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

**THE EFFECT OF REWARD AND INCENTIVE SYSTEM ON EMPLOYEE'S JOB
PERFORMANCE: THE CASE OF WEGAGEN BANK S.C. WESTERN ADDIS ABABA
DISTRICT.**

BY

NAFKOT WALLELIGN

JUNE 2023.
ADDIS ABABA, ETHIOPIA.

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NAFKOT WALLELIGN

A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION

ADVISOR NAME
Dr.BERIHUN MUCHE(PHD)

JUNE 2023.
ADDIS ABABA, ETHIOPIA.

ENDORSEMENT

With my consent as a university advisor, this thesis has been summated to St.Mary's university school of graduate studies for assessment.

Name

signature

St Mary's University, Addis Ababa June 2023

DECLARATION

I the undersigned declare that this thesis (The Impact of Reward and Incentive System on Employees Job Performance .The Case of Wegagen Bank S.C western Addis Ababa district is my original work. It has not been submitted for a degree in other universities and all the materials used in this study have been duly acknowledged.

Name: Nafkot walleign

Date: 16/06/2023

Signature _____

CERTIFICATE

This is to certify that the thesis entitled, “The Impact of Reward and Incentive System on Employees Job Performance The Case of Wegagen Bank S.C western Addis Ababa district” was carried out by Nafkot wallelign under the supervision of Berihun Muche (Ph.D), submitted impartial fulfillment of the requirements for the Master of Business administration

Approved by	Signature	Date
_____	_____	_____
Chair person Department of Graduate committee		
Name of Advisor	Signature	Date
Dr. Berihun Muche (PhD),	_____	_____
Name of Internal Examiner	Signature	Date
_____	_____	_____
Name of External Examiner	Signature	Date
_____	_____	_____

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ABSTRACT

The study is conducted on The effect of Reward and Incentive System on Employees Job Performance The Case of Wegagen Bank S.C. the main objective to examine the relationship between reward, incentive and employees performance and satisfaction with the aim of increasing the productivity of employees to increase the profitability of the bank to gain its old place and name In order to achieve the desired outcome descriptive as well as explanatory research designs have been applied and mixed research approach was adopted . The populations for the study were employees of and the study sample comprised of a total of 224 employees which was selected by random sampling and 195 responses were collected. Descriptive and inferential statics were used. The positive direction indicating that, when the independent variables increase dependent variable also increases and vice versa. The relationships have also statistically significant since the p value Pearson Correlation Coefficient was used to assess the relationship between Distribution of reward and employee Performance The relative importance independent variable 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 are .336 for reward and .653 for incentive. The results obtained based on the finding from the regression analysis showed that incentive organization is more significant and statistically meaningful. The study was able to find out that reward and incentives have direct relationship with employees job performance and satisfaction. The study discovered that employees of the company's are not pleased with current reward and incentives systems and it is not appropriately structured well selected, implemented and checked reward to meet up its goal. Recommendations for improvement at the coming up with attractive, well-structured and monitored reward and incentive system .The bank should narrow the pay scale gap between those on the top of management and on the low hierarchy of the job.

Keywords: Reward, Incentives, Employee Performance.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The dictionary define employee as an employee is someone who gets paid to work for a person or company. Employees are a backbone for a company .skilled and well satisfied employee will help the organization, company to achieve its goal. So the employer should focuses in hiring the most skilled employee and work to maintain them satisfied. As human beings are not same the one that motivate for one employee may not motivate others so it needs deep understanding of employees

Reward refers to everything the employee perceives to be of value resulting from the employment relationship and includes all types of rewards, direct and indirect, as well as intrinsic and extrinsic.(Armstrong 2006).Since reward is one of motivating factor for employees' performance when companies provide reward employees tend to perform effectively and efficiently. It also increases performance and change displeases behavior in employee. The typical components of reward which make up the levers employers can resort to in order to motivate, engage and retain staff. Some of the reward packages provided by Wegagen Bank S.C are base pay, supplementary variable pay, and financial recognition and prerequisites, non-financial. Reward systems should align with organizational culture and the strategy of organization. The aim of reward therefore, is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement, organizational commitments and job satisfaction (Todd M Manas,Michael Dennis Graham, 2003).According to (Mujitaba, 2007) "Reward system should be linked with goal-setting, employee development, competency measures, and team performance. Therefore, organizations must be aware of using reward system that better fits the organization culture to increase the employee performance.

Employee's productivity could be increased through different systems and incentives are a important factor in encouraging employees and increasing their interest at work to enhance productivity which results in attaining the company's objective and goals. incentive will make employees who work hard to work more because they will assume their effort is recognized well and employee who doesn't will be motivated by assuming the incentives, so incentive help in attaining job satisfaction which increases the interaction between the employee and the organization. In addition, the absence of the suitable incentives may negatively affect the

hardworking employee's performance; it may also weaken their productivity at work which decreases the chances of attaining the promising goals of the institution (Palmer, 2012).

Employee Performance is how an employee accomplishes a given task or a job assigned to him and a good performance is doing the given tasks well which helps in the companies (Aguinis, 2007)in his book entitled Performance Management, defined performance management as the “continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization”. A united state of personnel management prepared a hand book for measuring employee performance which encompasses five systematic process of performance management:-

- planning work and setting expectations
- continually monitoring performance
- developing the capacity to perform
- periodically rating performance in a summary fashion
- rewarding good performance

Wegagen Bank SC was formed by 16 members. It was registered with the National Bank of Ethiopia on April 30, 1997, and it started operations on the 11th of June, 1997. Wegagen Bank started with an initial paid-up capital of Birr 30 million. Wegagen Bank is one of the first banks in Ethiopia to introduce core banking systems as part of its infrastructure. Wegagen Bank is a commercial bank in Ethiopia with over 400 branches and 4000 employees at the end of fiscal year 2021/22. This figure does not include those employees serving on outsourced facilities the gender composition of the bank employees shows that 2640(66%) are male and 1360(34%) are female. In a bid to help the bank achieve its newly crafted five-year strategic plan, it has revised its organizational structure in alignment with the strategic plan with a view to maximize the stakeholder’s value. consideration also given to retain high caliber employees and accordingly a new salary scale was devised and commenced implementation effective April 1 2022and also attention given to enhance the execution capability of leadership and operational staff technical and developmental training for both managerial and operational staff.

1.2. Statement of the Problem

As we know, in our country, the number of banks established is increasing which creates a lot of competition among banks. The computation starts from the process hiring the most qualified employees and retain them. Wegagen Bank S.C has been facing some difficulties in the previous year’s such as employees turn over. and this problem could be reduced through

different systems one of the method is providing an attractive reward and incentive scheme. Usually the incentives and the reward system are designed by the top management based on their point of view without discussing with employee at the lower level. In this case, the incentives and the reward system may not be able to achieve the employees satisfaction and such system will not be able to change their approach and performance in the organization as they feel that their contribution to the organization are not well acknowledged.

Through the experience of HR professionals have shown that while employees are concerned about how to earn more pay and enjoy attractive conditions of service, employers on the other hand would be striving to cut costs so as to post impressive profit at the end of the accounting period (George Milkovich, Newman, 2004).

As we know Wegagen Bank S.C in the earliest years was one of the profitable bank in Ethiopia but now a day it has not been growing as it used to. So to keep its previous position and to increase profitability the bank have to work in its Human resource management and since employees are the brain and heart of an organization motivated employees will work more to achieve the organization goal than less motivated employees.

A Study Conducted by (Getachew, 2020) on the title of Assessment on the effect of employee's motivation on the organizational performance, in case of school of nation primary and secondary school indicates that extrinsic motivation given to workers in an organization has a significant influence on the workers performance. Such as trainings, working environment, promotion, rewards, and equality on job, transportation, working tools, and good salaries. In general Money, personal growth, and a work-life balance are what motivate them the most.

A study Conducted by (Demeke, 2017) on the title of the impact of reward on employee job satisfaction in case of Hides Telecom Share Company, Payment is a major factor for employee's job satisfaction at HTSC. Benefit and Promotion has no relation with employee job satisfaction in HTSC. In this study I was able to see that working condition and Nature of the job has positive and significant relation with job satisfaction. And also there is significant relationship between compensation and reward, and employee's performance and extrinsic reward of the bank is not satisfactory and there is little intrinsic reward in the total reward system of the company.

Previously researches have been conducted on concept many studies assessed reward ,reward management and incentive programs. A study on the title of The effect of compensation and Reward on employee performance in case of Wegagen Bank by (Kasahun, 2021), it state that that extrinsic reward of the bank is not satisfactory and there is little intrinsic reward in the total reward system of the company and employees of the company are not happy and motivated

with the compensation and reward system. After this study the structure and salary has revised and this study will assess the gap that does the increment satisfy the employees?

