

EFFECT OF FINANCIAL INCENTIVE SCHEME PRACTICE ON EMPLOYEES' MOTIVATION IN CASE OF COMMERCIAL BANK OF ETHIOPIA

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Abstract

The purpose of this study was to investigate the effect of financial incentive scheme practice on employees' motivation in the case of CBE Jimma district. The study was descriptive as well as explanatory which used primary source of data. Non-probability and probability sampling method were applied (cluster & purposive). Accordingly, the major findings are, the overall perception of respondents about current financial incentive practice was shown as they are dissatisfied with salary and they are neither satisfied nor dissatisfied with fringe benefits pay. The result of regression analysis shows that; financial incentive variables (salary and fringe benefits pay) were not significant predictors of employees' motivation. Also of that, a significant portion of employees was at good motivation level to perform their job. Also, it is advisable to the bank to reviews its salary scale & fringe benefits pay practice even so it had not significantly affect employee motivation it may be a cause for employees' dissatisfaction.

Keywords: Report Financial Incentives, Salary, Fringe Benefit, Motivation

1. Introduction

Organizational Theorists have generally acknowledged that the key quality that a corporation will ever have are its human resources, but the productive accomplishment of the goals of the organization are going to be subject to the correct readying of its human resources. Moreover, organization success rests on its staff, so the necessity to worry on components that may impact on employees' motivation and performance from the views of (Liao et al., 2007). Motivation is "a predisposition to behave in purposeful manner to realize specific, unmet wants and then to realize them, and also it is the inner force that drives people to accomplish personal and organizational goals" (Williams 2010). Motivation is that the increase within the employees' work ethic so as to perform to a selected personal accomplishment (Beardwell, et al, 2010). Motivation is about of processes supported a force that produces the energized behavior and directs it towards some goal to realize (Baron and linguist, 2008).

The reward structure ought to encourage adept workers to remain long period in the organization similarly as increase the motivation and commitment to the organization and thus increase the productivity (Brickley et al, 2002). According to Mugaa, (2017) "Despite, a number of incentives being given to employee, it was revealed that some incentives are more powerful than others in motivating workers. This is because some are more valued than others, cash incentives are more preferred than non-cash incentives. Barongo, (2013) there is a significant positive relationship between salary and employees' motivation. According to Saira et al, (2014) money is ranked top as an influential factor in creating employee motivation because it satisfies the basic necessities along with attainment of power fulfills belongingness needs. According to Biruk, (2017) the independent variables (Payment/salary and benefit) are positively and significantly related to employee motivation as this variable changes directly affect employee motivation.

1.1. Statement of the Problem

Increasing motivation, commitment and engagement levels are key organizational components nowadays. The improvement of compensation policies has an important role in motivating staff to supply high ranges of performance, discretionary effort and contribution (Salanova and Kirmanen, 2010). Banks function under intense strain and in a competitive environment. They should justify their existence with the aid of making profits and customers require them to grant better service. This has made it crucial for banks to use fantastic administration control to make sure that their personnel are working hard to reach the organization's objectives (Magnusson & Nyrenius, 2011). Financial incentives can motivate worker to perform well on their occupation. The reason for financial incentives is to compensate workers for amazing occupation execution through cash. Research demonstrates that pictured financial incentives vary for workers in view of profession stage and generation (Osa, 2014). Shaheen and Farooqi, (2014) have presumed that for individuals with acceptable financial incentives, some nonfinancial helpers are more compelling than additional trade out building long hour worker engagement in most divisions, work capacities, and business connections. Numerous monetary remunerates basically create short-lived supports of vitality, which can have harming unintended outcomes.

As fact, most organizations provide only money or financial incentives to remunerate employees for the work they done for the organization by perceiving that people need only money to stay, motivated and work in their organization. Moreover, Initiation for the study was that the word Motivation seems simple to call and collection of only ten letters but it is a key for everyone's (individuals or organizations) success. It is a means for success even more than ability because people or employees can improve their ability by different meanness only if they have motivation for what they need to do. Therefore, the above gap and the importance of the title initiated the researcher to conduct this research. Hence, this study was undertaken to investigate the effect of financial incentives scheme practice on employees' motivation in commercial bank of Ethiopia Jimma district. It would try to response the following research questions.

What are the current perception of employees about financial incentives and their level of motivation?

What is the employees' motivation level in the bank?

What is the relation between financial incentives and employees' motivation?

1.2. Objective of the Study

The main objective of the study was to investigate the effect of incentive scheme practice on employees' motivation in commercial bank of Ethiopia in Jimma district.

1.2.1. Specific Objectives

1. To understand the perception of employees' about non-financial incentives
2. To examine the motivation level of employees' of the bank.
3. To identify the relation between non-financial incentives (promotion, recognition and training) and employees' motivation.

