within the acceptable response rate for a survey (Baruch &Holtom, 2008), the questionnaires were thus sorted and analyzed as entailed in this chapter.

Variables	Category	frequency	Percent
Gender	Male	235	63.3
	Female	136	36.7
	<i>Total</i>	<i>371</i>	<i>100</i>
Age	<25 years	52	14
	25-30 years	99	26.7
	31-35 years	112	30.2
	36-40 years	14	3.8
	41-45 years	94	25.3
	>45 years	0	0
	<i>Total</i>	<i>371</i>	<i>100</i>

#### 4.1.1: Demographic Profile of respondents

**Table 2 Demographic Profile of Respondents**

Source: Own Survey, 2018

Table 2 above shows that, of the respondent 235(63.3%) were male and the remaining 36.7 %( 136) were females. With regard to the age category out of the total respondents 30.2 %( 112) fall under

the age category 31-35, 26.7 % ( 99) respondents fall under the age category of 25-30 the remaining groups 25.3% (94), 14% (52), 3.8% (14) were under the age category 41-45, < 25, and 36-40 respectively.

**Educational Status of the Participants**

<b>Variable</b>	<b>Frequency</b>	<b>Percent</b>
Diploma	0	0
First Degree	232	62.5
Master’s Degree	139	37.5

**Table 3 Educational Status of the Participants**

Source: Own Survey, 2018

Table 3 shows that 62.5% of the respondents had first degree qualification and 37.5% had post graduate qualifications (master’s degree).It is therefore evident that the respondents had sufficient academic qualification to respond to the questionnaire items

**Service year and position of employees**

Table 4 Service year and position of employees

<b>Variable</b>	<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
<b>Year of service in the bank</b>	1-4 years	107	28.8
	5-9 years	140	37.7
	10-15 years	70	18.9
	16-20yeras	54	14.6
	<b>Above 20</b>	-	-
	<b>Total</b>	<b>371</b>	<b>100</b>
<b>Position of the employee</b>	Managerial	97	26.1
	Non managerial	274	73.9
	<b>Total</b>	<b>371</b>	<b>100</b>

Source: Own Survey, 2018

The above table shows that 37.7% of respondents had taken 5-9 years working on the bank, 28.8% had taken 1-4 year of service and the remaining 18.9% and 14.6% percent of the respondent had taken 10-15 and 16-20 year of experience in the bank respectively. And regarding the current position of the respondents 73.9% were non-managerial staff whereas the remaining 26.1% of the respondents working on managerial position of the bank.

**The Salary Range of the Respondents**

With regard to salary range of respondents` out of 371 respondents 73 (19.7%) of them earns a salary between the range of 2000-3500 and the other group of respondents` i.e. 60 (16.2%) their salary fall under the salary range of 3501-5000. The remaining 140 (37.7%) and 98 (26.4%) of the respondents earn a salary range of 5001-6500 and above 6500 respectively.

Variable	Frequency	Percent
2000 – 3500	73	19.7
3501 – 5000	60	16.2
5001 – 6500	140	37.7
Above 6500	98	26.4

**Table 5 the Salary Range of the Respondents**

Source: Own Survey, 2018

**4.2. Employees Response on the types of Rewards Practice Provided**

Table 6 below shows the mean value and standard deviation of each variable. Accordingly the mean and standard deviation of salary is (2.854, 1.1238) respectively. This show that majority of the respondents are not comfortable with the salary which is provided by the bank. The mean and standard deviation of benefit is (4.215, 0.7807) respectively. This implies that the benefit packages (pension, medical scheme, and leave) provided to the employees is found to be attractive and most of the employees are satisfied

Variable	Mean	Standard deviation
Pay/salary	2.854	1.1238
Benefit	4.215	0.7807
Promotion	3.406	0.9283
Recognition	2.83	1.356
Working condition	4.4475	0.7157

**Table 6 Employees Response on the Effect of Reward Practices**

Source: Own Survey, 2018

Majority of the respondents have positive attitude regarding the promotion policy and practices of the bank (mean 3.406. standard deviation 0.9283).this indicates that the bank provide opportunities that can help employees to upgrade their position. Regarding recognition majority of the respondent are not comfortable with the recognition mechanism used by the bank (mean 2.83 and standard deviation 1.356). This indicates that the bank is unable to provide recognition and do not give recognition for best performer.