The current research aims to investigate the relationship between incentives, rewards and employee performance through the achieving role of employee job performance.

1.3. Objectives

1.3.1. General objective

The general objective of this study is to assess the Effect of rewards and incentive system on employee job performance in Case of western district of Wegagen Bank S.C.

1.3.2. Specific objectives

1. To asses the types of incentive and reward provided in Wegagen Bank S.C
2. To identify the relationship between incentive and job performance
3. To assess the relationship between reward and job performance

1.4. Research Questions

1. What is the effect of incentive on employee performance?
2. What is the effect of reward on employee performance?
3. What types of incentive and reward system Wegagen Bank S.C provide to its employees?

1.5. Significance of the Study

The study assess whether the existing banks incentive and reward systems motivate employees. This study aims to provide insight and recommendation on reward and incentive system that Wegagen Bank provides to its employee that may help to increase the Bank performance. It can also help the management on the basis of identifying and implementing the best reward and Incentive programs. It may also be used by other researcher as a reference who conducts a research on the subject matters of this research area in the future.

1.6. Scope of the Study

The study is designed to conduct the effects of rewards and incentives on employee job performance in case of Wegagen Bank S.C west Addis Ababa district. In terms of population it constitutes a population of 510 and a sample size of 224 respondents. Random sampling method was adopted to collect primary and secondary data. This study uses mixed research

approach and the data collected are analysis through descriptive and inferential stastics

1.7. Limitations of the Study

The population of this study is taking from employees who work in West Addis Ababa district area. The bank has 235 branches outside the capital city Addis Ababa. This may abuse the result because it may be difficult to conclude the result that we get to the whole Wegagen Bank Because as Addis Ababa is the capital city it may not be the same in local areas as well.

This study will not cover all aspects of the issues because of time and limited finance. As the topic is vast it only focuses on the Incentive and reward system that Wegagen Bank S.C western Addis Ababa district provides to its employees.

1.8. Organization of the study

The research is structured in five chapters the first chapter encompass background of the study the objectives to achieve, the significant of the study scope and limitation of the thesis. The second chapter covers theoretical, empirical review of literatures and conceptual frame work of the study. The third chapter gives a detailed explanation on the methodologies that will be used to conduct the thesis .The Fourth chapter shows and discuss the research findings from the collected data. In The fifth chapter the findings, summaries, conclusions and recommendations are given based on the outcomes of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

In this chapter, a detailed discussion of related literature works about incentive, reward and job performance will be presented. Theoretical, empirical, conceptual framework and research gap of the study was discussed in detail to support this study.

2.2. Theoretical Literature review

2.2.1. Definition of reward

Reward understood as the total amount of financial and non-financial compensation or total remuneration provided to an employee in return for labor or service rendered at work. Reward, which is at times been described as compensation or remuneration, is possibly the most critical contract term in each paid-work. (Schultz, 2006) Defines the term rewards as a particular monetary return, object or event that an employee receives in exchange for his/her work or for having done something well. It is undeniable that every employee expects some level of reward after delivering a function or task. Employees expect employers to perform designated duties to their satisfaction whilst employees also expect their employers to acknowledge or encourage them with suitable rewards after they dutifully deliver what is expected of them. Employees need to be encouraged when they achieved go beyond the given job-task descriptions by showing support, distributing fair and consistent reward that take into account the needs of employees.

(Todd, M Manas; Michael, Dennis Graham, 2003) The aim of reward therefore, is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement, organizational commitments and job satisfaction

2.2.2. Total Rewards

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 (Armstrong M. , 2010)

Total reward referce to the combination of all benefits and rewards that an organization provides to the employees so that the employee feel valued and fulfilled their jobs.

In the total reward system both tangible and intangible rewards are considered valuable.

Tangible rewards arise from transactions between the employer and the employee and include rewards such as pay, personal bonuses and other benefits. On the other hand, intangible rewards have to do with learning, development and work experiences .Example of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life.

The benefits of total reward system are described by Armstrong and Brown, (Michael Armstrong,Duncan Brown, p. 2006) Listed out some benefits of total rewards as :-

- I. Greater impact when different types of rewards are combined, they will have a deep and long lasting effect on the motivation, commitment and engagement of employees.
- II. Enhancing the employment relationship Total reward appeals more to employees due to the fact that it makes the maximum use of rational as well as transactional rewards.
- III. Enhancing cost effectiveness Because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages.
- IV. Flexibility to meet individual needs Due to the variety of rewards, the total reward is able to answer the individual needs of the employees and hence bind them more strongly to the organization.
- V. Winning the war for talent Because rational reward processes are more difficult to replace than individual pay Practices, the organization the ability to attract and retain talented employees by Differentiating their recruitment process and hence becoming “a great place to work.”

2.2.3. Intrinsic Reward

An intrinsic reward will be given to inherent satisfaction rather than for some separable consequence. 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 .An intrinsic reward actually fulfills employee’s intrinsic factors or motivators and thus motivates him. Examples include; giving challenging task, involving in decision making process, giving a higher rank in hierarchy etc. all these rewards do not required to have increased salary as well and employee may be working at higher management rank without an increase in the salary and still more motivated.

They enjoy and satisfy intrinsic rewards are intangible or psychological benefit that employees gain from the employer for their important role through their work. Mostly extrinsic rewards are short run solution than intrinsic reward because its more targeted external gain but intrinsic satisfy their basic psychological need they choose to do it because doing it.

Examples of Extrinsic rewards are:-

Recognition:-Involves the timely, informal and/or formal acknowledgement of a person's behavior, effort or business result that supports the organizations goal and values and which clearly has been beyond normal expectation

Nature of the work:-is measured by an individual's feeling that their job is meaningful, engagement, and a sense of pride in the job (Spector 1997).

Working condition:-The conditions under which a job is performed can be different. For example such as subjective factors (gender and age) of the worker, external factors that include climate, actors related to the organization such as the work place, working hours.

Promotion:-provide opportunities for personal growth, more responsibilities and increased social status (Robbins 1993).

2.2.4.ExtrinsicReward

An Extrinsic rewards actually fulfils employees extrinsic factors or hygiene factors and thus do not let him start thinking about leaving the company. Extrinsic rewards are usually financial or tangible given to the employee they are extrinsic because they are controlled by peoples other then employee. Examples include; pay rise, bonuses, paid leaves, annual recreational plans etc. Extrinsic rewards are the physical benefits provided by the organization such as pay, bonus, fringe benefits and career development opportunities. According to (Pratheepkanth, 2011)extrinsically motivated person will be committed to the extent that he can gain or receive external rewards for his or her job Another fact that can be observed from the above discussion and examples is that intrinsic rewards are mostly qualitative in nature and cannot be quantified for example more respect, recognition etc., Whereas extrinsic rewards are more of a quantitative in nature.

Examples of extrinsic rewards are

Salaries: the dictionary defines salary as a regular payment which is usually made by an employer under a contract of employment to an employee.

Bonuses: it is sum of money added to the basic salary on a seasonal, annually basis, as a reward for a good performance is an additional compensation given to an employee above their normal wage. A bonus can be used as a reward for achieving specific goal set by the company, or for dedication to the company Saira(2014)

Allowance: Are form of payment to the employee by the employer like transport allowance, Deseret allowance, phone allowance

Profit- related pay: is the situation in which the pay of employees is related to the profit made

by the employer. For example a person who works as sells in mobile shop earns 3 percent commission on every mobile they sell. In case of Banks while achieving greater profits sharing with customers will create a sense of belongingness to employees which will motivate them for better performance

Stock option plans: Employees are offered shares at a price that is lower than the market price. This practice helps in creating feeling of ownership among employees and motivates them for a better success for the organization but they believe that they are a part of benefit from the organization profit

2.2.5. Incentive Definition

Incentives are something you receive for completing a specific action. They frequently have a time period associated with them, as in the employee must achieve an action or goal by the end of the third quarter of the year to be eligible for the incentive. Incentives are goal-oriented and are usually combined with a reward. They are often given to employees when they have reached or exceeded a goal. Most incentives are recognition or cash-based but can also come in other forms

Torrington et al (2009) Stated that The advocates of expectancy theory believe that employees will change their behavior by working harder to prioritizing their actions if they know that by doing so they will be rewarded with something of value to them. Consequently incentives are a great way to reward effort and behaviors which the organizations Planned to encourage. Palmer (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he will work harder and produce more effectively when he feels satisfied in the institution. Palmer, W. "Incentive and Disincentive: Will They Affect Performance.", 2012.