1.2.2. Hypothesis of the Study

H0: salary has no positive & significant effect on employee's motivation

H0: fringe benefit pay has no positive & significant effect on employee's motivation

2. Literature Review

2.1 Concept of Motivation

The study of motivation encompasses the science of perception 'why people behave the way they do?' (Buelens et al, 2010). In easy phrases motivation can therefore be described as the will to perform (Brooks, 2009). This definition paints motivation as a type of inner pressure or force that affect the actions and efforts of a person. Motivation is concerned with the power and course of conduct and the factors that have an impact on people to behave in certain ways (Armstrong, 2009). The term 'motivation' can refer variously to the goals persons have, the ways in which persons chose their dreams and the approaches in which others attempt to change their

conduct (Armstrong, 2009). Motivation is set of procedures based totally on a pressure that makes the behavior energized and directs it closer to some purpose to attain (Baron and Greenberg, 2008).

2.2. Types of Motivation

2.2.1. Intrinsic Motivation

Intrinsic motivation arises from a psychological reward that comes from inside and not as a result of exterior forces (Buelens et al., 2010). Intrinsic motivation is described as the motivation to execute the job in order to acquire pleasure and pleasure in the absence of financial reward (Kuvaas & Dysvik, 2010). Fang and Gerhart (2012) defined intrinsic motivation as the motivation to perform work because the project is interesting and gratifying to the employee.

2.3. Extrinsic Motivation

For an individual to be extrinsically influenced then an instrumentality between a recreation and some separate reward is required. This means that motivation is derived not from the activity itself, but instead from the extrinsic penalties to which the activity leads (Gagné & Deci, 2005). When a character is extrinsically influenced the person is driven to perform his or her mission due to the fact it leads to some separate end result (Deci and Ryan, 2008).

2.4. Theory of Motivation

2.4.1. Maslow's Hierarchy of Needs Theory

Probably one of the most known need theories, Maslow's hierarchy of needs theory, says there exists a hierarchy of 5 needs categorized into lower order and higher order needs, each of which must be satisfied before the next one becomes dominant. Those needs are Physiological (i.e. hunger, thirst, shelter, sex, health among other bodily needs) and Safety needs are both categorized as lower order needs, which must be satisfied externally through salaries, type of contract (safety) and insurance policies among others. We can see those needs are extrinsic. On the upper half of the pyramid, Social (i.e. affection, friendship, belongingness, acceptance), Esteem (i.e. autonomy, self-respect, status and recognition) and Self-Actualization (i.e. growth, living up to one's potential, self-fulfillment) are categorized as higher order needs, which must be satisfied intrinsically (Judge and Robbins 2009).

2.4.2. Herzberg's Two-Factor Theory

According to Herzberg (1966), intrinsic elements such as the work itself, achievement in the work, the possibilities of personal growth and recognition, and being charged with vital responsibilities, regarded to end result from the human capability to personally advance and grow. He called these elements motivators. On the other hand, extrinsic factors had been these elements that prevented job pride and employee growth. The extrinsic factors such as working conditions, salary, job security, and relationships with others are not phase of the work, but they refer to the environment, and prevent job dissatisfaction. Herzberg calls these elements hygiene, dissatisfiers or upkeep factors (Herzberg, 1966).

2.4.3. ERG Theory

This theory was established by (Alderfer, 1972), the theory ascertains three diverse stages of a concept which is somewhat related to Maslow's hierarchy of needs. McShane et al. (2003), give details of Alderfer's ERG concept as a satisfied stimulus theory that has three features of basic wants categorized in an ordered arrangement by which workers develop the direct significant want. As soon as the lower desire or need is achieved the next higher level want in the ranked-order yet to be accomplished turns to the lower level need.

2.5. Overview of Financial Incentives

Financial incentives are developed to satisfy basic human needs, encouraging and pushing people to do their best work performance, the recruitment of their capabilities and enhance their competencies level. Financial incentives are also designed as a means of payment to increase productivity and improve employee work performance. Therefore, the more employees produce the more they can get. Whereas, decrease in quality or quantity of work might deprive employees' from earning part or all of their incentive (Jadallah, 1997).

Selected financial incentives for this study were basic pay and fringe benefits explained as follow.

2.6. Base pay/ salary

Base pay is the core payment made through the organization for work performed and typically tends to mirror the organizational value of either the work that the employee undertakes or the value of skill and competency who is undertaking the work. It is directly related to time and the price is calculated in terms of quantity of hours, week or month that the employee carried out the project given (Thorpe & Homan, 2000).

2.7. Fringe Benefits

Gupta (2014) states that key employee allowance advantages encompass residence hire allowance, travel allowance and any other extraordinary allowances given at a normal interval at a exact time by the organization. Hina, et al (2014) has the same opinion that allowances are given to maintain the fine Genius in the enterprise and scale as per the position of the employee in the organization.

