



The Effect of Reward Practices on Employees Perceived Performance In Ethiopian Public Banks

By--Betelhem Tsegaye Hailu

**A Research Thesis Submitted to the School of Graduate Studies of Addis
Ababa University School of Commerce in Partial Fulfillment of the
Requirement for Masters Degree in Human Resource Management**

Advisor:- Fesseha Afework (Asst professor)

June, 2015

Addis Ababa, Ethiopia

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

**DEPARTMENT OF BUSINESS ADMINISTRATION AND
INFORMATION SYSTEMS**

**The Effect of Reward Practices on Employees Performance
In Ethiopian Public Banks**

By--Betelhem Tsegaye Hailu

Approved By:

Advisor

Signature

Date

Internal Examiner

Signature

Date

External Examiner

Signature

Date

DECLARATION

I, Betelhem Tsegaye Hailu declare that the thesis entitled ‘The effect of reward practices on employees’ performance in Ethiopian Public Banks’ is my original work. Moreover, this study has not been presented for any other program or university and that all sources of material used have been acknowledged accordingly.

Betelhem Tsegaye

CERTIFICATION

This is to certify that Betelhem Tsegaye has carried out her research work on entitled “the Effect of Reward Practices on Employees Performance in Ethiopian Public Banks” for the partial fulfillment of Masters of Arts in Human Resource Management at Addis Ababa University School of Commerce. This work is original and it is suitable for submission of Masters of Arts in Human Resource Management.

Advisor: Fesseha Afework (Asst. professor)

Table of Contents

Acknowledgement	ix
List of abbreviations and acronyms	x
List of Tables	xi
List of Figures	xii
ABSTRACT.....	xiii
CHAPTER ONE	1
1. Introduction.....	1
1.1 Background of the companies.....	3
1.1.1 Commercial Bank of Ethiopia (CBE)	3
1.1.2 Construction and Business Bank (CBB)	4
1.1.3 Development Bank of Ethiopia (DBE)	5
1.2 Statement of the problem	6
1.3. Research questions.....	8
1.4. Objectives of the study.....	8
1.4.1 General objective	8
1.4.2 Specific objective.....	8
1.5 Significance of the study.....	8
1.6 Rationale	9
1.7 Delimitation/scope of the study	10
1.8 Limitations of the study	10
1.9 Definition of terms	11
1.10 Organization of the Study	11
CHAPTER TWO	12
2. LITERATURE REVIEW	12
2.1 Reward	13
2.2 Reward management.....	14
2.2.1 Aims of reward management	15
2.2.2 Importance of Reward management	15
2.3 Integrated reward management.....	16
2.4 Reward philosophy	16

2.5 The Multi-Dimensionality of Reward.....	17
2.6 Types of Reward	17
2.6.1 Financial rewards	17
2.6.2 Non-financial rewards.....	17
2.6.3 Intrinsic rewards.....	18
2.6.4 Extrinsic Rewards	20
2.7 Reward Systems.....	21
2.7.1 Reward strategies	22
2.7.2 Reward policies.....	22
2.7.3 Reward practices	22
2.7.4 Reward processes.....	22
2.7.5 Reward procedures.....	22
2.8 Reward Practices.....	23
2.8.1 Base pay	23
2.8.2 Employee Benefits	23
2.8.3 Recognition	24
2.8.4 Promotion.....	25
2.8.5 Working Conditions	25
2.9 Employees’ performance	25
2.10 Reward and Employees Performance	26
2.11 Theories.....	28
2.11.1 Vroom’s Expectancy Theory	28
2.11.2 Adam’s Equity Theory.....	28
2.12 Perception of Employees	29
2.13 Factors that Influence a Company’s Reward Systems.....	29
2.14 Criteria for an effective reward system.....	29
2.15. Hypothesis.....	30
2.16. Conceptual framework.....	31
CHAPTER THREE	33
3. RESEARCH DESIGN AND METHODOLOGY	33
3.1 Research design	33

3.2	Research participants/population	33
3.3	Sample size and sampling technique	34
3.3.1	Sample size	34
3.3.2	Sampling technique.....	36
3.4	Source and Instruments of Data collection	37
3.5	Methods of Data analysis.....	37
3.6.	Validity and Reliability of the research instrument	38
3.6.1.	Validity	38
3.6.2.	Reliability.....	38
CHAPTER FOUR.....		40
4.	DATA PRESENTATION AND ANALYSIS	40
4.1	Demographic profile of respondents.....	40
4.2.	Employees Response on the types of reward practices provided.....	43
4.3.	The effects of reward practice.....	44
4.4.	The influence of each reward practices in employees’ performance	46
4.4.1.	Pay/Salary	46
4.4.2.	Benefits	47
4.4.3.	Promotion.....	48
4.4.4.	Recognition	49
4.4.5.	Working Condition	50
4.5.	Employees performance.....	51
4.6.	Employees perception	52
4.7	Descriptive Statistics of reward and Employees performance.....	53
4.8.	Correlation Analysis	55
4.8.1.	Pay/Salary and Employee Performance	56
4.8.2.	Benefit and Employee Performance.....	56
4.8.3.	Promotion and Employee Performance	56
4.8.4.	Recognition and Employee Performance.....	57
4.8.5.	Working condition and Employee Performance	57
4.9.	Regression analysis.....	57
CHAPTER FIVE		60

5. SUMMARY OF FINDINGS, CONCLUSITONS AND RECOMMENDATIONS.....	60
5.1. Summary of Major findings.....	60
5.3. Recommendations	64
Bibliography	66
APPENDEX 2 – Correlations output.....	75

Acknowledgement

This research is reached at this point with the help of God and the contribution of many people around. In this regard, firstly I would like to extend my sincere gratitude to my advisor Asst. Prof. Fesseha Afework for his valuable guidance and comment and for making this thesis possible. I am also grateful to the participants (employees in the respective public banks) who participated in the study and who have willingly shared their precious time while filling the questionnaire.

Of course this thesis would be very difficult to accomplish without my family and their unconditional support both financially and emotionally during the preparation of this paper. I am grateful.

And last but not least I would like to thank my friends who help me through the distribution and collection of the questionnaire and who helped me with the statistical software used for the analysis.

THANK YOU!!!

BETELHEM TSEGAYE

List of abbreviations and acronyms

ATM – Automatic teller machine

CBB – Construction and Business Bank

CBE – Commercial Bank of Ethiopia

DBE – Development Bank of Ethiopia

EPF - Employer provident fund

KSAs - knowledge, skills and attitudes

HR – Human resource

HRM – Human resource management

HSB - Housing and Savings Bank

SPSS- Statistical Package for Social Science

List of Tables

	Page
Table 1: Total Number of Employees in Ethiopian Public Banks-----	34
Table 2: Sample size determination-----	36
Table 3: Reliability Analysis for the independent variables-----	39
Table 4: Reliability Analysis for the dependent variable-----	39
Table 1: Demographic profile of respondents-----	40
Table 2: Participants Employment Characteristics-----	41
Table 3: Employees response on the effects of reward practices-----	44
Table 4: Employees response on pay/salary-----	46
Table 5: Employees response on benefit-----	47
Table 6: Employees response on recognition-----	49
Table 7: Employees response on working condition-----	50
Table 8: Responses on Employee performance-----	51
Table 9: Responses to employee perception-----	52
Table 10: Descriptive Statistic-----	54
Table 11: Correlation Analysis-----	56
Table 12: Regression Analysis-----	58

List of Figures

	page
Figure 1: How a reward system operates-----	21
Figure 2: Conceptual framework-----	32
Figure 3: Educational status of the participants-----	41
Figure 4: the salary range of the respondents-----	42
Figure 5: name of the organization-----	43
Figure 5: Types of rewards-----	43
Figure 6: Employees response on promotion-----	48

ABSTRACT

Rewarding employees is critical in organizations in this era of competition due to the fact that organizations need to survive, grow and develop. Consequentially, reward has become an issue of strategic importance. The present study was undertaken to investigate the effect of selected reward practices on Employee Performance in Ethiopian Public Banks. Questionnaire was an instrument for the primary data collection. It is a quantitative study. Descriptive statistics based frequency tables and charts were used to provide information on the variables. The results are investigated in terms of descriptive statistics followed by inferential statistics on the variables. A total of 358 questionnaires were distributed to the employees in the concerned public banks and a total of 297 employees completed the questionnaire properly. Hypotheses were developed to see the effect of all the independent variables (pay/salary, benefit, promotion, recognition and working condition) on the dependent variable (Employee Performance). The findings obtained indicated that reward practices have a positive influence on employee performance. Furthermore, it provided suggestions to overcome the problems to improve employees' performance. Like the public banks must clearly communicate its reward policy and procedure to its employees and the banks should include both financial and non-financial rewards with appropriate mix. In addition timely offer and improvement of its reward practices must be considered.