As (Billal-Almomani, 2017) Indicated that organizations and through the application of system of incentives it seeks to achieve many of the goals include the following:

economic objective:

A goal of benefit accruing to the organization and his staff and falls under the economic objective as follows:-

- An increase in labor productivity through outstanding performance of the workers.
- Increasing inputs "income" for workers and creating a sense of stability and loyalty to the organization.

- Reduce the cost of operating in the organization through increased attention and care to reduce waste at the time.

- The needs and motivations.

Moral objective:

A goal of direct factor as it is the target of a system of incentives, which is to satisfy the needs and desires of that factor, which reflects positively on the organization and working together and falls under the objective moral as follows: -

- Avoid a lot of problems such as absenteeism, turnover negative action.

- Morale and lack of conflict leading to the creation of a higher stability in human resources working in hospitals and clarity of objectives in the long term and near.

2.2.6. Financial Incentives

Perhaps in the modern times financial incentives are more dominant. . Employment is mostly about salary and remuneration. It is this type of incentive that informs the idea of getting an extra money where people are told that if sell a certain amount of product or Perform a given job or for the extra efficiency they stand a chance of Getting a certain amount of money. They will be motivated to achieve the desired Performance .financial incentives include base pay, profit sharing, benefits and special rewards even though benefits and special rewards are not in financial forms they are categorized as financial incentives because the recipients benefit from them economically.

- **Allowances:-** It includes Base pay ,regular increment and enhancement of allowances to motivate people ,it also can be described as an amount paid for the specific purpose some of the allowances are medical allowances, education and traveling allowances ,

- **piece-rate:-** employees are paid per item of work completed .If properly applied these pay system can greatly improve efficiency and increase production rate and also motivates employees to meet their set targets allowing workers to have more control over their earnings and freedom to achieve their own goals

-**Retention bounces/ pay:-** is used when an employer pay lump sum of money to an employee as an incentive to stay with the company .Retention pay can be useful tool in order to keep key workers or top level employee with the company

2.2.7. Non Financial Incentives

As stated by (Michael Armstrong,Duncan Brown, 2010)Non-financial incentives are designed to encourage positive behavior Change using methods other than money to reward and attract

employees and a motivated employee would earn a great contract.

Non-financial incentives are the types of incentives that are not a part of an employee's pay. Typically, they cost the company little or no money, yet carry significant weight. Examples of non-Financial incentive include promotion, status, feedback, recognition, job enrichment or even designation as permanent employee.

Status: is authority or responsibility given to the employee. Putting them on the top of the hierarchy so when employees are given authority they can exploit their skill

Job enrichment: Providing challenging tasks which help them apply their skill since people are bored of doing repeated works. If the jobs are enriched and made interesting it itself become a source of motivation.

Job Security: If employees are secured they will not have a fear of getting fired for a little mistake they have done and this will motivate them to work hard because of the sense of belongingness

2.2.8. The Difference between Reward and Incentive

Reward can be understood as a prize given to someone so as to recognize an employee's hard work or achievement. Incentive is anything which motivates or encourages an employee to achieve something.

Reward is a tangible item that is given to congratulate and celebrate success or achievement. And incentive is motivational factor designed to tune the desired behavior

Reward is not predetermined and in nature it is Retrospective but incentive is predetermine and forwarded looking.

The objective of to appreciate and recognize people for the work done, And the objective of incentive is to motivate employees to achieve something

2.2.9. Reward and Incentive Management

As stated by.(Armstrong 2010) Reward management deals With strategy, policy and Process required to ensure that the Contribution of People to the organization is recognized by both financial and non- financial Means. A Reward and Incentives System with Out Good Management Strategies Could Be a Loss Of Resources and May Not Contribute To Achieve The Purpose According to (Michael Armstrong & Tina Stephens, 2005)the Purpose of reward

management are to reward people according to the value they create, align reward practices with business goals and with employee values and needs, reward the right things to convey the right message about what is important in terms of behaviors and outcomes, help to attract and retain the high-quality people the organization needs, motivate people and obtain their engagement and commitment and develop a high-performance culture.

Employee's wants to feel valued and employer wants to hire and retain good employees. So by providing a reward system that recognizes the employee's value the organization attracts experts and retains them. As the reward management since the persons behavior are different from one person to another the first step of reward management must be understand the employee's motivational factor. Many thing can affect what motivates people such as culture, age, financial, status, gender and soon if we now that it will be simple to know what motivate them for a better performance. Having appropriate reward management system is good for both the employee and employer, For employee will feel being valued, job satisfaction, increase engagement, it will explore its full skill and potential because it feels belongingness and for the employer it will decrease turnover of employee so that it also decrease hiring and training cost for the new employees ,it increase the organization profit

2.2.10. Employee Performance

(Armstrong M. , 2010) Defines performance as the accomplishment, execution, carrying out, working out of anything ordered or undertaken. Every individual's performance who is working in an organization has its own importance towards its success. Required performance can only be achieved by an organization efficiently and effectively if employee gets a sense of Mutual gain of organization as well as of him with the attainment of that defined target or goal. So managers must create a sense of belonging of their employees in the organization so there need it be a well-organized employees and performance management system. Performance management techniques Can be applied at the organizational, departmental (business process), and individual levels.

1. Organizational Level: The primary aspires of performance management at the organizational level is achievement of strategic goals and objectives. Common organization goals and objectives include increases in sales, customer satisfaction, or profits; greater community involvement; higher rankings or perceived quality compared to competing firms; and so forth.

2. Department Level: No department or division is an island-all interact with or support others. Every job interacts with others at the business process or departmental level (e.g., finance, human resources, admissions, accounts payable, etc.).

3. Individual Level: Employees execute the tasks and assignments required to meet individual, departmental, and organizational responsibilities. Although the organizational and business process levels may be architectural masterpieces, if performers cannot execute efficiently and effectively, performance quality and outputs will be negatively affected

2.3. Empirical Literature

A Study Which was conducted by (Hutu, 2010) on the effect of incentive on performance and job satisfaction. On the basis of the literature review and the interview research indicated that Both of these aspects seem to be important in motivating and generating job satisfaction. However according to previous literature monetary incentives are the most effective in increasing performance. Whereas non-financial incentives such as feedback, recognition and participation are more important in generating job satisfaction. In addition also benefits and non-monetary tangible incentives are important in generating job satisfaction and signaling that employer is interested in employees and their well-being. Hence the rewarding of the humanity aspect is more important in generating job satisfaction whereas the rewarding of the effectiveness-aspect affects performance. However, it is important to notice that these aspects complement each other. Hence we can talk about comprehensive rewarding. Another study conducted on The Effect of Incentive System on Job Performance Motivation as Mediator for Public Sector Organization in UAE in case of Economic Development Department (EDD) in Al Sharjah (Rashed Ahmed Khamis Al Naqbi Prof .Dr. Rosman Bin Md Yusoff Dr. Fadillah Binti Ismail, 2018) . The research has adopted a quantitative approach to assess the effect of the incentive system in public sector in UAE on the job performance, and to identify the mediating effect of employees' motivation in two dimensions (intrinsic and extrinsic) on the relationship between the incentive systems (monetary and tangible and non-monetary and intangible), and employees' performance. The research quantitatively analyzes the structured questioner's data using a statistical approach.

The result of the survey indicated that incentives consist of three factors. The first factor was non-monetary incentives. It is found that the moral incentives are not less important than financial incentives; the employees agreed that the organizations should provide moral incentives for all employees who show good performance. The second factor was monetary or financial incentives. The responses of participants in the survey reveal that the salary fills the

basic needs of employees and bonus system is somehow fair. The last factor of incentives is the Social Dimension. The staffs believe that the government incentive system is good and works to improve the performance of employees and the retirement law of U.A.E is fair, and one of the important findings is that the salary provides social guarantees to the employees and they feel that the social allowances for the wife and children are acceptable in U.A.E.