#### 4.3. The Effect of Reward Practices in Employees' Performance

Item	Mean	Standard deviation
The reward practice at the bank focuses on the real needs of employees	2.72	1.195
Employees are rewarded in the organization immediately when they perform best	2.04	.897
The rewards distributed at the organization have a positive effect on the work atmosphere/ environment	4.65	.757
The rewards at the organization are distributed fairly	4.66	.685
The rewards distributed matches my work effort	2.57	1.638
Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future	4.69	.857
I am satisfied with the quality reward distributed	1.77	1.227
The organization's reward practices compensate excellent Performer more than average performer.	4.63	.886

**Table 7 Employees Response on the Effect of Reward Practices**

Table 7 shows that the respondents disagree that the reward practice at the bank focuses on the real needs of employees (mean 2.72, standard deviation 1.195), employees are rewarded immediately when they perform best (2.04, standard deviation .897), the respondents agree that reward distributed have a positive effect on the work atmosphere (mean 4.65, standard deviation .757), reward distributed fairly (mean 4.66, standard deviation .685), reward distributed is proportional to work effort (mean 2.57, standard deviation 1.638), immediate reward will help to repeat performance in the future (mean 4.69, standard deviation .857), employees are satisfied with the quality of rewards (mean 1.77, standard deviation 1.277), The organization's reward practices compensate excellent performer more than average performer (mean 4.63, standard deviation .886). This thus shows that the reward distributed at the organization have a positive effect on the work atmosphere, there is fair distribution of reward and also the organization reward policy compensate more to excellent performer than average. From the table we can also understand that the reward practices of the bank do not focus on the real need of employees and also there is time gap between reward given and performance. (The bank doesn't reward immediately when employees perform best). And also majority of the respondents are not satisfied with the quality and appropriateness of the reward given by the bank. The respondents were however neutral on the reward distributed much their work effort.



#### 4.4. The Impact of Reward Practice on performance level

##### 4.4.1. Pay /salary

Item	Mean	Standard deviation
My salary is satisfactory in relation to what I do	2.23	1.029
The amount of basic pay I receive is fair relative to the industry's average	2.20	1.415
The basis of payment, for example overtime payment is reasonable	4.73	.485
Salary increment is made within a reasonable / logical time period	2.65	1.449
Salary increments are made based on the performance results of workers	2.46	1.241

**Table 8 Employees Response on Pay/Salary**

Source: Own Survey, 2018

##### **Employees Response on Pay/Salary**

The above table shows that the respondents strongly agreed that the basis of payment is reasonable (mean 4.73, standard deviation .485). The respondents also however, disagreed that the amount of their salary is satisfactory with what they do (mean 2.23, standard deviation 1.029) and the industry average (mean 2.20, standard deviation 1.415) this implies that the amount of basic pay provided by the organization is believed to be not fair relative to the industries average. The respondents disagree on salary adjustment was made with reasonable logical time (mean 2.65, standard deviation 1.449) and also salary increment was not based on performance result (mean 2.46, standard deviation 1.241).It therefore shows that though, the basis of payment used by the bank is reasonable majority of the respondents perceive that their salary is not proportional to what they do and even it is not fair and equal with the industry average.

#### 4.4.2. Benefit

Item	Mean	Standard Deviation
The medical and insurance schemes are attractive	4.68	.562
The organization's housing loan policy is Attractive	4.61	.717
Provision of attractive housing loan policy will help to retain high performers	4.58	.744
Benefit packages are modified as necessary to ensure organization's competitiveness	2.99	1.1

**Table 9 Employees Response on Benefit**

Source: Own Survey, 2018

Item number one on the above table indicate that majority of the respondent agree on the attractiveness of medical and insurance scheme (mean 4.68, standard deviation .562) and also on the attractiveness of the organization housing policy (mean 4.61, standard deviation .717). The respondents strongly agree on the provision of attractive housing policy is necessary to retain high performer (mean 4.58, standard deviation .744). the respondents are however neutral on whether the benefit package are modified as necessary to keep organization competitiveness. (mean 2.99, standard deviation 1.1). This shows that the benefit provided by the bank is attractive and helps the bank to retain high performers.