3. Research Methodology

This research paper adopts both descriptive & explanatory research approach since its purpose was to identify and describe the perception of employees about the financial incentive scheme practice of the bank; their motivation level and also it would identify the cause and effect relationship between financial incentive scheme practice and employees' motivation. In addition to that the research was quantitative research.

3.1. Population of the study

The target population was the total 1355 professional employees' of commercial bank of Ethiopia Jimma district.

3.2. Sampling Technique

The study employs both probability and non-probability sampling techniques. Four city clusters namely, Jimma, Bonga, Bedelle, and Mettu cities are selected through purposive sampling technique. From those cities totally 14 branches as well as respondents for the questioner were selected by simple random sampling technique and proportion of respondents for each branch was determined judgmentally by the researcher.

3.3. Sample Size

Yamani (1967) formula was used to determine the sample size of the study.

$$n = \frac{N}{1 + Ne^2}$$
$$n = \frac{1355}{1 + 1355(0.05)^2}$$
$$n = \frac{1355}{1 + 3.3875}$$
$$n = 308$$

Where; "n" is the sample size, "N" is the population size and "e" is the level of precision. At 95% confidence level, degree of variability=0.05 and level of precision/sampling error= 5%.

3.4. Data sources and Types

The only source of the data used was primary in order to determine the effect of incentive practices on employee motivation and to meet the study objectives and the type of the data was quantitative.

3.5. Data Processing and Analysis Techniques

The data collected was analyzed through quantitative data analysis techniques. The numerical data analysis was done using SPSS (statistical packages for social science) software program. Both descriptive (frequencies, percent, cumulative percentage, mean, standard deviation) and inferential statistics (correlation, regression and ANOVA) would be used for data analysis. The Pearson Correlation coefficient was used to measure the linear relationship between dependent and independent variables.

4. Data Analysis and Findings

A total of 308 questionnaires were distributed to the sample respondents. From that only 284 questionnaires were returned out of which only 273 were usable. The response rate was 92%.

4.1. Result of Descriptive Statistics

Table 1 Frequency, Mean and Standard deviation for Measures of basic pay

IV	Variables	Frequency					Mean	SD
		1	2	3	4	5		
1	My basic payment is reasonable with respect of my contribution	35 12.8%	115 42.2%	76 27.8%	45 16.5%	2 0.7%	2.50	.940
2	My salary is fair when compared with that of similar jobs in other companies.	31 11.4%	125 45.7%	66 24.2%	45 16.5%	6 2.2%	2.52	.970
3	My salary is enough to satisfy my needs.	39 14.3%	147 53.8%	53 19.5%	27 9.9%	7 2.5%	2.33	.927
4	Salary increment is managed fairly.	55 20.1%	122 44.7%	71 26%	24 8.8%	1 0.4%	2.25	.888
5	Salary adjustment is made according to the current market	36 13.2%	145 53.1%	67 24.5%	25 9.2%		2.30	.811
	Over all perception of employees towards the basic pay/salary						2.38	

Source: Owen Survey, 2019

1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly Agree

In the above table 1, Out of the total respondents (62.26% in average) have negative feeling about the salary scale of the bank. In other way, the mean value for the salary was 2.38. So, depending up on the two figures we can say that majority of respondents were not satisfied by the basic pay/salary of the bank.

Table 2: Frequency, Mean and Standard deviation of respondents for fringe Benefits of Bank.

V	Variables	Frequency					mean	SD
		1	2	3	4	5		
1	My medical allowance is	36	34	66	121	16	3.17	1.142

	satisfactory.	13.2%	12.5%	24.2%	44.3%	5.9%		
2	Transportation benefit is fair with the current cost of transportation service.	32 11.7%	38 13.9%	58 21.2%	115 42.2%	30 11%	3.27	1.184
3	House allowance pay of the bank cover my house rent	25 9.2%	20 7.3%	76 27.8%	123 45.1%	29 10.6%	3.41	1.074
4	Overtime pay is fair and reasonable	48 17.6%	38 13.9%	33 12.1%	127 46.5%	27 9.9%	3.17	1.296
5	Fringe benefit scheme is fair when compared with similar companies	27 9.9%	22 8.1%	80 29.3%	101 37%	43 15.8%	3.41	1.147
Over all perception of employees towards the fringe benefit of bank							3.28	

Source: Owen Survey, 2019

1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly Agree

Around half of the respondents (53.66% in average) have positive attitude for the fringe benefit practices of the bank. The results of overall perceptions of respondents towards the fringe benefit practice of the bank shows that the majority of respondents were at the position of indifference (neutral) feeling at the mean of 3.28.