We were able to see that Job performance is the dependent variable in this study. It is indicated that the incentives system is a strong predictor of job performance. It is possible to develop the performance of employees in the workplace through efficient incentivizes and strong motivation. The finding of this study showed a positive correlation and association between incentives system and job performance as well as between motivations and job performance

A Study conducted by(Assefa, 2017) which was undertaken to compare the effect of incentive and reward system on employees" indicated that performance in Bunna International Banks, is evident that Buna International Bank employees differ in many aspects to the response of incentive and reward system on their performance. The study is descriptive research and adopted both qualitative and quantitative research designs and used questioners to collect data and the data has been analyzed by using different statistical techniques like descriptive statistics techniques, and regression analysis by using SPSS. Based on the findings of the study and in light of the objective the researcher concluded that Bunna International bank employees motivated more and enhance their performance by extrinsic reward more than the incentive they get in terms of money to motivated them to achieve short term objective of the bank ,The researcher also indicated that basic salary was the most motivating factor in enhancing employees performance, Job security and career advancement were also found to be highly motivating factor in enhancing employees performance. The researcher also suggested that Bunna International bank employees management give appropriate recognition to its employees ,for instances, say "thank you" when an employee" s has put an extra effort to accomplish his/her task . Rewarding exceptional new performance also inspires colleagues to improve their contribution in the workplace. All these boil down to the point that employee recognition is certainly a vital element to motivate employees and perform better.

A study conducted by Betelhem mengesha(2022) on the effect of reward management on employee performance in case of hibret bank the research show that from the pearson correlation employee job performance have positively relationship with monetary and non monetary rewards. And also state that non monetary reward has more significant effect on employee performance like recognition of their work, work in freedom, show creativity, job

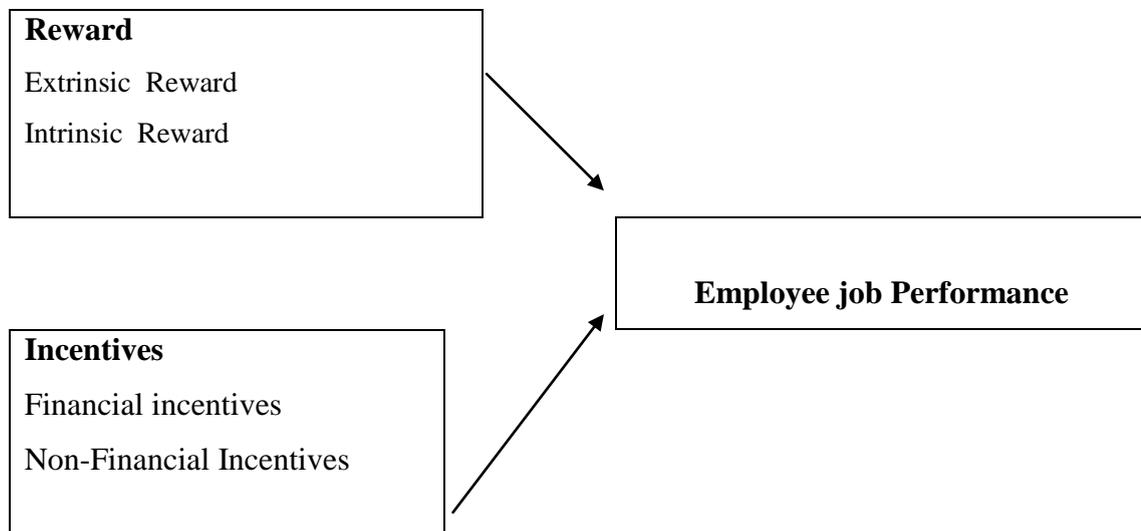
security, good relation with peers, good working environment rather than money. the researcher also suggest that rewards should rewarded to individual or team based on their performance and should be linked to companies goal and also state that management should make effort to improve salaries, working conditions, job security and supervision to certain standard that will make employs feel happy about their job.

2.4. Conceptual Frame work

The current study therefore intended to contribute to the literature gap on the subject matter .I have come up with the independent and dependent variables for the study. The output of the study is to see the relationship and advice if banks if they should continue with the existing reward and incentive management system or adopt new systems.

According to the model, dependent variable is employee’s performance and the independent variables are rewards and incentives. The relations of these variables are supported on the basis of review of literatures.

Fig 1.1 conceptual frame work



(Armstrong M. , 2010)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

In this chapter, a detailed description of research methods and techniques used in the study for the collection, analysis and presentation of data was presented.

3.2. Description of the Study Area

This study is in Wegagen Bank of S.C, western Addis Ababa Destrict. There are four districts in Addis Ababa namely North, South, east and West Addis Ababa. The study selected western Ethiopia because from the four districts the western is the largest by the number of branches number of employees (next to mekelle district) and deposit amount of birr.

3.3. Research Approach

Mixed approach was used for this study. Qualitative researches are more appropriate for explanatory the variation and diversity in any aspect of social life. Data used is not necessary/usually numerical it cannot be analyzed using statistics. whereas in quantitative research, to explain a given phenomena by collecting numerical data that can be analyzed using mathematical based (mean, standardization...)they are more suited to finding out the extent of this variation and diversity. Quantitative researcher's mostly use questionnaire as major methods to collect data. It facilitates to measure the reactions of a large number of individuals to a limited set of questions which facilitate easier statistical analysis.

3.4 Research design

Study designs are explanatory and descriptive type research. Descriptive used to provide an accurate and valid representation of the variables that are relevant to the research question. In this study we used to describe the reward and incentive that are given in Wegagen bank It serves to achieve a variety of research objectives: To describe the characteristics of the study subject (who, what, when and how) and the study used explanatory design to identify any causal relationship between the variables that are relevant to the research.

3.5 Data Sources

Both primary and secondary source of data was used for this study. The primary data included the data that gathered through questionnaire. Secondary data includes books, journal documents of the bank annual reports of wegagen bank online references and other relevant and pervious study of wegagen bank.

3.5 population Sample Size and Sampling Technique

According to the 07/02/ 2023 human resource record of the Bank have a total of 4000 employees in all the 400 branches and the number of employees in Addis Ababa is 1650 in number. There is 165 branch in Addis Ababa and 235 out of Addis Ababa. For this study, the sample size was determined by using the probability sampling; specifically simple random sampling (SRS) technique was used. In wegagen bank west Addis Ababa branches there are 510 total employees. Among different methods of sample size determination formula applied thin these study is (Toro, 1967)

$n = \frac{N}{1 + N(e)^2}$, Where, N total population

n sample size

e the acceptable sample error

95 % acceptable error

$$n = \frac{510}{1 + 510(0.05)^2}$$
$$= 224$$

The research contains sample of 224 from west Addis Ababa District of Wegagen Bank.

3.6. Data Collection Tool

Since this study followed both quantitative and qualitative approach, the study uses survey method for collecting primary data from sample individuals. And the primary data is collect through questionnaires to collect information both open ended and close ended questions conducted. This method is aims to determine the Effect of incentive and reward system in the employee job performance at Wegagen Bank. Structured questionnaire used in order to reach

wide range of respondent's so that, acquire information to examine and explain the relationships between variables.

3.7. Data Processing and analysis.

After the data is collected make the data ready for analysis through editing data, handling missing data, Coding data, Categorizing data and creating data file programming so as to minimize the complexity of data entry. After that data collected from the respondents, described and analyzed using statistic software called SPSS (Statistical Package for Social Science) version 20.the data entered in this software and the outputs will analyzed based on descriptive statistics and inferential statistics. Quantitative analysis techniques will employee to demonstrate processed data in absolute terms through the use of descriptive statistical tools such as frequency, valid percentages, minimum and maximum value, Descriptive statistics will used to describe the data that have been collected from questionnaire Such as respondent profile, the effect of incentive and reward system in terms of frequency, percentage and the like while. Inferential analysis (i.e. correlation, regression) focus on making a large group of data based on the representative sample of the population. Since inferential statistics make prediction rather than sating facts, the results are often in the form of probability. The researcher will also use qualitative analysis technique so as to analyze the collected data from secondary data in order to display the result in the form of narration by using descriptive narration and content analysis techniques.

3.8. Pre-Test

3.8.1. Validity Test

Refers the accuracy of a measure or the extent to which a score truthfully represents a concept. if the research has validity that means it product result correspond to real properties, characteristics, and variations in physical or social world, The study uses Content validity which means the degree that a measure covers the breadth of the domain of interest. it uses content validity to evaluate does the study condense all necessary topic of reward incentives and job performance , but not something outside of the topic.

3.8.2 Reliability Test

Reliability of the data is the degree of consistency that an instrument demonstrates (Crewell 2014). Are robust and performs well at all times under different conditions Reliability: Cronbach alpha Index (r) is used measure the extent to which the instrument produces consistent results Coefficient/Cronbach alpha (α): The most commonly applied estimate of a multiple-item scale's reliability. Coefficient alpha ranges in value from 0, meaning no consistency, to 1, meaning complete consistency.