Key words: *Reward, Pay/Salary, Benefit, Promotion, Recognition, Working condition, Employee Performance.*

CHAPTER ONE

1. Introduction

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

With regard to these, the benefit of human resource is measured to be one of the most important advantages of any organization; and in order to acquire the results with the highest efficiency and effectiveness from human resource, reward of employee is very essential. In fact, employees will do their highest when they feel or hope that their hard work are to be rewarded by their managers. The task of developing a strategic rewards framework for organizations is usually challenging but necessary to survive in the competitive and changing market place. (Njanja, Maina, Kibet, & Njagi, 2013)

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

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

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

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

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

(Sajuyigbe, Bosede, & Adeyemi, 2013)

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

(Philips, 2007) .

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance. (Armstrong, 2007).

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

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

Hence reward systems should focus on reinforcing positive behavior. Employees could be rewarded for working overtime, taking initiative, team work, reliability, exceptional attendance, outstanding customer feedback, meeting deadlines or timeliness, productivity etc. Employers and

managers should then design or come up with a system to measure or quantify all these aspects so that rewards are then given accordingly.

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

The major purpose of the study is to look at the domain of reward practices in the banking industry and see its effect on the performance of employees by considering the public banks in Ethiopia (that are commercial Bank of Ethiopia, Construction and Business Bank and Development Bank of Ethiopia) and whether employees are encouraged to take positive actions leading to reward programs. And to see whether the reward programs are properly designed to influence the performance of employees in the banking industry, specifically the public sector.

1.1 Background of the companies

1.1.1 Commercial Bank of Ethiopia (CBE)

Commercial Bank of Ethiopia (CBE) is the leading bank in Ethiopia, established in 1942. CBE is pioneer to introduce modern banking to the country. It has more than 900 branches stretched across the country and it is the leading African bank with assets of 242.72 billion Birr as on June 30th 2014. CBE plays a catalytic role in the economic progress & development of the country and it is the first bank in Ethiopia to introduce ATM service for local users. IT has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 20,000 talented and committed employees. It has reliable and long-standing relationships with many internationally acclaimed banks throughout the world.

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

MISSION

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

VALUES

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

1.1.2 Construction and Business Bank (CBB)

Construction and Business Bank S.C (CBB) is a wholly government-owned public enterprise and successor of the Housing and Savings Bank (HSB) which was formed in 1975 through the merger of two financial institutions namely, Imperial Savings and Home Ownership Association, and Savings and Mortgage Corporation of Ethiopia which were nationalized at the on-set of the socialist era of Ethiopia. HSB's objectives were granting long-term loans for residential housing and commercial building construction, purchase and renovation by mobilizing financial resources through ordinary savings, time deposits and long-term borrowings.

Following the market-based economic policy of the country and the ensuing economic reform programs initiated by the government in 1992, HSB was reconstituted as Construction and Business Bank in September 1994 by regulation No. 203/94 with an authorized capital of birr 71.8 million. The regulation gave CBB the mandate to provide universal banking services. In line with this, CBB has ventured into commercial banking operations stage by stage maintaining construction financing as its core business.

In September 2000 CBB is converted to share company in accordance with the Ethiopian Commercial Code with a capital of Birr 79.0 million.

CBB's Vision: To be the best performing bank in Ethiopia by 2020.

CBB's Mission

“We are devoted to provide banking services to add value to the stakeholders thereby to foster national economic development.”

CBB's Values: Customer oriented

Seeing changes as opportunity

Team work

Commitment

Impartiality

Strive for more

1.1.3 Development Bank of Ethiopia (DBE)

The development bank of Ethiopia (DBE) is one of the financial institutions engaged in providing short, medium and long term development credits. DBE's distinguishes feature is its “project” based lending tradition. Since its establishment in 1909, the bank has been playing a significant role in promoting overall economic development of the country.

The history of Development Bank of Ethiopia goes back to 1909 when the first attempts of its kind known as The Societe Narionale d' Ethiopie Pour le Development de l' agriculture et de Commerce (The Society for the promotion of Agriculture and Trade) was established in the Menelik II era.

DBE (after reestablishment from 2003 till now)

In long years of existence, DBE has established recognition at national and international levels. Nationally, it is the sole Bank with reputable experience in long term investment financing. Internationally, and it is recognized as an important on leading channel for development program financed by bilateral and/or multilateral sources.

Vision: “100% Success for All Financed Projects by 2020”

Mission

“The Development Bank of Ethiopia is a specialized financial institution established to promote the national development agenda through development finance and close technical support to viable projects from the priority areas of the government by mobilizing fund from domestic and foreign sources while ensuring its sustainability.

The Bank earnestly believes that these highly valued objectives can best be served through continuous capacity building, customer focus and concern to the wider environment”.

Values of DBE: Commitment to mission

Customer focus

Integrity

Team work

High value to employees

Learning organization

Concern to the environment

1.2 Statement of the problem

Reward is very important for an organization to compete with this challenging and changing world. It is basically directly related to employee but its ultimate effect goes to organization because the end user is the organization itself.

Reward strategies should be aligned to the corporate strategy to ensure that they motivate employees to achieve the required objectives and adopt the preferred skills, competencies and behaviors. To improve, employees need a combination of the will to improve (motivation) and the encouragement to acquire job-related knowledge, skills and attitudes (KSAs). (Stredwick, 2005)

Most studies have been conducted regarding factors that have implication on performance of employees, specially relating it with the motivational implications. Stredwick stated that money can motivate up to a certain level but this differs greatly between individuals. Encouraging the employee to adopt the behaviors required by the organization and following the behaviors exhibited by high performers are seen as a more coherent and useful approach to achieving improved employee performance. (ibid)

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

By considering the points mentioned above, when observing the practical application of reward practices in the public banks of Ethiopia, the problem the researcher has observed was that the rewards provided to employees are mostly focused on cash bonus type of reward and there is a time gap between good performance and the rewards provided. But, as also mentioned above by different authors, it is important for these public banks to consider other kinds of reward to effectively improve the performance of the workers. It also has been mentioned in many materials written regarding reward that Effective reward systems should always focus on the positive reinforcement. Positive reinforcement or strengthening encourages the desired behavior in organizations. Employees may not always expect cash related rewards (they may not be motivated by only cash bonus type of reward so as to enhance their performance level) they might also be initiated by other kinds of reward that are included in the intrinsic and extrinsic type of reward.

An experience of imbalanced reward practice between monetary and non monetary rewards in the respective public banks could be the result of differing managerial philosophy or understanding about the purpose/objective of reward regarding its effect on workers performance and also lack of attention towards what the reward could provide for the performance of the organization in general.

Even if it is difficult for the management to motivate and satisfy all employees and enhance their performance, it is important to look towards implementing effective reward practices that could encourage the ones that could be rewarded. Because in today's competitive and challenging business environment the management must try to acquire or retain a well educated, motivated and experienced workers so as to be competitive in that market and to make the organization

profitable. Therefore, in this study the researcher tried to identify the effect reward could have on the performance of employees by quantitatively testing the effect of variables such as pay/salary, benefit, promotion, recognition, and working condition.

1.3. Research questions

The thesis was expected to address the following Research Questions.

1. What is the current provision of reward practices of the organization?
2. What is the effect of the reward practices on the employee's performance?
3. Which kinds of reward practices mostly influence performance level?
4. How do employees perceive the existing reward practices of the company?

1.4. Objectives of the study

The study continued having the following objectives as a guide.

1.4.1 General objective

The overall purpose of the study was to investigate the effect of selected reward practices on the performance of employees in public banks in Ethiopia.

1.4.2 Specific objective

1. To assess the current provision of reward practices implemented in the organization.
2. To identify the effect of the reward practices on the employees performance.
3. To find out which kinds of reward practices mostly influence performance level.
4. To assess the perception of employees towards the existing reward practices of the organization against their contribution.