#### 4.4.3. Promotion

Item	Mean	Standard deviation
Everyone has an equal chance to be promoted	4.72	.469
The existence of promotion has no effect the level of performance of my work	2.40	1.259
The organization's promotion policy is clearly communicated to all employees	3.10	1.057

**Table 10 respondents Response on Promotion**

With regard to promotion the above table shows that majority of the respondents agree on every employee has an equal chance to be promoted (mean 4.72, standard deviation .469) .The respondents strongly disagree on item number to i.e the existence of promotion has no effect on the level of performance (mean 2.40, standard deviation 1.259). The respondents are however neutral on whether the organization promotion policy is communicated to all employees (mean 3.1, standard deviation 1.057). This shows that the organization has a good promotion policy.

#### 4.4.4. Recognition

Item	Mean	Standard deviation
I get credit for what I accomplish	2.38	1.420
I receive constructive feedback about my work	2.44	1.501
The existence of recognition for good work, has given me an opportunity to Work beyond the requirements of My job.	2.22	1.395
Proper recognition of high performers will encourage low performers to work hard	4.28	1.109

**Table 11 Employees Response on Recognition**

Source: Own Survey, 2018

Table 11 shows that employees do not gain credit for what they achieved (mean 2.38, standard deviation 1.420). Item number two shows that employees did not receive constructive feedback over

their work (mean 2.44, standard deviation 1.501). Majority of the respondents agreed on proper recognition of high performer will encourage low performer (mean 4.28, standard deviation 1.109). The respondents strongly disagree that the existence of recognition for good work enable them to work beyond the their job requirement (mean 2.22, standard deviation 1.395). This shows even though, employees understand the existence of proper recognition for high performer will help to encourage low performer to work better the bank is unable to give credit and proper recognition for its employees.

#### 4.4.5. Working Condition

Item	Mean	Standard Deviation
My working hours are reasonable	4.61	.550
I am never overworked	4.12	.861
Creation of conducive work environment will encourage high performers to improve their performance more	4.47	.667
The existence of safe working Conditions have encouraged me To give sustained high performance at Work.	4.59	.785

**Table 12 Employees Response on Working Condition**

Source: Own Survey, 2018

Table 12 shows that the respondents strongly agreed that their working hour is reasonable (mean 4.61, standard deviation .550), existence of safe working condition that encourage employees to provide sustained high performances (mean 4.59, standard deviation .785). This indicates that the creation and existence of safe and proper working condition encourage employees to work hard and perform better for a long period of time. Creation of conducive work environment encourage high performers to improve their performance more (mean 4.47, standard deviation .667) and employees are agreed on they are never work loaded/over worked (mean 4.12, standard deviation .861). This therefore indicates that employees perform their job without being stressed. If employees are not stressed they unconditionally love their job and perform better for achieving organization objectives.

#### 4.4.6. Employees Performance

Item	Mean	Standard Deviation
Employees are rewarded based on his /her performance	2.06	.882
The existing benefit package(Medical cost coverage...) are helping employees for Higher levels of performance	4.44	.838
The organization has a good culture of recognizing employees for successful completion of tasks	2.23	1.204
Performance standards in my organization are clear and easily understandable	2.98	1.224
The reward practices have a positive effect on the employees' job performance	4.57	.826

**Table 13 Responses on Employee Performance**

Source: Own Survey, 2018

Table 13 shows that the respondents strongly disagree that employees are rewarded by individual performance (mean 2.06, standard deviation .882). This indicates that in rewarding employees the bank considers group performance rather than individual performance. Table 4.4 item number two indicates that the existing benefit package provided by the bank helps employees to perform better (mean 4.44, standard deviation .838). This shows that if an organization provides different and quality benefit packages to its employees it can positively affect the performance of employees which ultimately increase the profit of any organization. The respondents strongly disagree that the organization has a good culture of recognizing employees upon successful completion of tasks (mean 2.23, standard deviation 1.204). Majority of the respondents strongly agree that rewards have a positive effect on employees' job performance (mean 4.57, standard deviation .826). The respondents are however neutral on whether performance standards of organization are clear and easily understandable.

#### 4.5 Correlation between Job Performance and the Independent Variables

In this section, the researcher tried to accomplish the goal of the study through applying Pearson's correlation as it is the most widely used method of measuring the degree of relationship between two variables.

The relationship between two variables will be: a correlation of .10 is described as a small effect size, a correlation of .30 is described as a medium effect size and a correlation .50 is described as a large effect size (Pallant, 2005).