Table 3.1 Reliability

Variables	Cronobache alpha coefficient	Number of Items
Reward and Incentive	.809	12
Performance	.844	6

Source own survey 2023

3.9. Ethical Consideration

Due to consideration was given to obtain consent from each participant about their participation in the study. It was conducted on voluntary basis. The research was done with respect participants' right and privacy. This study uses proper citation of the copy right holders. Any confidential information of the bank or the employees was not be disclosed since the main intention was to gather data for the research purpose the findings of the research are going to be presented without any deviation from the outcome of the research.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

The main objective of this study the effect of reward and incentive system on employee's job performance the Case Of Wegagen Bank S.C Western Addis Ababa district In this regard, this chapter presents the results and findings of the study as collected from the sample population. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. To enhance quality of data obtained, liker type questions were included whereby respondents indicated the level of agreement to which the variables were practiced in a five point like scale. Coded responses were entered into Statistical Package for the Social Sciences (SPSS) version 20, for data analysis. The data have been presented by tabulation, and some figures. The chapter covers respondents' general information based on demographic information and findings based on how the research questions/objectives the assessment of performance appraisal system and its effectiveness: and the results are presented and discussed

4.2. Data Analysis and Interpretation

In this part of the paper, the researcher attempts to present the practically observed facts about the effect of Reward and Incentive System on Employees Job Performance the Case of Wegagen Bank S.C western Addis Ababa district and by using tools mentioned in the methodology part of chapter three. For this purpose, the researcher distributed questionnaires to 224 respondents from which 195 of the questionnaires were filled and returned to the researcher for analysis. In this chapter the data collected through questionnaire and are submitted for presentation and analysis. Then data was presented following the relevant data collecting, coding processing, analysis and interpretation. Data analysis and interpretation is a process mostly contingent on clarity about the purpose and the audience under investigation (Patton, 2002). Hammer sly and (Atkinson 2007) described the process of data analysis as a back and forth movement between ideas and data, ensuring that it is not just about managing and manipulating data. This makes it an on-going process that starts immediately the research problems and questions have been developed till they are even transformed

Analyzing data further entails data coding which involves reducing the data collected to keywords by searching for what is distinctive.

4.3. Demographic Characteristics of the respondents

The Survey begins with the description of the demographic characteristics of the respondents such as their gender, Educational qualifications, age and marital status. The details are as follows:

Table 4.1 Demographic characteristics of respondents

No		Variables	Frequency	Percentage
1	Gender	Male	84	43.1
		Female	111	56.9
		Total	195	100
2	Marital Status	Married	110	70.1
		Single	85	29.8
		Total	195	100
3	Education Level	Diploma	10	1
		Master	30	12
		Degree	155	86.1
		Total	195	100
4	Age of respondent	Below25	50	36.1
		25-30years	110	52.9
		31-45years	35	11.1
		Total	195	100

Source: own survey 2023

From the Table 4.1 Regarding to the employee education qualification, the clearly indicated that majority of the work forces 86.1% acquired their Bachelor degree and Master degree holders constitute of the respondent while the Remaining 12% of and diploma was 1%,the respondents are Diploma holders. This shows that majority of the employees are degree holders because the bank recruit young fresh graduate of bachelor degree is required to join the workforce. According To the above table, 43.1% are male and female 56.9% respondents. In descriptive analysis of marital status 70.1% are married and 29.1% are single In overall the age ,gender and marital status data show us most of respondents are female as the same time most of respondents are young in the total responses and single. This shows that the majority of the employees in the

bank were young and middle age. Therefore, the majority employees were within the productive age.

4.4. Descriptive Analysis of Reward and Incentive Variables

In order to see the general perception of the respondents regarding performance in the subject organization, the researcher has summarized the measures with the respective means and standard deviations. Thus, the mean indicates to what extent the sample group averagely agrees or does not agree with the different statements. The lower the mean, the more the respondents disagree with the statements. The higher the mean, the more the respondents agree with the statement. On the other hand, standard deviation shows the variability of an observed response from a single sample (Marczyk Geoffrey, DeMatteo David, Fastinger David, 2005). The mean values are presented below, together with standard deviation values for each variable. From 1 to 1.80 represents (strongly disagree), From 1.81 until 2.60 represents (do not agree), from 2.61 until 3.40 represents (true to some extent). From 3.41 until 4.20 represents (agree). From 4.21 until 5.00 represents (strongly agree).

4.4.1. Descriptive Analysis Performance

Table 4.2 Descriptive Analysis of performance

Performance	N	Mean	Std. Deviation
Incentive and Reward affects my work performance	195	2.9128	1.41698
Good employee performance is important for the future growth of my organization	195	3.1487	1.21564
The bank has good performance evaluation	195	3.7641	.89428
The bank applies performance based career development	195	4.1231	.32937
The bank has clear , uniform, valid and reliable criteria of Rewarding Employees and Recognition based on their performance	195	3.1231	1.27434
The HR department consult the Employee in reward and incentive system policy	195	3.7333	1.05550
Grand mean	195	3.4	1.03

Source own survey 2023

The study revealed that Incentive and Reward affects my work performance by a mean response of 2.9 and standard deviation response of (1.4). This was also revealed in the descriptive analysis which indicated that of respondents agreed that Incentive and Reward affects my work performance. Good employee performance is important for the future growth of my organization mean response of 3.7 and standard deviation response of .894 this was also revealed in the descriptive analysis which indicated that of respondents are moderately related to agree. The bank has good performance evaluation has a mean value 3.76 with a standard deviation ,894 which means employees agreed that the banks performance value measures are good, Employees agreed that the bank applies performance based career development which is shown with a mean value of 4.12 and standard deviation of ,329 , In case of banks clear , uniform, valid and reliable criteria of Rewarding employees and recognition based on their performance employees partially agreed that the bank constitutes clear , uniform, valid and reliable criteria of Rewarding employees which is shown with a mean value of of 3.12 and standard deviation of 1.27 these indicates that the bank should review its rewarding criteria's .The respondents said that the distribution of salaries and incentives is not fair it is more beneficial for those the on top of the Hierarchy which are the top managers . From the above table the question the HR department consult the employee in reward and incentive system policy the descriptive analysis got a mean value of 3.73 and 1.05 which means that of respondents agreed.

4.4.2. Descriptive Analysis Reward

Table 4.3 Descriptive Analysis Reward and Incentive

Reward And Incentive	N	Mean	Std. Deviation
The salary of the bank is good according to the work you are Performing.	195	3.1282	.48586
Rewards Schemes are Provided By Wegagen Bank.	195	3.0564	.49938
Incentives Schemes are Provided By Wegagen Bank	195	3.2462	.73983
There is total reward approach in wegagen Bank to increase the employee performance.	195	2.8462	.36173
The bank reward management System Give regular appreciation specific praise, even verbally or otherwise, from my superiors and The Bank for achievements of quality Improvements goal	195	3.2513	.74849

Do you think the pay scale, rewarding and incentive schemes fair compared to market	195	3.1897	.76650
There is group based reward in the bank	195	3.2513	.74849
Grand mean		3.1	.621

Source own survey 2023

The above table analysis the salary of the bank is good according to the work you are Performing by a mean response of 3.1 and standard deviation response of .4. This was also revealed in the descriptive analysis which indicated that of respondents agreed The salary of the bank is good according to the work you are Performing affects my work performance Extrinsic and intrinsic Rewards Schemes Are Provided By Wegagen Bank organization mean response of 3.05 and standard deviation response of .493. This was also revealed in the descriptive analysis which indicated that of respondents are moderately related to agree. Financial and non financial incentives Provided By Wegagen Bank has a mean value of 3.24 and .739 of standard deviation which indicated that there is incentives provided by the bank but its not sufficient enough to satisfy the employees. From the open ended questions employees responded that these rewards and incentives are provided annually. Respondents moderately agreed on the existence of total reward approach which is shown with a mean value of 2.84 and Standard deviation of .36. The bank reward management System Give regular appreciation specific praise, even verbally from my superiors and the bank for achievements of quality Improvements goal have a mean value of 3.25 and Standard deviation of .74 which indicates respondents mostly agreed to it. The respondents also indicated that the bank reviews its reward and incentive schemes constant it has also made an amendments two times on salaries last year even though the bank is making amendments the employees are not satisfied with the current reward and incentive schemes Do you think the pay scale, rewarding and incentive schemes fair compared to market has a mean value of 3.18 and standard deviation of 0.76 which indicated respondents are agreed to some extent. The finding revealed there is group based reward system in the bank by a mean value of 3.2 and standard deviation of 3.7 which means respondents agreed about the existence of group based reward schemes.