1.5 Significance of the study

In addition to meeting the objectives of the study which are mentioned above the study will be significant in the following areas:

This study:-

- I. Brings awareness to other financial institutions in the banking sector how the performance of employees can be affected by the level of rewards provided to their employees.

- II. Give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues.
- III. The study intends to contribute or serve as an additional source of reference that will add to some existing literature.
- IV. It suggests solutions to problems that will be helpful to both the employees as well as the management.
- V. Helps the management of the organizations to understand the importance of reward and how it could be effectively delivered to the employees to improve their performance.

1.6 Rationale

Human resources are the most important among all the resources an organization owns. To retain efficient and experienced workforce in an organization is very crucial in overall performance of an organization.

Reward management is one of the strategies used by Human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. (Njanja, Maina, Kibet, & Njagi, 2013). It has also been mentioned that Reward programs should be properly designed in the organization so as to reinforce positive behavior which leads to higher performance.

Based on the researcher experience of working in one of the public banks in Ethiopia, it is somehow uncomplicated to observe how the reward practices have been provided and how these practices have influenced the performance of employees and how employees give response to those practices. And also the rewards provided mostly being cash bonus related might have some negative effect on employees' expectation and their performance responses. It can be said that money will motivate some of the people all of the time and, perhaps, all of the people some of the time. But it cannot be relied on to motivate all of the people all of the time. To rely on it as the sole motivator is misguided. Money has to be reinforced by nonfinancial rewards, especially those that provide intrinsic motivation. When motivation is achieved by such means it can have a more powerful and longer-lasting effect on people, and financial and non-financial rewards can be mutually reinforcing. (Robbins & Judge, 2013).

Therefore, the researcher assumes that the reason for organizations for not obtaining the required performance from its employees might be due to the difference in the expectation of the employees and in what has been actually provided to them, the study wants to analyze how the reward practices being provided to the employees will affect their actual performance and which types of rewards influence them more and also what kind of perception workers have towards the reward practices.

1.7 Delimitation/scope of the study

Due to time limit, manageability and accessibility difficulty and other constraints, the scope of the study were limited to employees of the three banks operating in the public sector.

The study was also limited to employees working in the public banks in Ethiopia namely, Commercial Bank of Ethiopia, Construction and Business Bank and Development Bank of Ethiopia, those branches which are located in the city of Addis Ababa. This indicates the geographical scope of the study.

This study was conceptually delimited to examining the effect of reward practices on employee performance by considering selected types of reward practices and by testing the hypothesis formulated to prove as to which the factors proposed have effect on performance of the employees and to see whether or not there is a link between the selected reward practices and performance of employees.

1.8 Limitations of the study

The following points states the limitations the researcher had faced while conducting the study:

- a) Lack of awareness and willingness of the employees regarding, filling out the questionnaires or providing the required data with care and being unable to return the questionnaire on time.
- b) Inability to generalize-to make suggestions regarding the banking sector in general is not possible because it only covers the public sector and specifically to branches located in Addis Ababa.
- c) Biased responses from the respondents of the questionnaire provided.
- d) Difficulty of covering all the area of the population.

1.9 Definition of terms

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

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

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

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

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

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

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

1.10 Organization of the Study

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

CHAPTER TWO

2. LITERATURE REVIEW

Human Resource (HR) management deals with the design of formal systems in an organization to ensure the effective and efficient use of human talent to accomplish organizational goals. In an organization, the management of human resources means that they must be recruited, compensated, trained, and developed. (Mathis & Jackson, 2011)

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

Human resource management (HRM), centers on the policies, practices, and systems that influence employees' behavior, attitudes, and performance.

Employees care about policies affecting their compensation, benefits, and the work experience itself because the policies affect the employee's income, well-being, and security. Also, employees consider these elements a sign of status and success. They attach great importance to rewards when they evaluate their relationship and satisfaction with their employers. (Steen, Noe, Hollenbeck, Gerhart, & Wright, 2009)

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

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

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

2.1 Reward

A reward can be anything that attracts an employee's attention and stimulates him to work. It is the benefit that workers receive by performing a task and discharging a responsibility. Rewards is also defined as one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improve company performance both financial and non-financially. (Aktar, Sachu, & Ali, 2012)

Rewards are the positive reinforcements given by the organization. Reward acts as effective motivators and help people to increase productivity and efficiency. (Gang, 2008)

According to Mirkander, (2010), cited in (Oroh, Lapian, & Pandowo, 2014) Reward is given by the individual or organization to the worker or employee as the following job they do. Reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility.

Reward had been seen to be a vital instrument in employee performance. And a well rewarded employee feels that he/she is being valued by the company that he/she is working for. (Sajuyigbe, Bosede, & Adeyemi, 2013)

Employees will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, promotion and development opportunities, job security, and company's overall policies and procedures for rewarding employees, etc. (Aktar, Sachu, & Ali, 2012)

Bartol & Srivastava (2002) as cited in (Khan, Shahid, & Nawab, 2013) suggests that rewards are utilized by managers to show employees that their behaviors are being observed by the organization that they work for, and if favorable, such behaviors shall be valued.

Generally, a reward is given in return for good work or in recognition of merit or for performance of a service rendered. (Mansor, Borhannuddin, & Yusuf, 2012)

2.2 Reward management

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

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

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

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

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

2.2.1 Aims of reward management

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

- a. Reward people according to the value they create;
- b. align reward practices with business goals *and* with employee values and needs;
- c. reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- d. Help to attract and retain the high-quality people the organization needs;
- e. motivate people and obtain their engagement and commitment;
- f. Develop a high-performance culture.
- g. support the achievement of business goals through high performance;
- h. develop and support the organization's culture;
- i. define what is important in terms of behaviors and outcomes;
- j. reward people according to what the organization values;
- k. Win the engagement of people.

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

2.2.2 Importance of Reward management

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

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

2.3 Integrated reward management

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

Integration takes three forms:

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

2.4 Reward philosophy

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

The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and

what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy. (Armstrong, 2010)

2.5 The Multi-Dimensionality of Reward

Reward is a broad construct that can include 'anything an employee may value and desire that an employer is able or willing to offer in exchange for employee contribution. A conceptual distinction can be made between the three main constituents of reward - type, system, and criterion. (Chiang & Birtch, 2006)

Reward type refers to the nature of the reward itself (e.g., financial and non-financial; extrinsic and intrinsic). Reward system represents the method or mechanism (e.g., seniority-based, performance-based) by which organizations determine employee reward outcomes (e.g., pay increases). Systems can be either performance or non-performance oriented. Reward criterion then, refers to the basis of allocation (i.e., individual or group) used to determine the reward. (Chiang & Birtch, 2006)

2.6 Types of Reward

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

2.6.1 Financial rewards

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

2.6.2 Non-financial rewards

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

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

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

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

Non-financial rewards can be classified as follows:

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

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

2.6.3 Intrinsic rewards

According to Ryan and Deci, (2000) cited in (Mansor, Borhannuddin, & Yusuf, 2012) an intrinsic reward is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence. It fulfills employee's intrinsic factors or motivators, thus

motivating him. *Examples* include by giving challenging task, getting involved in decision making process, giving a higher rank in hierarchy etc.

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

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

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

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

motivation and rewards are affected primarily via job design and ongoing career development. Specific intrinsic rewards include feelings of competence, personal development, and autonomy. Intrinsic Rewards are derived from the workplace itself and are valued internally by the employee. These include opportunities for personal growth, quality of work life, job satisfaction, challenges, personal and professional development opportunities, a sense of belonging, freedom to act, visionary leadership.

Intrinsic reward is a self generating outcome such as personal esteem and fulfillment derived from say undertaking 'interesting' or 'useful' work. Extrinsic reward is reflected in more tangible monetary and non-monetary payments in the guise of wages or fringe benefits provided by others, usually the employer. Stephen B. (2005)

2.6.4 Extrinsic Rewards

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

Extrinsic rewards drive employee's morale and the rewards distribution has always loomed large in corporations with performance appraisals in present eras of globalization. An extrinsic reward in fact fulfills employees' extrinsic factors or hygiene factors, invariably discouraging him from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted.

Extrinsic rewards and resource investment have been seen as necessary tools to motivate employee's creativity, especially in formalized tasks. Extrinsic rewards played a dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount.