$r=.10$ to $.29$ or $r=-.10$ to $-.29$	small
$r=.30$ to $.49$ or $r=-.30$ to $-.4.9$	medium
$r=.50$ to $1.0$ or $r=-.50$ to $-1.0$	large

Source: Cohen (1988)

The correlation among selected reward practices and employee performance was computed and presented in the table below:

Independent Variables	No. Observations	Pearson Correlation	Sig. (2-tailed)
		Employees performance	
Pay/salary	371	0.625**	.000
Benefit	371	0.526**	.000
Promotion	371	0.525**	.000
Recognition	371	0.555**	.000
Working condition	371	0.448**	.000

**Table 14 Correlation analysis between independent variable and performance (N = 371)**

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

Source of data: Survey (2018)

Pearson product moment correlation coefficient was computed for determining relationships between independent variables (salary, benefit packages, promotion, recognition, and working conditions) with employee's job performance. The result shows that there is statistically strong positive relationship between all variable with employees job performance.

The result presented on table 14 indicate that salary correlate significantly with employees job performance ( $r = 0.625$ ,  $p < 0.01$ ). This answers question number 5 of the basic research question whether salary affect employees job performance. Finding of Lotta (2012) agree that financial

incentives are indeed effective in motivating employees. Also, Ojokuku and Sajuyigbe (2009) find out that financial incentives (pay satisfactions dimensions) have significant effect on employee's performance.

There was also a positive and significant relationship between benefit and employees performance ( $r = 0.526$ ,  $p < 0.01$ ) which responds to question number five whether benefit packages affect performance. A significant positive correlation is also found to exist between promotion and employees job performance ( $r = 0.525$ ,  $p < 0.01$ ). This confirms Cole (2002) who states that work related benefit are linked closely to employees performance.

Table 14 also shows that promotion correlate significantly with employees performance ( $r = 0.525$ ,  $p < 0.01$ ). A significant correlation is shown to exist between recognition and employees job performance ( $r = 0.555$ ,  $p < 0.01$ ). **Ali & Ahmad, (2009)** investigated that there is positive relationship between "recognition and reward", "performance". They stated that if reward and recognition are given to employee then there is a huge change in their employee performance. Deeprouse (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations and also Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employee performance. And also, Jensen et al (2007) see intrinsic reward as a tool that motivates employees to perform as expected. The result presented on table 4.13 also indicates that working condition significantly correlate with employees job performance ( $r = 0.448$ ,  $p < 0.01$ ). It was evident that safe and conducive work environment boosts employees performance. Ajala (2012) studied on the influence of workplace environment on worker performance in government parastatals of Ondo state Nigeria. The study finding showed that safe and conducive work environment will boost employee morale at work place and hence improve performance

#### **4.5.1 Pay/Salary and Employee Performance**

H1:- Pay/salary is positively related to Employee Performance.

Ho: - There is no positive relationship between pay/salary and employee performance.

The result on the above table shows that pay/salary ( $r=0.625$ ,  $p<0.01$ ) is positively and significantly related with employee performance. This means an increase or decrease in

pay/salary will bring corresponding change in performance of employee. Thus, the null hypothesis is rejected.

#### **4.5.2 Benefit and Employee Performance**

H2:- Benefit is positively related to Employee Performance.

Ho: - There is no positive relationship between benefit and employee performance.

From the above table it can be seen that benefit ( $r=0.526$ ,  $p<0.01$ ) is positively and significantly related with employee performance. Implying that a change in the benefit packages provided will have a corresponding change on employee performance. Thus, the null hypothesis is rejected.

#### **4.5.3 Promotion and Employee Performance**

H3:- Promotion is positively related to Employee Performance.

Ho:-There is no positive relationship between promotion and employee performance.

From the above table it can be observed that promotion ( $r=0.525$ ,  $p<0.01$ ) is positively and significantly related with employee performance. This means that providing or with holding promotional opportunities will have a corresponding change on the performance of employee. Thus, the null hypothesis is rejected.

#### **4.5.4 Recognition and Employee Performance**

H4:- Recognition is positively related to Employee Performance.

Ho:-There is no positive relationship between recognition and employee performance.

The above table reports that recognition ( $r=0.555$ ,  $p<0.01$ ) is positively related with employee performance. Implying that change in recognition given to employees for a successful job they perform has a corresponding effect on performance of employees. Thus, the null hypothesis is rejected.