4.5. Relationship reward incentive and employee job performance

Company's productivity could be increased through different methods and the most important of all is employee's performance. These performance of employees could be boosted through different systems it could be by providing incentives prior to job met the desired objective or

rewarding them after the meet the planned objective is done (ibrahim ghazi alkandi, 2023)indicated that There is a positive relationship between incentive and reward and job satisfaction and significant direct effect between jobs satisfaction and employee performance. More importantly the mediator role of job satisfaction in the relationship between incentive reward and employee performance was significant.

According to (Chukwuma, 2022) workers place great value on the different rewards given to them by their employers. Hence, when these rewards are not given, workers tend to express their displeasure through poor performance and non-commitment to their job .I was able to find that rewards and incentive have effect on employees performance and satisfaction so if the rewards are distributed unjustly on the basis of favoritism, immoral recommendation or other factors attached, it will create uncomfortably and lack of trust in the rest of employees which ultimately results un satisfied employees, affects organizational performance and effectiveness of employees . By appreciating the employees for their work done and having a clear policy of rewarding employees internally satisfies them with their jobs, improves their performance and is commitment to the organization. Thus their enthusiasm and accomplishment of tasks increases. Hence fair distribution of rewards has significant impact on employees. Rewards given by an organization can have an effect on employee's performance, Attitude and behavior towards the organization (Armstrong, 2010). According the author explained that financial reward may increase engagement for some people in the short run, but the greatest impact. Engagement is made by non-financial rewards especially when they generate intrinsic motivation through the work itself and the work environment.

4.6. Result of Inferential Statistics

4.6.1. Correlation Analysis

A correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). A correlation analysis with Pearson's correlation coefficient (r) was conducted on all variables in this study to explore the relationships between variables. To interpret the strengths of relationships between variables, the guidelines suggested by (Field, 2005) were followed, mainly for their simplicity. His classification of the correlation efficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. Correlation coefficients say nothing about which variable causes the other to change. Although it cannot make direct conclusion about causality, we can take the correlation coefficient a step further by squaring it (Field, 2005)The correlation coefficient squared (known as the coefficients of determination, R^2) is a measure of the amount of

variability in one variable that is explained by the other. Incentive and reward and employee performance had a high correlation. In order to determine the significance level of the correlation and to evaluate and measure the strength of this relationship; a Pearson Product Movement Correlation Coefficient was conducted with the result shown in the matrix below.

Table 4.5: Correlation Coefficient

Correlation Analysis		Perform	Reward	Incentive
perform	Pearson Correlation	1	.688**	.834**
	Sig. (2-tailed)		.000	.000
	N	195	195	195
reward	Pearson Correlation	.688**	1	.539**
	Sig. (2-tailed)	.000		.000
	N	195	195	195
incentive	Pearson Correlation	.834**	.539**	1
	Sig. (2-tailed)	.000	.000	
	N	195	195	195

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

Source: SPSS Output from Survey Data, 2023

Figure indicates that incentive shows the highest positive correlation with performance ($r = .834$, $p < 0.01$). Its small significance level ($p < 0.01$) indicates that it is very unlikely that these variables are independent of each other. Pearson Correlation Coefficient was used to assess the relationship between types of rewards and incentive on employee job performance in Wegagen Bank Reward Western Branch. Pearson Coefficient Value Sig. (2-tailed) = .688 at 95% confidence level, and $P < 0.005$, this implies that there was a positive but moderately significant relationship between types of reward and performance. Types of reward on were explained by the variation of employee Performance the bank, at 0.05 level of confidence. The results are shown on the above correlations result between employee performance and Attractiveness of rewards relative to other bank a Pearson correlation coefficient result. This means that those independent variables have insignificant relationship and positive correlation with the dependent variable (employee job performance). The positive direction indicating that, when the independent variables increase dependent variable also increases and vice versa. The relationships have also statistically significant since the p value Pearson Correlation Coefficient

was used to assess the relationship between Distribution of reward and employee Performance. The value positive indication shows that, when the independent variables Increase dependent variable also increases and vice versa.

4.6.2. Regression Analysis

Regression analysis is a systematic method that can be used to investigate the effect/impact of one or more predictor variables on dependent variable. Regression and correlation are closely related. Both techniques involve the relationship between two variables, and they both utilize the same set of paired scores taken from the same subjects. However, whereas correlation is concerned with the magnitude and direction of the relationship, regression focused on using the relationship for prediction. According to (Marczyk Geoffrey, DeMatteo David, Fasting David, 2005), linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Unlike correlations, however, the primary purpose of regression is prediction. There are two basic types of regression analysis: simple regression and multiple regressions That is, it allows us to make statements about how well one or more independent variables predict the value of a dependent variable. Specifically this multiple regression was conducted in order to investigate the impact of independent variable on dependent variable Specifically this multiple regression was conducted in order to investigate the effects of reward and incentive on employee performance in case of wegagen bank western addis ababa district.

4.6.3. Assumptions Test

Before applying regression analysis, the researcher tests its assumptions like normality, linearity and multi collinrearity. According to (Field, 2005), multiple linear regression uses to estimate the effect of more than one independent variables over dependent variable or it estimates the coefficient of determination on the predicted one explained by the predictors. In order to have valid multiple regressions analysis, several key assumptions should be satisfied. The key assumptions of Multiple Regression that are identified as primary concern in the research include: linearity, independence of errors (Autocorrelation), normality, and multicollinearity. For this study; each assumption were defined and assumptions were tested and the results of these assumptions was briefly summarized and presented below.

Assumption 1: Sample size Test

Small samples results in obtaining a result that does not generalize (cannot be repeated) with other samples. (Tebachnick & Fidell, 2007) give a formula for calculating sample size

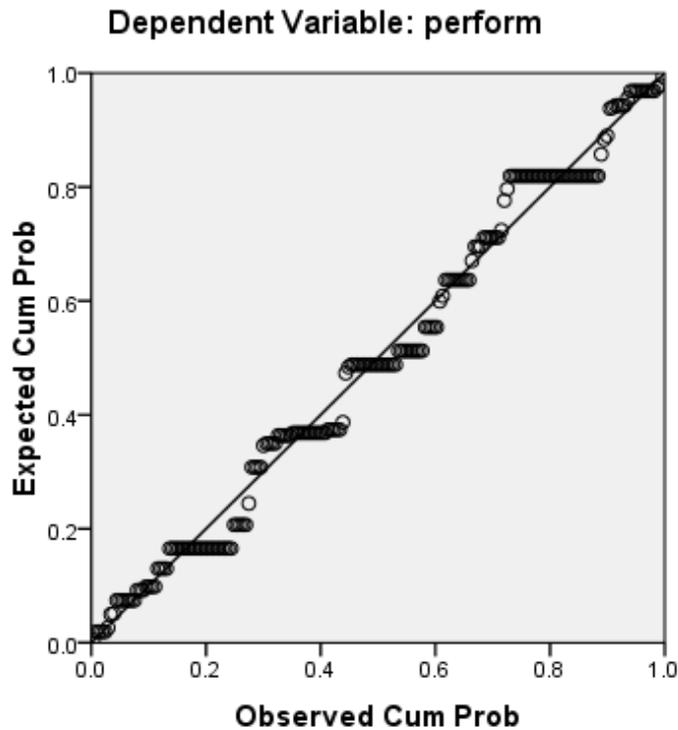
requirements, taking into account the number of independent variables to use: $N > 50 + 8m$ (where m = number of independent variables) as cited by (Pallant, 2010). Therefore, based on this, this study has 4 independent variables which resulted $50 + (8 \times 4) = 66$. So, this is less than sample taken in this study which is 195. Therefore, sample size test was met.

Assumption 2: is linearity.

In order to determine linearity, we can use the output of a normal P-P Plot. If the data are normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data are not normally distributed multiple regressions assume a linear relationship between the independent and dependent variables. The bivariate plot of the predicted value against residuals can help us infer whether the relationship of the predictors to the outcome is linear. Thus; utilizing visual review of the diffuse plot, it can be proposed almost the linearity. Looking at the diffuse plot of each free factors, it shows up that the relationship of standardized anticipated to residuals is generally straight around zero. Subsequently, ready to conclude that the relationship between the reaction or result variable and indicators is around zero recommending that the connections between these factors are straight.