Table 4. Frequency, Mean and Standard deviation for Measures of employee motivation

IV	Variables	Frequency					mean	SD
		1	2	3	4	5		
1	I have opportunity to accomplish my objectives		28 10.3%	68 24.9%	150 54.9%	27 9.9%	3.64	.796
2	I have loyalty and belongings to my bank	27 9.9%	14 5.1%	42 15%	149 54.6%	41 15%	3.60	1.114
3	The bank provides me with challenging and meaningful jobs	29 10.6%	45 16.5%	32 11.7%	119 43.6%	48 17.6%	3.41	1.252
4	I have encouragement to improve my performance and to develop my skills	27 9.9%	30 11%	72 26.4%	130 47.6%	14 5.1%	3.27	1.057
5	I support and help each other with my coworkers or staff members	12 4.4%	27 9.9%	45 16.5%	151 55.3%	38 13.9%	3.64	.986
6	I am committed to my responsibility	14 5.1%	46 16.8%	59 21.6%	109 39.9%	45 16.5%	3.46	1.108
7	My accomplishments give me an important sense of self-respect	12 4.4%	53 19.4%	65 23.8%	113 41.4%	30 11%	3.35	1.051
Over all perception of employees towards their motivation level							3.48	

Source: Owen Survey, 2019 1=Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly Agree

4.2. Correlation and Regression Analysis

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From the result of Pearson Correlation, salary have a very weak positive relationship with employees' work motivation but fringe benefit pay has moderate positive relationship with employees' work motivation.

The study used a multiple linear regression model and examined the effects and magnitudes of the independent variables on motivation level of employees. The regression result was presented and discussed as follow. $Mtv = \alpha + \beta_1pro + \beta_2rec + \beta_3tra + \beta_4fri + \beta_5bas + e$

Where; Mtv = Motivation, α = the constant, or Y intercept

β_i = The coefficient of the independent variables

Pro = promotion, rec = recognition, tra = training, fri = fringe benefit, bas = basic pay/salary

e = the error term

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.605	1.655		2.178	.030
Fringe benefit pay	.156	.091	.114	1.715	.088
Basic pay/salary	.047	.085	.025	.554	.580

Source; SPSS Results, 2019

a. Dependent Variable: employee motivation

b. Predictors: (Constant), fringe benefits pay, basic pay/salary

H0: Fringe benefit has no positive & significant effect on employees' motivation

The null hypothesis was accepted since the statistical value' in the above table shows the fringe benefit has no significant relationship with employee motivation at sig of .088 which is $> p 0.05$. The t-value is 1.715 which is less than +2 that make it not an important predictor and it was concluded as Fringe benefit has no significant relationships with employee motivation.

H0: Basic pay/salary has no positive & significant effect on employee's motivation

The null hypothesis was accepted because the p-value was greater than 0.05 and The t-value was .554 which is less than +2 that make it not a useful predictor and it was concluded as Basic pay/salary has no significant relationship with employee work motivation. This shows that basic pay/ salary would not determine the motivation level of employees in CBE Jimma district.

5. Conclusion

The mean value of fringe benefit pay was neutral; therefore, the study concludes that employees' of the bank were neither satisfied nor dissatisfied with the fringe benefits pay practices. Also, mean value of basic pay/salary was low. So, the study concludes that the salary provided by the bank was not enough to satisfy its employees' in other word employees' are dissatisfied with salary amount paid to them. The finding of the study indicates that the mean value for motivation level was partially high or it can be said as good but not enough. Therefore, it could be concluded as employees' of the bank were at good motivation level.

Standing from the regression result, financial incentives (basic pay/salary & fringe benefit) haven't been significantly affected employees' motivation. So, it could be concluded as financial incentives are not significant incentives to motivate employees' of the bank. This is because financial incentives may create short-lived satisfaction that may last in hours or for few days after they receive.

6. Recommendation

The bank should not consider basic pay/salary and fringe benefit as a motivation factor rather it may go with Herzberg's motivation theory so, it may be a dissatisfaction (hygiene) factor rather than motivation factor. The finding of the study shows that salary & fringe benefit does not significantly affect employee motivation. Depending up on the Herzberg's view of motivation theory it is recommendable to the bank to make salary adjustment according to the industry market and put cost of living in to consideration to avoid employees' dissatisfaction; as well as it is advisable to the bank to make partial positive improvement on its current fringe benefit practice to turn employees' from their neutral position. Because, the employees' dissatisfaction with those financial incentives may lead employees' to feel uncomfortable and that may directly or indirectly affects the organization performance. Therefore, balanced view (not more & not low) consideration of the above financial incentives was advisable to the bank to keep its employees' moral comfort even if those variables have no significant effect on employees' motivation.

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