#### **4.5.5 Working Condition and Employee Performance**

H5:- Working condition is positively related to Employee Performance.

Ho: - There is no positive relationship between working condition and employee performance.

From the above table it can be seen that working conditions ( $r=0.448$ ,  $p<0.01$ ) is positively correlated with employee performance. This means that a change in the working conditions will bring corresponding change on the performance of employees. Thus, the null hypothesis is rejected.



## 4.6 Regression Analysis

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. That is, it allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. The variables under extrinsic and intrinsic types of rewards were entered into regression analysis to determine their relative importance in contributing to the overall performance level of workers. Regression Analysis is used to ascertain the extent of reward practices (pay/salary, benefit, promotion, recognition and working condition) explains the dependent variable (employee performance). Thus the last hypothesis was tested using the regression output.

H6:- Reward practices have a significant effect on the Employee Performance.

Ho: - Reward practices have no significant effect on the Employees performance.

### Coefficient

Model	Unstandardized coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
<b>Constant</b>	.5595	0.13	-	3.386	.001
<b>Pay/Salary</b>	.271	0.15	0.48	3.87	.000
<b>Benefit</b>	.221	0.09	0.41	5.14	.003
<b>Promotion</b>	.156	0.05	0.20	2.28	.000
<b>Recognition</b>	.196	0.11	0.39	3.73	.000
<b>Working Condition</b>	.016	0.05	.022	6.136	.000
<b>R= .87</b> <b>R square=.85</b> <b>Adjusted R square= .81</b> <b>Std. Error of the estimate=.21</b>					

**Table 15 Regression analysis**

Source: Own Survey, 2018

*Dependent variable: employee performance:*

The following was the multivariate regression model that was used to determine the weight or importance of each variable with regard to their effect on performance of employees.

$$Y = \beta_0 + \beta_1 \text{salary} + \beta_2 \text{benefit} + \beta_3 \text{promotion} + \beta_4 \text{recog} + \beta_5 \text{workingc} + \mu$$

Regression analysis shows that a total of 81% of variation in employee's job performance is explained by the five explaining variables of this research. The effect of each independent variable on dependent variable (performance) is shown in the regression table. The relative importance of reward types (independent variables) in contributing to the variance of the employees' job performance (dependent variable) was explained by the standardized Beta coefficient. The beta values of the independent variables i.e. pay/salary, benefit, promotion, recognition and working condition are (0.48, 0.41, 0.20, 0.39, 0.22) respectively. Salary with a beta of 0.48 makes the strongest contribution to explain the dependent variable followed by recognition and promotion whereas working condition followed by benefit have a small value in explaining performance. Moreover the result obtained from the regression analysis showed that salary is more significant and statistically meaningful when compared with the other variables in terms of enhancing employee performance. This can be understood as a certain improvement on the pay of employees will increase employee's performance by 0.48 which is significant. Thus, the null hypothesis is rejected and Reward practices have a significant effect on the Employee Performance. The T values for the independent variables are greater than 0.20 indicating a strong impact of predicting quality of the coefficient.

From the regression table the established multiple linear regression equation becomes:-

$$Y = 0.56 + 0.486 \text{sal} + 0.41 \text{benef} + 0.20 \text{prom} + 0.39 \text{recog} + 0.22 \text{worc}.$$

The constant ( $\beta_0$ ) which is 0.56 explains that if salary, benefit package, promotion, recognition and working condition are rated as zero employees' performance would be 0.56. The coefficient for salary is 0.48, this means that one unit change in salary of employees would result to 0.48 increase in employees performance. 0.41 is the coefficient for benefit; it shows that one unit change in benefit packages (loan, insurance) results to 0.41 unit increase in employee's performance. The coefficient for promotion, recognition, working condition are (0.20, 0.41 and 0.21) respectively, it shows that one unit change in promotion, recognition, working condition will increase employees performance by (0.20, 0.41 and 0.21) respectively.



## CHAPTER FIVE

### 5 SUMMARY OF FINDINGS, CONCLUSITONS AND RECOMMENDATIONS

This chapter will discuss results described in chapter 4 in greater detail, contributions of the study to knowledge and implications for future research will be addressed. This section will conclude with recommendations.

#### 5.1. Summary of major findings

By analyzing the relationships between selected reward practices and employee performance and also by quantitatively testing the effect of each variable such as pay/salary, benefit, promotion, recognition and working condition on performance of the employee, the following findings were accomplished.