Fig 1.2 plot of regression standardized residual

Normal P-P Plot of Regression Standardized Residual



Assumption 3: Multicollinearity

Multicollinearity is states of very high inter correlations or inter-associations among the independent variables. It is therefore a type of disturbance in the data, and if present in the data the statistical inferences made about the data may not be reliable. Multi co linearity can also be detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). If a correlation matrix demonstrates correlations of more than among the independent variables, there may be a problem with multicollinearity. The other method is by computing tolerance values which measures the influence of one independent variable on all other independent variables and Variance Inflation Factor (VIF) for each independent variable. Multicollinearity exists when Tolerance is below 0.1, and the average variance inflation factor (VIF) is greater than 10 the fact that the Tolerance and VIF values are falling within the acceptable limit entails in this particular study multi co linearity is not a serious problem and it is possible testing multiple regression analysis

Table 4.6 multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Reward	.709	1.410
Incentive	.709	1.410

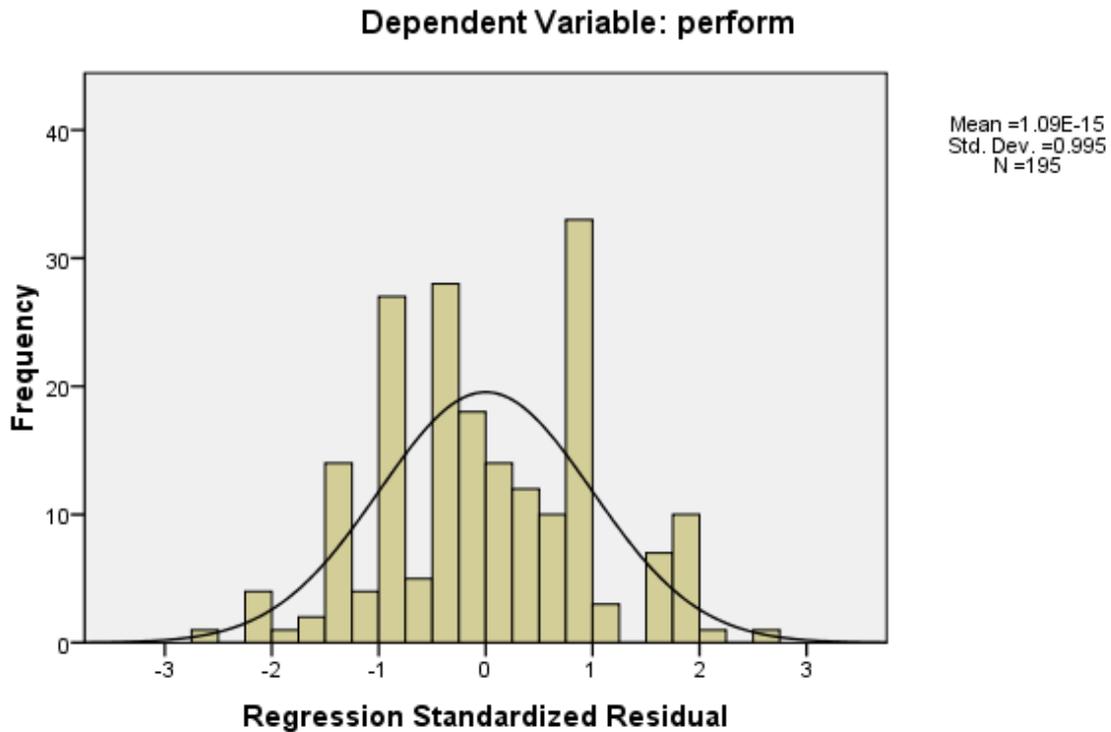
Source: SPSS Output from Survey Data, 2023

Assumption 4: Normality

This presumption can be tried through histograms of the standardized residuals (Stevens, 2009). Histograms are bar charts of the residuals with a superimposed ordinary bend that appeared dispersion. Variable bends are cleared out skewed dispersion, this infers that the respondents reaction drop beneath concur and emphatically concur category, while, the inventive and result introduction and chart appeared generally rise to dissemination on both sides. So, the residuals are ordinarily dispersed and the presumption was fulfilled for the two free factors.

Fig 1.3 Histogram

Histogram



Assumption 5: Independent of Residuals (Autocorrelation)

The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical model or regression analysis. The Durbin-Watson statistic will always have a value ranging between 0 and 4. A value of 2.0 indicates there is no autocorrelation detected in the sample. Values from 0 to less than 2 point to positive autocorrelation and values from 2 to 4 means negative autocorrelation. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson value is approximately closer to 2, and values below 1 and above 3 are causes for concern and may render the analysis invalid. In this case the Durbin Watson statistics showed (Durbin Watson=1.266).hence the result falls between 1 and 3, the researcher assumed independence of residuals is satisfied.

Table 4.1 Independent of Residuals

Model	Durbin-Watson
1	1.266

Source: SPSS Output from Survey Data, 2023

4.6.4. Coefficient of Determination

Table 4.2 Independent of Residuals

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.881 ^a	.776	.774	.35361	1.266

a. Predictors: (Constant), incentive, reward

b. Dependent Variable: perform

Source: SPSS Output from Survey Data, 2023

The coefficient of determination (R^2) is a number between 0 and 1 that measures how well a statistical model predicts an outcome. Interpret the R^2 as the proportion of variation in the dependent variable that is predicted by the statistical model. In this study, the value is .776, which indicates that 77.6% of the variance in the dependent variable is explained by the independent variables in the model. Thus, the value of $R^2 = .776$ shows that 77.6% of success is attributed to due to reward and incentive and the remaining 22.4% of the variance is explained by variables which are not included in the model.

4.6.5. Analysis of Variance (ANOVA)

Table 4.3 Independent of Residual

Model		Sum of Squares	D	Mean Square	F	Sig.
1	Regression	83.287	2	41.643	333.045	.000 ^a
	Residual	24.007	192	.125		
	Total	107.294	194			

a. Predictors: (Constant), incentive, reward

b. Dependent Variable: perform

Source: SPSS Output from Survey Data, 2023

Analysis of Variance (ANOVA) is a statistical formula used to compare variances across the means (or average) of different groups. A range of scenarios use it to determine if there is any difference between the means of different groups. The ANOVA test allows a comparison of more than two groups at the same time to determine whether a relationship exists between them. The result of the ANOVA formula, the F statistic (also called the F-ratio), allows for the analysis of multiple groups of data to determine the variability between samples and within samples. Accordingly, Table indicates that the ANOVA is significant ($F_{333.045DF}(\text{regression}) = 2$, $df(\text{residuals}) = 192$, $\text{Sig} < 0.05$). Hence, it can conclude that at least one of the four independent variables can be used to model independent variable has significant effect on employee job performance..

4.6.6. Regression Coefficients

Table 4.10 regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
1 (Constant)	-.221	.155		.156
Reward	.457	.055	.336	.000
incentive	.675	.042	.653	.000

a. Dependent Variable: perform

Source: SPSS Output from Survey Data, 2023

Regression coefficients are estimates of the unknown population parameters and describe the relationship between a predictor variable and the response. In linear regression, coefficients are the values that multiply the predictor values. Suppose you have the following regression equation: $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$ in this equation, α is the coefficient, X is the predictor, and $+ e$ is the constant.

The sign of each coefficient indicates the direction of the relationship between a predictor variable and the response variable.

- A positive sign indicates that as the predictor variable increases, the response variable also increases.
- A negative sign indicates that as the predictor variable increases, the response variable decreases.

The coefficient value represents the mean change in the response given a one unit change in the predictor. For example, if a coefficient is +3, the mean response value increases by 3 for every

one unit change in the predictor.

The output from SPSS shows that the p-values for reward and incentive on employee job performance. The above table also depicts the extent to which each independent variable influences the dependent variable. The relative importance independent variable contributing to the variance of the employees' job performance (dependent variable) was explained by the standardized Beta coefficient. The beta values of the independent variables i.e. types of reward, Attractiveness of rewards and benefits and incentive are -.0336 .653, and respectively. The result obtained from the regression analysis showed that incentive organization is more significant and statistically meaningful when compared with the other variables in terms of employee's job performance. This can be understood as a meeting expectation of reward and benefit of employees was increase employees' performance.

4.6.7. Regression Mathematical Model

The equation of multiple regressions on this study is generally built on around two sets of variables, namely dependent variable (employee job performance) and independent variables (reward and incentive. The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables. Therefore, the case of it was therefore, the Regression Model used in the study was mathematically expressed as follows based on the multiple regression analysis; the following model summary was extracted to

Conclude the variation between the variables as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$\text{Success} = .221 + .336 (\text{reward}) + .063 (\text{incentive}) + .155$$

Where

, β_0 = Regression constant, $\beta_1, \beta_2, \beta_3, \beta_4$ = coefficients of elasticity displaying degrees of explanation power about success and ε = model's error term

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents discussions, conclusions and recommendations based on the results and findings on the effect of reward and incentive on employee's performance in case of Wegagen Bank west Addis Ababa branch. The findings were based on the respondents' questionnaires based on the research questions. This chapter therefore provided the researcher's discussion on the findings of the research as compared to analysis of the literature review based on the purpose of the study. The conclusions and recommendations were provided.