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

working and business environment. Prior to this, Taylor (1911) cited in (Mansor, Borhannuddin, & Yusuf, 2012) stated that, an employee will be fully motivated if the employer pays reward (monetary) for the work done.

2.7 Reward Systems

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

The formal reward systems in organizations must be aligned with the strategic goals for the organization. It is important that the human capital in organizations be rewarded competitively for their capabilities. Currently, many organizations are emphasizing reward based on individual, team, and organizational performance. Stephen B. (2005)

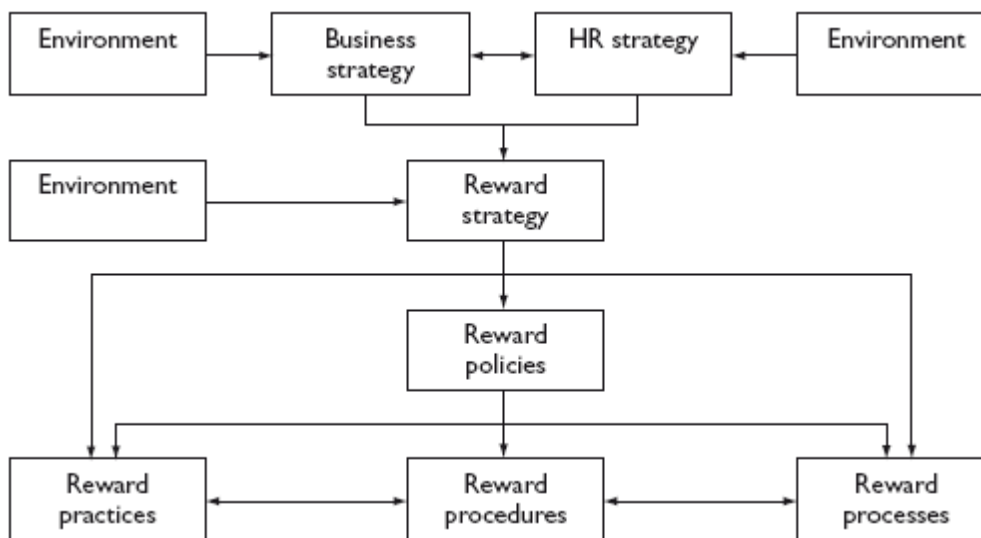


Figure 1 how a reward system operates source (Armstrong, 2010)

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

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

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

2.7.1 Reward strategies

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

2.7.2 Reward policies

These set guidelines for decision making and action.

2.7.3 Reward practices

These comprise the schemes, structures and techniques used to implement reward strategy and policy: for example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

2.7.4 Reward processes

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

2.7.5 Reward procedures

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

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

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

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

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

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

2.8 Reward Practices

2.8.1 Base pay

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

2.8.2 Employee Benefits

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

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

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

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

The employee benefits include:-

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

2.8.3 Recognition

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

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

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

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

- i. Rewarding employees for making exceptional contributions above and beyond their daily job functions.

- ii. Strengthening employee morale.
- iii. Increasing retention.
- iv. Tying performance to the company's mission.

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

2.8.4 Promotion

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

2.8.5 Working Conditions

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

Working conditions is defined by criteria such as:

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

2.9 Employees' performance

Employee performance means a performance comprises an event in which normally one group of people the performer or performers act in a particular way for another group of people (Chaundary & Sharma, 2012). It refers to employees' efficiency at work, How well employees

perform on the job and assignments assigned to them measured against the generally accepted measure of performance standards set by their companies (Torrington, 2008).

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

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

A reward system that is given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance.

2.10 Reward and Employees Performance

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

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

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

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

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

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

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

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

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the lookout for employees who perform well. (Njanja, Maina, Kibet, & Njagi, 2013)

2.11 Theories

2.11.1 Vroom's Expectancy Theory

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

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

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

Expectancy theory (Vroom, 1964 and Porter and Lawler, 1968), which states that motivation, will be high when people know what they have to do to get a reward, expect that they will be able to get the reward and expect that the reward will be worthwhile. (Armstrong, 2010)

2.11.2 Adam's Equity Theory

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

Equity theory (Adams, 1965), which states that people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have

about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated. (Armstrong, 2010)

2.12 Perception of Employees

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

In exchange for the rewards provided to them, employees should reciprocate by increasing their commitment towards their organization and their work, in addition to increasing their 'socio emotional bonds' with their company and their colleagues.

What companies need to realize is that by remixing their rewards in a more cost-effective way, they can strengthen their programs and improve employees' perception of value without necessarily increasing their overall investment (Ruddy, 2007).

2.13 Factors that Influence a Company's Reward Systems

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

2.14 Criteria for an effective reward system

According to (Armstrong, 2010), the criteria for an effective reward system include the following:-

- a. It supports the achievement of business goals.
- b. It takes account of the needs of employees as well as those of the organization and its other stakeholders.
- c. It has clearly defined and achievable objectives.

- d. It can be turned into actionable programmes that anticipate implementation requirements and problems.
- e. It is coherent and integrated, being composed of components that fit with and support each other.
- f. It provides a framework within which consistent reward decisions can be made.

2.15. Hypothesis

Hypothesis were also developed in order to see the association of the independent variables (pay/salary, benefit, promotion, recognition and the working condition) and the dependent variable i.e. employee performance.

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

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

H2:- benefit is positively related to Employee Performance.

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

H3:- promotion is positively related to Employee Performance.

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

H4:- recognition is positively related to Employee Performance.

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

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

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

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

Ho: - reward practices have no significant effect on the Employee Performance.

2.16. Conceptual framework

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

(Armstrong, 2010), He also noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

The model has included the expectancy theory of rewarding employees based on their needs and value and equity theory that is perceived as fair and equitable reward system will bring increased employees' performance. Expectancy theory (By Vroom (1964), Porter and Lawler (1968) there must be a link between effort and reward (line of sight), and the reward should be achievable and worthwhile and Equity theory (by Adams (1965))People are better motivated if treated equitably. cited in (Armstrong, 2010).

For instance, whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. (Ruddy, 2007)

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

Independent variables

the dependent variable

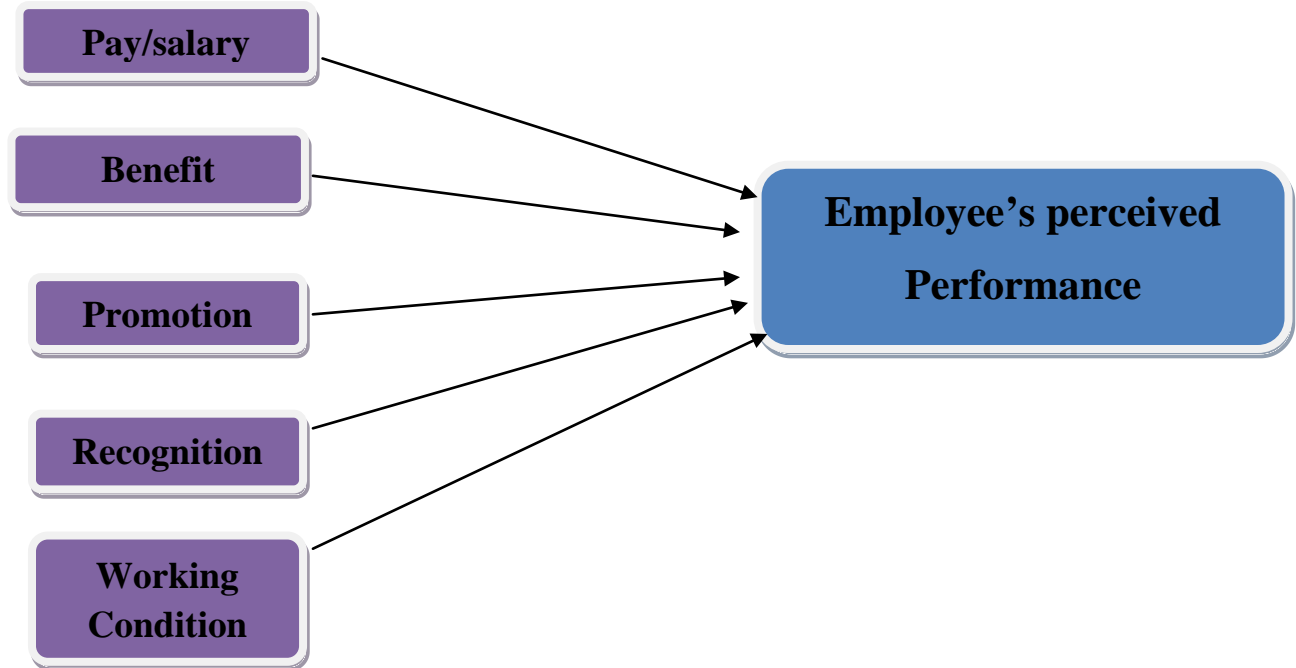


Figure 2: Conceptual framework (self-developed)

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Research design

The research design for these study is a cross sectional quantitative study of three public banks in the Ethiopia. This has helped the researcher to suggest solutions to the problems identified in the organizations. Descriptive research design was used in order to understand and systematically describe the reward practice of the case organizations since it is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation. This type of research design helps to portray accurately the characteristics of a particular individual, situation or a group (Creswel, 2003).