Out of the total respondents 235(63.3%) were male and the remaining 36.7 %( 136) were females. With regard to the age category out of the total respondents 30.2 %( 112) fall under the age category 31-35, 26.7 %( 99) respondents fall under the age category of 25-30 the remaining groups 25.3% (94), 14% (52), 3.8% (14) were under the age category 41-45, < 25, and 36-40 respectively.

The study also indicates the educational background of the respondents. Accordingly, 62.5% of the respondents had first degree qualification and 37.5% had post graduate qualifications (master's degree). Table 4.3 shows that 37.7% of respondents had taken 5-9 years working on the bank, 28.8% had taken 1-4 year of service and the remaining 18.9% and 14.6% percent of the respondent had taken 10-15 and 16-20 year of experience in the bank respectively. And regarding the current position of the respondents 73.9% were non-managerial staff whereas the remaining 26.1% of the respondents working on managerial position of the bank.

Mean and standard deviation of each independent variable i.e. pay/salary, benefit, promotion, recognition and working condition were calculated that shows the relative importance of the variable to the employees. Accordingly the mean value for pay/salary (2.854), benefit (4.215), promotion (3.406), recognition (2.83) and working condition (4.475). The result has shown that working condition, benefit and promotion have the highest mean which indicates that employees of the bank are satisfied with the prevailing

working condition, benefits packages and promotion policy and practices of the bank. Whereas employees of the bank were not satisfied with the pay system of the bank and also they strongly believe that the recognition given for accomplishment tasks is not satisfactory.

#### **5.1.1. Pay/salary**

The results presented in Table 4.13 indicates that pay/salary correlates positively and significantly with employees performance ( $r = .625^{**}$ ,  $p < 0.01$ ). But when employees rated pay the mean value for the variable is ( $M= 2.84$ ) which indicates the salary that is given by the bank for employees relative to their work effort and industry average were very poor .Therefore, pay system is the major area that needs immense attention

#### **5.1.2. Benefit package**

Benefit ( $r=0.526$ ,  $p<0.01$ ) is positively and significantly related with employee performance. Implying that a change in the benefit packages provided will have a corresponding change on employee performance. The mean value is 4.215. This implies that the benefit packages (pension, medical scheme, and leave) provided to the employees is found to be attractive and most of the employees are satisfied.

#### **5.1.3. Promotion**

A significant correlation also exists between recognition and job satisfaction as presented on 4.13 ( $r = 0.525$ ,  $p < 0.01$ ).and also majority of the respondents agree that every employee has an equal chance to be promoted (mean 3.406).

#### **5.1.4. Recognition**

There was a positive and significant correlation between recognition and employees performance ( $r=0.555$ ,  $p<0.01$ ) Implying that change in recognition given to employees for a successful job they perform has a corresponding effect on performance of employees. But employees perceive that the recognition given to the employees for better accomplishment of task is poor (mean 2.83).

#### **5.1.5. Working condition**

Working condition significantly correlate with employees job performance ( $r = 0.448$ ,  $p < 0.01$ ).It was evident that safe and conducive work environment boosts employees performance. And also employees are satisfied with the prevailing working condition of the bank (mean 4.4475)

The regression analysis was done to ascertain the extent to which the variables mentioned explain the variance in employee performance. The resultant variation in the dependent variable caused by a change in the independent variable is captured by a coefficient of determination known as the adjusted R squared. R-squared cannot determine whether the coefficient estimates and predictions are biased and also does not indicate whether a regression model is adequate and that is why adjusted R<sup>2</sup> is preferable. The value of Adjusted R<sup>2</sup>=0.81 which indicates 81% of variance in employee performance is explained by the variables pay/salary, benefit, promotion, recognition and working condition. It supported the hypothesis that the reward practices have a significant effect on employee performance.

## **5.2. Conclusion**

The purpose of this study was to examine the role of rewards in the process of improving the performance of employees to deliver the service required from them for the purpose of meeting the organizational goal. Based on the study and the analysis made, the following conclusions can be made. The researcher addresses the research questions raised based on the study finding and the following points states the conclusions made on the basis of the results.

Regarding the current provision of reward practices of the organization the study indicated that from the current provision of the reward practices, benefit package, working conditions and promotion were found to be attractive. Briefly, benefit, promotion and working condition were considered significant in motivating employee's performance level and similarly employees are in favor of the benefit packages and the working condition. Generally, it can be concluded that there is an attractive reward practices in relation to the promotion scheme, benefit packages and the working condition of the bank.