5.2. Summary of Major Findings

Based on the objective of the study after analyzing the primary data collected, the study revealed that there were number of male respondents (n=84,) which is 43.1% and 111 which is 56.9% of the sample showing that the bank is dominated by female employees. And 90% is response rate. It was also revealed that a high number of respondents were degree holders. Generally the pay scale of the bank & reward management policy does not consider market value and inflation rate even though the bank made some improvements twice a year on the past year it is not sufficient enough to meet employees needs respectively because of these respondents will not be motivated for better performance. With regards of the type of reward the bank provides both intrinsic and extrinsic rewards but it is not sufficient enough to motivate for a better performance. In case of financial and non financial incentives it has been discovered that the bank does not provide attractive and motivating incentive schemes

The effect of reward on employees performance in the bank have Positive effect means that the employers of the bank are encouraged to pay bounces, benefits, incentives because the existing reward and incentives are not enough for better performance. Generally the pay and bonus of the bank is not motivating to employees and compared to the market. The medical coverage is attractive for the employees but not insurance, benefits and transportation allowance.

The bank provides training and development programs for employees but the employee's states that much of this program goes to the top level management. The study discovered that the bank has encourage the employees to buy share of the bank and they will become share holder of the company this will create the sense of belongingness.

The employee responds that there is a group based reward in the bank. it is good because it create team work, increase collaboration between team members.

The fairness of reward, benefits and incentive is not favored to all employees. The pay gap between managerial and non-managerial position is too wide. Leave arrangement, providing of incentives is moderate and fair Distribution of bonus and promoted. The bank gives positive and intermediate relationship between and incentive and reward $r = 0.689$, $p < 0.01$. Its small significance level ($p < 0.01$) indicate that it is very unlikely that these variables are independent of each other. Pearson Correlation Coefficient was used to assess the relationship between types of rewards and incentive on employee job performance in Wegagen Bank western addis ababa district and employee Performance. Pearson Coefficient Value Sig. (2-tailed) = .83.4 at 95% confidence level, and $P < 0.05$, this implies that there was a positive but moderately significant relationship between types of reward and performance of types of reward on were explained by the variation of employee Performance the bank, at 0.05 level of confidence.

The relative importance independent variable 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 for reward and incentive are 0.336 and .653 respectively. The result obtained from the regression analysis showed that incentive organization is more significant and statistically meaningful when compared with the other variables in terms of employee's job performance. This can be understood as a meeting expectation of reward and benefit of employees was increase employees' performance.

5.3. Conclusion

Based on the major finding this study was to the impact of reward and incentive system on employees job performance the case of Wegagen Bank S.C to make clarify intrinsic and extrinsic reward contribution in employees. Results represent that intrinsic rewards has significant and positive relationship with employee's performance and their satisfaction Results also summed up that extrinsic rewards also has significant relationship with employees performance and their job satisfaction ad supported to All these findings are highly supported by previous studies as previous researchers also shown positive and significant relationship between rewards and performance respectively .

The study investigated whether incentive have a positive effect on employees' performance through the enhancement of job performance. The result shows that a direct effect has been

found between incentive and employees job performance; therefore.

But, the study discovered that the bank does not have appropriately structured well selected, implemented and checked reward to meet up with the current dynamic rate of the business trends. With regards of the type of reward, the bank provides financial rewards like salary, bonus, allowance, medical reimbursements and provide non-financial promotion, Training and development. with regard to financial incentives allowance ,retention and from non financial incentives job security is provided

The attractiveness of incentive and reward of the bank relatively to other banks is not enough compared to the new entrants which are trying to win the market The medical coverage benefits are attractive for the employees. In general the fairness of reward, and incentive is not favored to all employees this affect employees performance. The pay gap between managerial and non-managerial position is too wide. Leave arrangement and providing of promotion are moderate and give Stock Option (share ownership) for all employees irrespective of their grade / category.

The employees respond that there is a group based reward in the bank. it is good because it create team work, increase collaboration between team members.

According to correlation relationship between variables there is a positive and significant relationship between the independent (reward and incentive) and the dependent variables (Employees' performance). The regression analysis value of adjusted R square also shows that variance in employees' performance is explained by those independent variables. R Square describes the amount of variance explained by a set of predictor variables. In this study, the value is .776, which indicates that 77.6 %of the variance in the dependent variable is explained by the independent variables in the model. Thus, the value of $R^2 = .776$ shows that 77.6%of success is attributed to due to reward and incentive and the remaining 22.4 % of the variance is explained by variables which are not included in the model

5.4. Recommendations

Based on finding of the study it was observed that there is a direct and positive relationship between reward and employee job performance which means that the rewards and incentives are directly linked to employee performance. This indicat that management the bank has to use of different tactics, strategies and policies to get better level of performance of employees in the organization. Based on the finding and analysis of the study, the following recommendations are proposed

- Therefore the study recommends the bank to provide better amount of rewards so as to increase the performance of employees and when it makes amendment it is important to understand the employees interest as long as the main purpose of reward and incentive is to increase, it must consider them.
- The study recommends that the bank to uphold and increase its strength on its logical and fair payment system. The salary/pay should coup with market price in order not to lose its potential employees.
- The finding state that there is wide gap of salary between managerial and non-managerial position so I recommend that it is better to be the salary to be proportional to the work load.
- The study recommends Wegagen bank to provide attractive incentives in order to recruit qualified applicants and to motivate its current employees for a better performance

5.5. Future Research Direction

This study dealt with the effect of an incentive on employee job performance (reward and incentive), these variables predict 77.6 % of variance. The remaining 22.4% of the variance is explained by variables, which are not included in this study. Therefore, as far as the researcher is concerned, further research could target other variables to organizational effectiveness

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APPENDIX

St.mary's university, Departments of business administration.

Dear respondents I am Nafkot Walelegn a graduate student from St.Mary university in masters of business administration. I under take research on title of the effect of and reward on employee job performance in the case of Wegagen bank **and** I ask the following questions and information only for research purpose and the feedback will kept in secret which are filled by random selected permanent employees of Wegagen bank . Dear respondents the answer of the question will be used only for research purpose so as much as possible you fill the answers in care and clear way.

writing your Name is not important

Put “✓”for your choice in the box provided

Thank you in advance for your kind cooperation

Part one: General Demographic Information

1. Gender

Male , Female

2. Marital status

Single , Married , Divorced , Widowed

3. Educational Background

High School Graduate , Technical School , Diploma , BA/MBA , PHD

If any other Please specify_____

4. Age

Under 25 years , 25-30 years , 31-45 years , Over 45 years

If any other Please specify_____

Part two.

Please rank the The Effect of Reward and incentive system on employee job performance The Case Of wegagen Bank S.C western district.

Below in what you consider to be encountered in a project based on the frequency of occurrence. Please indicate on the boxes using the following criteria. Strongly agree (5), Agree (4), Neutral (3), Disagree (2), strongly disagree (1)

S.N	Reward and incentive related question	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1	The salary of the bank is good according to the work you are Performing.					
2	Rewards Schemes are Provided By Wegagen Bank.					
3	Incentive Schemes Are Provided By Wegagen Bank.					
4	There is total reward approach in wegagen Bank to increase the employee performance.					
5	The bank reward management System Give regular appreciation specific praise, even verbally or otherwise, from my superiors and The Bank for achievements of quality Improvements goal.					
6	Do you think the pay scale, rewarding and incentive schemes fair compared to market					
7	There is group based reward in the bank					
8	Does the bank provide Opportunity To Improve Performance Through Learning and development?					

S.N	Performance Based Questions	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1	Incentive and Reward affects my work performance.					
2	Good employee performance is important for the future growth of my organization					
3	The bank has good performance evaluation					
4	The bank applies performance based career					

	development.					
5	The bank has clear and uniform ,valid and reliable criteria of Rewarding Employees and Recognition based on their performance.					
6	The HR department consult the Employee in reward and incentive system policy					

Part Three: Open Ended Question

1. How often does reward and Incentives are provided in your organization-----
-----?
- 2 Does the bank reviews its reward and incentive systems or does it apply the same reward and incentive schemes every year -----?
- 3 If your answer is yes what kinds of changes have been made -----?
- 4 Do you think that there is fair distribution of rewards and incentives in the bank -----
-----?
5. Are you satisfied with the current reward scheme, If not what do you recommend-----
-----?
- 6 What types of reward and incentives are provided by the bank?