3.2 Research participants/population

Clerical and managerial staffs of the three banks were subjects for the study. These staffs include customer service officers, customer service managers, branch managers of the banks and employees in human resource department working in the public sector to provide the necessary variety of information required for the study, since clerical employees are mainly engaged to day-to-day major business activities of the bank.

While the non clerical staffs in each banks were not considered because majority of such employees are not literate and lacks basic understanding on how to fill questionnaires and openly participate in the study, so the researcher didn't consider such group of employees. Also employees of less experience or who worked in the bank for less than one year were not included since they are recently employed the employees have no significant understanding of the banks compensation and benefit management process.

The research participants or the population of the study were limited to employees of the three public banks, but only branches of those banks which are located in Addis Ababa were surveyed, due to the difficulty that the researcher had faced while administering the questionnaire distributed. The branches and the employees were selected randomly since the employees of

each banks working in one branch can be represented by the others because there is same level or job grade and position in all branches of the banks.

Table 1, Total Number of Employees in Ethiopian Public Banks

Employees in Ethiopian Public Banks					
Public Banks		clerical	Non-clerical	Total	
CBE's Employees	<i>City branches</i>	8,887	873	9,760	22,325
	<i>Regional branches</i>	11,107	1,458	12,565	
CBB's Employees	<i>City branches</i>	827	156	983	1,994
	<i>Regional branches</i>	433	578	1,011	
DBE's Employees	<i>City branches</i>	639	70	709	1,278
	<i>Regional branches</i>	471	98	569	
Total no. of employees		22,311	3,286	25,597	

As the researcher tried to indicate in the above table, the total number of employees working in the three Ethiopian Public Banks is 25,597 as of December 31, 2014. The employee's who had been working in each bank and have an experience of less than one year reaches a total of 5,152 (i.e. 4720 from Commercial Bank of Ethiopia, 195 from Construction and Business Bank and 237 from the Development Bank of Ethiopia) those which were excluded due to the reason related to their understanding of the banks compensation and benefit management process. Since this research covered those employees who are clerical and who have been working in those branches which are located in capital city of Addis Ababa, the target population of the study reaches a total of 5,201 (i.e. 4,167, 632 and 402 employees from CBE, CBB and DBE respectively).

3.3 Sample size and sampling technique

3.3.1 Sample size

To get a representative sample for the population under the study the following sample technique were utilized.

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Where,

P = sample proportion, q = 1-p;

Z = value on standardized normal distribution curve corresponding to the level of significance. The level is usually 5% and the corresponding Z value is 1.96.

N = number of total population;

n = sample size required;

Source: C.R. Kothari (2004)

A 95% confidence level is used to select the appropriate sample size and the value of Z is 1.96.

e = 0.05 which is acceptable sample error;

p = 0.5, where q is 1-p;

N = 5,201

$$n = \frac{1.96^2 (0.5) (0.5) (5,201)}{0.05^2 (5,201-1) + 1.96^2 (0.5) (0.5)} = 357.800664$$

$$n \approx 358$$

Based on the above information, the sample size (n) is calculated for the target population of 5,201 and it is 358. Therefore, the study's sample size of 358 was considered to represent the population.

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

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

Where;

n_h is the sample size for stratum h ;

N_h the population size for stratum h ;

N is the total population size;

n is the total sample size.

Table 2, sample size determination

Banks	Target population		Proportion (sample size)
	Number	Percentage	
CBE	<i>4,167</i>	<i>80.12%</i>	<i>286</i>
CBB	<i>632</i>	<i>12.15%</i>	<i>43</i>
DBE	<i>402</i>	<i>7.73%</i>	<i>28</i>
Total	<i>5,201</i>	<i>100%</i>	<i>358</i>

3.3.2 Sampling technique

The researcher used a stratified random sampling method to select the sample for the study. The strata's represented the three banks involved in the research. Stratification means that specific characteristics of individuals (e.g., both females and males) are represented in the sample and the sample reflects the individuals with certain characteristics of the population. When randomly selecting people from a population, these characteristics may or may not be present in the sample in the same proportions as in the population, since it was difficult to include many employees those which were working in the three public banks in Ethiopia while the study was conducted; stratification shows their representation.

Then, once the sampling population has been separated into non-overlapping groups the researcher had selected the required number of samples from each stratum, using the simple random sampling technique to give the participants equal probability of being selected.

3.4 Source and Instruments of Data collection

To fulfill the purpose of the study, the researcher used or gathered both primary and secondary data.

Primary data were collected from the samples selected i.e. the employees, by the use of questionnaire as a method for data collection. The questionnaire was developed from different sources which were found to be appropriate for the study. The questionnaire method as instrument of data collection was used because it provides wider coverage to the sample and also facilitates collection of a large amount of data. The questionnaire contained closed ended questions and it was administered by the researcher. Employees of the public banks were taken to serve as the main source of primary data.

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

3.5 Methods of Data analysis

After the questionnaires had been collected the researcher checked if there were unintended participants who had filled the questionnaire distributed to the samples and had organized the returned questionnaire. Then the researcher performed the analysis process for the collected valid data using Statistical package for social science (SPSS).

Descriptive and inferential statistics were employed for the data analysis process. The descriptive statistics includes frequencies, percentages, means and standard deviation. The inferential statistics (correlation analysis and regression analysis) were used to test the hypothesis developed. Tables and charts were also used to ensure easily understanding of the analysis.

3.6. Validity and Reliability of the research instrument

The analysis of data should be sufficiently adequate to reveal its significance and the methods of analysis used should be appropriate. The validity and reliability of the data were checked carefully. Validity and reliability of scores on instruments, additional standards for making knowledge claims, lead to meaningful interpretations of data.

3.6.1. Validity

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

(Kothari, 2004), Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure.

In order to ensure the quality of this research design content validity of the research instrument were checked. The content validity was verified by the advisor of this research, who looks into the appropriateness of questions and the scales of measurement. Peer discussion with other researchers was also conducted since it is another way of checking the appropriateness of questions. Moreover, copies of the questionnaire were distributed to twenty respondents as a pilot test. This was done to find out whether the developed instruments measures what it was meant to measure and also to check the clarity, length, structure and wording of the questions. This test also helped the researcher to get valuable comments to modify some questions.

3.6.2. Reliability

Reliability has to do with the accuracy and precision of a measurement procedure.

Cronbachs alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation, the closer the reading of Cronbach's Alpha to digit 1, the higher the reliability is in internal consistency. In general, reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable and those over 0.80 good. (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>).

Cronbach's Alpha was calculated to test the reliability of the research instrument. Accordingly, the following tables show the Cronbach's alpha result for the total questionnaires collected.

Table 3: Reliability Analysis for the independent variables

Variables	Cronbach's Alpha
Pay/Salary	.795
Benefit	.892
Promotion	.783
Recognition	.913
Working Condition	.817

Source: Survey Data (2015)

Table 4: Reliability Analysis for the dependent variable

Variables	Cronbach's Alpha
Employee performance	.919

Source: Survey Data (2015)

Therefore, according to the above statistical interpretation this indicates that the reliability of the scales is very good depicting a strong internal consistency among the measurement items and the selected instrument can accurately measure the variables of the study.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

The data collected from all the public banks using questionnaires are presented and analyzed in this chapter. This section of the study deals with the statistical testing of hypothesis and interpretation of the result making use of SPSS version 20 software.

As stated in the previous chapters of this paper, questionnaire were designed and distributed to a total of 358 employees of the concerned public banks. Accordingly, 297 questionnaires were appropriately filled and returned which gives an 83% return rate that is assumed to be suitable for further analysis.