On the other hand though, pay/salary and recognition have positive and significant correlation with performance when we see the practical application of the bank the salary and recognition that employees rewarded is poor.

Regarding the effect of the reward practices on the employee's performance the result shows that there is statistically strong positive relationship between all variable with employees job performance. The study also demonstrates that Reward affects employees' job performance level. In other words, improved employees' job performance is to a large extent influenced

by the implementation of appropriate and suitable reward practices. And also it has been observed that employees consider not only monetary reward types but also non- monetary ones in order to be motivated by them and exhibit better performance level. However, it is important to note that only intrinsic or extrinsic reward types are not sufficient to initiate employees to attain best performance. Rather, employers should implement a combination of both types of reward systems to get the best out of their employees.

The finding on which kinds of reward practices mostly influence performance level The finding from the study showed that the correlation between the independent and dependent variable and the result also showed that pay/salary, benefit, promotion, recognition and working condition have a significant and positive relationship with the employee performance. While observing the extent to which each independent variables influence the dependent variable i.e. Employee performance, the result obtained demonstrates that salary is more significant in terms of enhancing the performance level of employees followed by benefit packages and recognition.

About the perception of employees towards the existing reward practices of the company Majority of the respondents agrees on fairness of reward distribution. The rewards provided to employees are mostly focused on cash bonus type of reward. There is also a time gap between good performance and the rewards provided. And the reward practices of CBE bases group performance. Usually individual performance is not yet recognized and rewarded.

### **5.3. Recommendations**

From the findings of this study it was observed that there is a direct and positive relationship between reward practices and employee performance which means that the reward practices are directly proportional to employee performance. This indicates that the change in reward necessarily results a change in the level of employee performance. This shows that management of Commercial bank of Ethiopia can make 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:-

As indicated in the study the gap or the problem identified was that rewards provided to employees are mostly focused on cash related (monetary) types of reward and there is a time gap between good performance and the rewards provided.

Therefore, it is recommended that in order to attract and retain competent employees, the company should intensify the pay/salary scale of employees to the highest level within the industry and must continuously upgrade its salary scale in response to internal and external conditions and the salary increment/ adjustments must be made within a logical period of time. And also alternative forms of reinforcement should be introduced and used frequently, including verbal reinforcement, letters of recognition for tasks performed well and creating an environment where the employees feel initiated to perform. With regard to the benefit package, it can be said that even though there is an attractive benefit package in CBE a periodic revision is necessary to initiate the employees for higher performance.

In Commercial bank of Ethiopia employees have a positive attitude towards the working condition; this doesn't mean the bank must keep the current practice as it is, however the bank must still work on the creation of comfortable working environment, since it will encourage high performers to improve their performance more. But regarding recognition the findings indicated that there is poor practice. Therefore, it is recommended that CBE should continuously recognize good performance and administer the promotional opportunities in a fair and transparent way which considers all employees. Moreover, through different channels, CBE must clearly and repeatedly communicate its promotion and recognition policy and procedure or its reward system in general to its employees. For instance, for new employees, this has to be communicated at the induction program. Since communication plays a vital role to increase employees' awareness about what is expected of them and motivates them to work hard.

As much as possible, the management of the organization should include both financial and non-financial rewards with appropriate mix. Because in today's competitive and challenging business environment the management must try to acquire or retain a well-educated,



motivated and experienced workers by combining the financial and non-financial rewards provided so as to be competitive in that market and to make the organization profitable.

The other point that the bank must consider is that the timely offer and improvement of its reward practices in general. Even if the organizations have a good practice in providing selected types of rewards, if it doesn't get improved from time to time, it cannot address the timely needs of employees.

Lastly, reward is vital in the day-to-day performance of employees' duties, especially those rewards that are granted to workers for the job they have done. Sequentially, employee performance of any type is improved by designing, implementing, reviewing and adjusting the reward system that is appropriate and satisfying all employees.

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# **APPENDIX**

## **Questionnaire**

**ST. MARY'S UNIVERSITY**

**Department of Business Administration**

This questionnaire is intended to collect primary data used for thesis entitled “**The Effect of Reward Practices on Employees Performance in Commercial Bank of Ethiopia**” in partial fulfillment of requirement for MBA. Therefore, your participation in giving reliable information is important for the success of this study. So, I respectfully request your kind cooperation in answering the questions as clearly as possible. I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in strict confidentiality.

### **Note**

- Please put “√” mark in the box to the point which highly reflect 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;

**[Mengeshatsegaye7@gmail.com](mailto:Mengeshatsegaye7@gmail.com)/[mengeshatsegaye@cbe.com.et](mailto:mengeshatsegaye@cbe.com.et)/tel-0920739774**

*- Employees with less than one year of experience and non-clerical employees are not required to fill this questionnaire.*

**Part one: Demographic Information (Please put “√” mark)**

1. Gender    Male    Female  
   

2. Age

Under 25     

25-30     

31-35     

36-40     

41-45     

Above 45     

3. What is your current educational status?

Diploma     

Master's Degree     

First Degree     

Other, please specify \_\_\_\_\_

4. Years of service in the bank

1-4     

10-15     

15-20     

5-9     

above 20

5. Current position:    Managerial                          Non-managerial   

6. What is your salary range?

2,000-3,500   

3,501-5,000   

5,001-6,500   

above 6,500

**Part two: Type of reward practices provided** (Please put “√” mark)

**How would you rate the following reward practices currently provided by the Bank?**

	<i>Very poor</i>	<i>Poor</i>	<i>Average</i>	<i>Good</i>	<i>Very good</i>
<b>Pay\salary</b>	_____	_____	_____	_____	_____
<b>Benefit</b>	_____	_____	_____	_____	_____
<b>Promotion</b>	_____	_____	_____	_____	_____
<b>Recognition</b>	_____	_____	_____	_____	_____
<b>Working condition</b>	_____	_____	_____	_____	_____

**The following questions are presented on a five point Likert scale format whereas:**

1=Strongly disagree

2= Disagree

3=Neutral

4=Agree

5= Strongly agree

No.		5	4	3	2	1
1	The reward practice at the bank focuses on the real needs of employ					
2	Employees are rewarded in the organization immediately when they perform best					
3	The rewards distributed at the organization have a positive effect on the work atmosphere/ environment					
4	The rewards at the organization are distributed fairly					
5	The rewards distributed matches my work effort					
6	Immediate rewarding of employees for achieving best performance help to repeat that performance in the future					
7	I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards					
8	The organization’s reward practices compensate excellent Performer more than average performer					



**Part Three: The effect of reward practices the bank provided**

**Part Four: *the influence of* reward practices on performance level**

	<b>Salary/pay</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	My salary is satisfactory in relation to what I do					
2	The amount of basic pay I receive is fair relative to the industry's Average					
3	The basis of payment, for example overtime payment is reasonable					
4	Salary adjustment/increment is made within a reasonable /logical time Period					
5	Salary increments are made based on the performance results of Workers					
	<b>Benefit packages (medical, insurance, loan)</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
6	The medical and insurance schemes are attractive					
7	The organization's housing, car loan ,and ESL policy is attractive					
8	Provision of attractive housing loan policy will help to retain high Performers					
9	Benefit packages are modified as necessary to ensure organization's competitiveness					
	<b>Promotion</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
10	Everyone has an equal chance to be promoted					
11	The existence of promotion has no effect on the level of performance my work					
12	The organization's promotion policy is clearly communicated to all employees					
	<b>Recognition</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

13	I get credit for what I accomplish					
14	I receive constructive feedback for my work					
15	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
16	Proper recognition of high performers will encourage low performers to work hard					
	<b>Working conditions</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
17	My working hours are reasonable					
18	I am never overworked					
19	Creation of conducive work environment will encourage high performers to improve their performance more					
20	The existence of safe working conditions has encouraged me to give sustained high performance at work.					

	<b>Employee performance</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	Employees are rewarded based on his/her individual performance.					
2	existing benefit package (medical cost coverage..) are helping employees for higher levels of performance					

3	The organization has a good culture of recognizing employees for successful completion of tasks					
4	Performance standards in my organization are clear and easily Understandable					
5	The reward practices have a positive effect on the employees' job Performance					

1. Is there any other reward that you would like to be implemented by your management in your organization? If any please comment?

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**Sampling Table**  
**Required Sample Size†**

Population Size	Confidence = 95%				Confidence = 99%			
	Margin of Error				Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

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