The first part of the questionnaire consists of seven items about the demographic information of the respondents. It covers the personal data of respondents, such as gender, age, educational qualification, year of service and the like. The following tables and figures reveal the total demographic characteristics of the respondents.

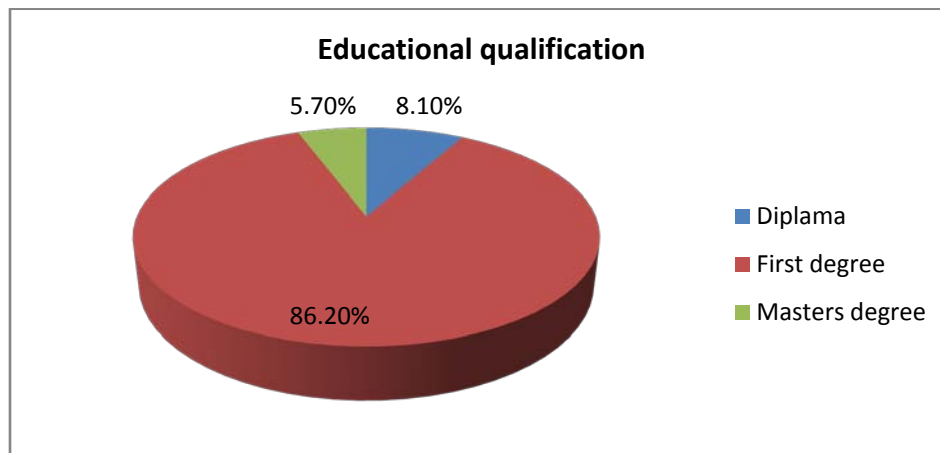
4.1 Demographic profile of respondents

Table 1, Demographic profile of respondents

Variables	Category	Frequency	Percent
Gender	Male	204	68.7
	Female	93	31.3
	Total	297	100.0
Age	<25 years	77	25.9
	25-30 years	144	48.5
	31-35 years	54	18.2
	36-40 years	11	3.7
	41-45 years	6	2.0
	>45 years	5	1.7
	Total	297	100.0

As shown in the above table, of the respondents 68.7% (204) were male and the remaining 31.3% (93) were females. With regard to respondents` age category, 144 (48.5%) of the respondents fall under the age category of 25-30. The next higher groups were 77 (25.9%) and 54 (18.2%) fall under age categories of below 25 and 31-35 respectively. The remaining group 11 (3.7%), 6 (2%) and 5 (1.7%) were under the age categories of 36-40, 41-45 and above 45 years respectively.

Figure 1, Educational status of the participants



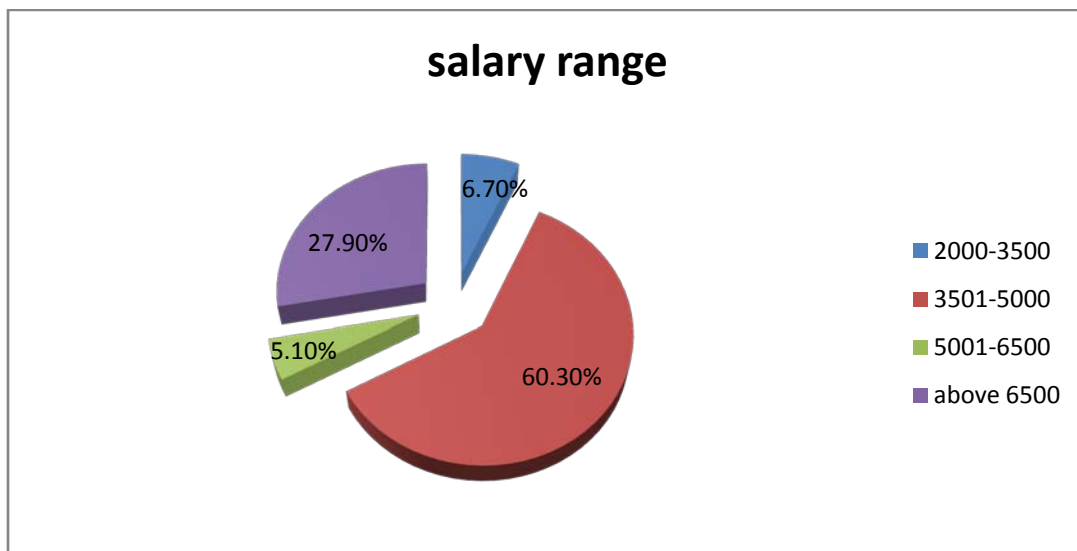
The above figure demonstrates educational background of the respondents. Accordingly, 256 (86.2%) of the total respondents were holders of first degree followed by diploma holders 24 (8.1%). And only 17(5.7%) MA/MSC holders were found from the total respondents.

Table 2, Participants Employment Characteristics

Variable	Category	Frequency	Percent
Year of Service in the Bank	1-4 years	180	60.6
	5-9 years	80	26.9
	10-15 years	25	8.4
	16-20 years	3	1.0
	Above 20 years	9	3.0
	Total	297	100.0
Position of the employee	managerial	26	8.8
	Non managerial	271	91.2
	Total	297	100

As shown in the above table, the first item in shows the tenure of respondents. Accordingly, 180 (60.6%) of the respondents have year of service from 1-4 years, followed by 80 (26.9%) respondents with having length of service from 5-9 years and the other 25 (8.4 %) fall under the category of having year of service from 10-15. The remaining 3 (1%) and 9 (3%) respondents belong to groups 16-20 years and above 20 years respectively. Regarding the position of respondents 26 (8.8%) of them were working in the managerial position and the remaining 271 (91.2%) fall under the category of non managerial position.

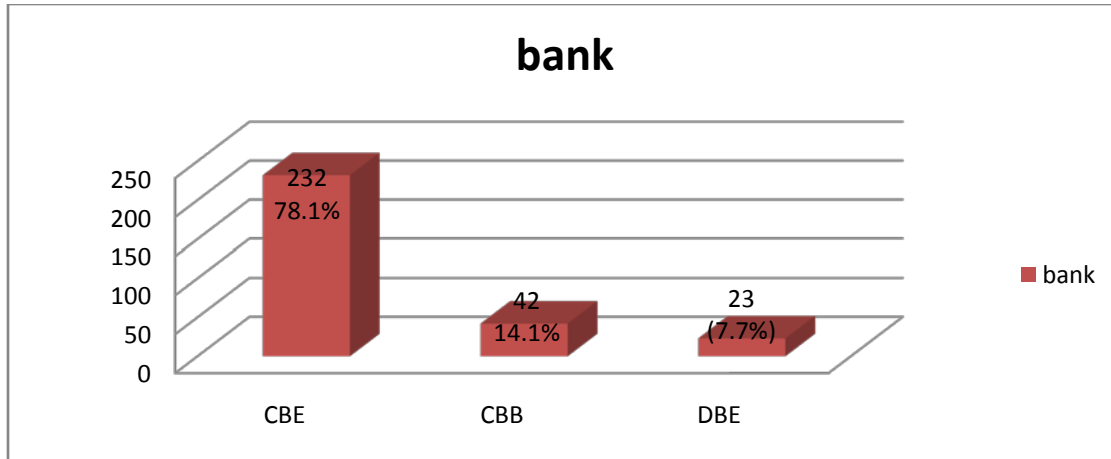
Figure 2, the salary range of the respondents



With regard to respondents` salary range, out of 297 respondents 20 (6.7%) of them earn a salary between the range of 2000-3500 and the other group of respondents` i.e. 179 (60.3%) fall under the salary range of 3501-5000. The remaining 15 (5.1%) and 83 (27.9%) of the respondents earn a salary range of 5001-6500 and above 6500 respectively.

Figure 3, name of the organization

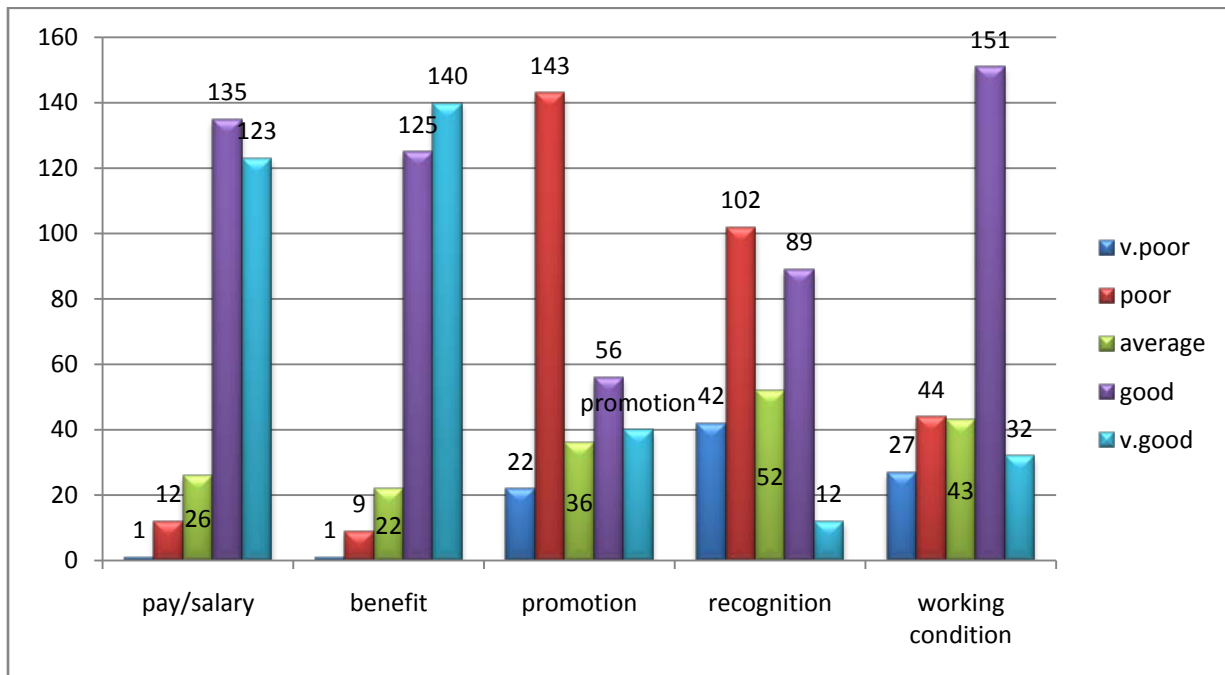
The figure below shows the name of organization of respondents. Accordingly, 232 (78.1%) respondents were from Commercial Bank of Ethiopia, 42 (14.1%) respondents were from Construction and Business Bank and the remaining 23 (7.7%) respondents were from Development Bank of Ethiopia.



4.2. Employees Response on the types of reward practices provided

Figure 4, Types of rewards

As shown in the figure below, the respondents were asked to rate varied types of reward practices provided by the organization using a five Likert scale. In this regard employees indicated their opinion by choosing one of the five alternatives given: very poor, poor, average, good, and very good.



Accordingly, in the first item i.e. pay/salary 135(45.5%) of the total respondents agrees that the practices are good and also 123 (41.4%) of the respondents said it's very good and only 12(4%)

of the respondents think that the pay/salary provided to them is poor. Regarding benefit, 140 respondents out of 297 i.e. 47.1% mentioned that the benefit practice is very good and 125(42.1%) of the participants says it is good. About the respondent who says the benefit package available at the bank is poor it reaches 9(3%). This implies that the benefit packages provided to the employees are found to be attractive and most of the employees are satisfied.

The third item is promotion and 143(48.1%) and 22(7.4%) of the participants says the promotion practice at the bank is poor and very poor respectively. While 36(12.1%) of them stays on average, 56(18.9%) says its good and the remaining says it is very good which reaches 40 (13.5%). This indicates that employees in the respective public banks are not satisfied with the promotion opportunity provided by their organization.

For the forth item which is recognition, most of the respondents says it is very poor i.e. 102 (34.3%) and 42(14.1%) says it is very poor. This result shows that the recognition for a good job performance provided by the organization is not attractive for the employees.

For the last item, 151 respondents i.e. 50.8% out of the total 297 participants mentioned that the working condition in the organization in which they perform their job is good. This is followed by 44(14.5%) of respondents says the working condition is poor. Comparing the two the working condition/ environment in which employees are required to perform the work is said to be attractive.

4.3. The effects of reward practice

Table 3, Employees response on the effects of reward practices

Item		Strongly disagree	disagree	neutral	agree	Strongly agree	Total
The reward practice at the bank focuses on the real needs of employees	No.	28	81	69	94	25	297
	%	9.4	27.3	23.2	31.6	8.4	100
Employees are rewarded in the organization immediately when they perform best	No.	56	101	69	51	20	297
	%	18.9	34	23.2	17.2	6.7	100
The rewards distributed at the organization have a positive effect on the work atmosphere/ environment	No.	20	43	70	110	54	297
	%	6.7	14.5	23.6	37	18.2	100
The rewards at the organization are distributed fairly	No.	39	67	88	77	26	297
	%	13.1	22.6	29.6	25.9	8.8	100

The rewards distributed matches my work effort	No.	30	149	43	55	20	297
	%	10.1	50.2	14.5	18.5	6.7	100
Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future	No.	9	30	44	107	107	297
	%	3	10.1	14.8	36	36	100
I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards	No.	34	65	101	76	21	297
	%	11.4	21.9	34	25.6	7.1	100

The above table demonstrates the respondents of employees regarding the effects of reward practices in their organization. Item no. 1, indicates that 94(31.6%) of the respondents agrees that the reward practice of the bank focuses on the real needs of employees while 81(27.3%) of them disagrees. And for the second item 101(34%) and 56(18.9%) of the respondents disagree and strongly disagree that employees are rewarded in the organization immediately when they perform best, while 51(17.2%) and 20(6.7%) of the respondents agrees and strongly agree respectively.

The third item is about whether the rewards distributed at the organization have a positive effect on the work atmosphere/ environment and as the result 110(37%) of the respondents agreed about the positive effect and 43(14.5%) and 20(6.7%) of them disagree and strongly disagree respectively about the positive effect reward have on the work atmosphere/environment. This indicates that majority of the employees have good attitude towards the reward practice and its effect on the work environment in which they have to perform.

Item no. 4 indicates that the majority respondents i.e. 88(29.6%) have neutral suggestions whether the rewards provided in their organization are distributed fairly, followed by 77(28.9%) who agrees and 67(22.6%) of the respondents disagrees. This indicates that fairly large numbers of employees do have a positive attitude that they are rewarded fairly in the respective public banks.

In the fifth item the majority respondents i.e. 149(50.2%) showed their disagreement regarding the idea whether the rewards provide matches their work effort and 55(18.5%) of the respondents agrees. This implies that the reward provided in the respective public banks doesn't match the work effort of the employees.

For the sixth item 107(36%) of the respondents equally agrees and strongly agree at the same time and this shows that rewarding employees immediately after achieving best performance will be helpful in order to encourage them to repeat that performance in the future.

In item no. 7 101(34%) of them were indifferent and this is followed by 25.6% of the respondents who agrees i.e. 76 out of the total 297 and 65(21.9%) of them disagrees. Still the ones who agree are more than those who disagree which implies that they have good attitude towards the quality of the reward practices being provided to them and they are satisfied.

4.4. The influence of each reward practices in employees’ performance

The following tables will demonstrate employees’ perception towards the influence of each existing reward practices. The first table discussed about pay/salary and employees response to the items raised related to their organizations pay/salary practice provided.

4.4.1. Pay/Salary

Table 4, Employees response on pay/salary

Items		Strongly disagree	disagree	neutral	agree	Strongly agree	total
My salary is satisfactory in relation to what I do	No.	28	56	85	103	25	297
	%	9.4	18.9	28.6	34.7	8.4	100
The amount of basic pay I receive is fair relative to the industry’s average	No.	23	71	48	136	19	297
	%	7.7	23.9	16.2	45.8	6.4	100
The basis of payment, for example overtime payment is reasonable	No.	42	74	85	71	25	297
	%	14.1	24.9	28.6	23.9	8.4	100
Salary adjustment/increment is made within a reasonable / logical time period	No.	36	82	73	79	27	297
	%	12.1	27.6	24.6	26.6	9.1	100
Salary increments are made based on the performance results of workers	No.	49	98	77	52	21	297
	%	16.5	33	25.9	17.5	7.1	100
Salary increment made for high performers will encourage others to perform more	No.	23	46	65	99	64	297
	%	7.7	15.5	21.9	33.3	21.5	100

For the question whether the salary is satisfactory in relation to what they do, large number of respondents showed their agreement with the idea. Out of the total 297 respondents, 103(34.7%)

Said that they agree and 25(8.4%) of them strongly agree. Their overall response shows the majority of the employees' are satisfied with the salary provided to them by their organization. For the second item the majority of the respondents i.e. 136 (45.8%) showed their agreement and the number of respondents who disagree reaches 71 which is 23.9%. this implies that the amount of basic pay provided by the organization are believed to be fair relative to the industries average.

On the third item, when the respondents were asked about the reasonability of the basis of payment 85(28.6%) were neutral, followed by 74(24.9%) who disagrees and 71(23.9%) agrees on the idea. This implies that the concerned public banks don't have a well-designed and reasonable basis of payment which is suitable for all members of the organization that may have an influence job performance of employees.

For the forth item, the majority of the respondents i.e. 82(27.6%) showed their disagreement with a small difference with the one who agrees i.e. 79(26.6%). This shows that salary increment/ adjustments are not made within a logical period of time. Similarly for item no 5 majority of employees 98 (33%) showed their disagreement and 49 (16.5%) strongly disagree with the idea stated under item no. 5 and only 52(17.5%) out of 297 respondents agreed. This also shows that the salary increments made are not based on the workers performance result.

The last item is whether the salary increment made for high performers will encourage others to perform more. The response shows 99 (33.3%) agrees and 64(21.5%) strongly agrees. This implies that increments made on salary will encourage others towards higher performance.

4.4.2. Benefits

Table 5, Employees response on benefit

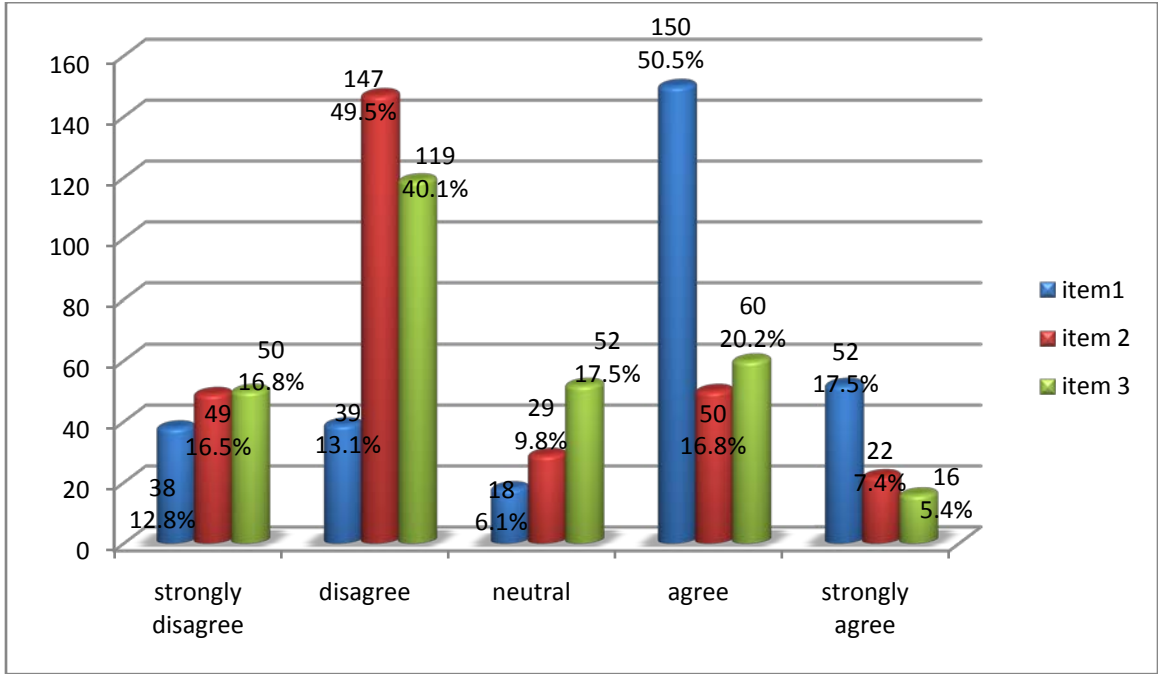
Items		Strongly disagree	disagree	neutral	agree	Strongly agree	total
The medical and insurance schemes are attractive	No.	10	29	44	140	74	297
	%	3.4	9.8	14.8	47.1	24.9	100
The organization's housing loan policy is attractive	No.	47	62	52	91	45	297
	%	15.8	20.9	17.5	30.6	15.2	100
Provision of attractive housing loan policy will help to retain high performers	No.	19	46	75	100	57	297
	%	6.4	15.5	25.3	33.7	19.2	100

Benefit packages are modified as necessary to ensure organization's competitiveness	No.	17	44	77	116	43	297
	%	5.7	14.8	25.9	39.1	14.5	100

Item no.1 indicates that the majority respondents i.e. 140(47.1%) agrees on the attractiveness of their medical and insurance schemes. This shows that employees are satisfied with the medical and insurance benefit schemes provided by their organization. And also for item no. 2 indicates that 91 (30.6%) of the respondents agree on the attractiveness of the organizations housing loan policy. In the same way For the last two items i.e. about the attractive housing loan policy helping to retain high performers and whether the benefit packages are modified as necessary to organizations competitiveness, the majority of the respondents (100 (33.7%) and 116 (39.1 %) for item no 3 and 4 respectively, showed their agreement. This shows that majority of the employees are satisfied with the benefit packages provided by the concerned public banks and also they are aware that in order to retain high performers the provision of attractive housing policy will play a vital role.

4.4.3. Promotion

Figure 5, Employees response on promotion



Item1- Everyone has an equal chance to be promoted,

Item 2- The existence of promotion has no effect on the level of performance of my work,

Item 3- The organization’s promotion policy is clearly communicated to all employees.

With regard to the promotion provided the result shows there is an equal chance to be promoted since 50.5% of the respondents agree to the item i.e. 150 out of the total 297 respondents. For the second item the majority of the respondents i.e. 147 (49.5%) showed their disagreement when asked whether the existence of promotion has no effect the level of performance at work, this indicates that the existence of promotion has an effect on the level of performance at work.

For item no. 3 the majority of the respondents showed their disagreement in number 119 out of the total 297, which is 40.1%, and 60(20.2%) of them agreed. This shows that the organizations promotion policy is not clearly communicated to the employees.

4.4.4. Recognition

Table 6, Employees response on recognition

Items of Recognition		Strongly disagree	disagree	neutral	Agree	Strongly agree	total
I get credit for what I do	No.	16	142	58	58	23	297
	%	5.4	47.8	19.5	19.5	7.7	100
I receive constructive criticism (positive feedback) about my work	No.	9	186	47	31	24	297
	%	3.0	62.6	15.8	10.4	8.1	100
The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.	No.	13	124	63	69	28	297
	%	4.4	41.8	21.2	23.2	9.4	100
Proper recognition of high performers will encourage low performers to work hard	No.	12	39	48	133	65	297
	%	4.0	13.1	16.2	44.8	21.9	100

For the first item the majority respondents i.e. 142(47.8%) claims that they don’t get credit when they do their task successfully and the same percentage, for the ones who agree 58(19.5%) and the ones who are neutral 58(19.5%), have been observed. This indicates that most of the employees don’t get credit for the work they have performed in the organization.

Item no. 2 indicates that the majority respondents i.e. 186(62.6%) disagrees on receiving positive criticism regarding their work performance and 31(10.4%) agrees on that, which implies that employees are not getting any positive criticism or feedback regarding their performance. And when the respondents are asked, in item no 3 whether the existence of recognition of good work has encouraged them to work beyond the job requirement the majority of the respondents i.e. 124 (41.8%) showed their disagreement to the item and 69(23.2%) agrees. This shows that employees in the respective public banks are not being provided with the opportunity to work beyond the job requirement in relation to the existence of recognition for good work.

The response for the forth item indicates that employees will be encouraged to work hard if there is a proper recognition for high performance, since the majority of the respondents i.e. 133(44.8%) agreed on the positive effect recognition have on performance of employees and only 39 (13.1%) of them disagrees.

4.4.5. Working Condition

Table 7, Employees response on working condition

Items		Strongly disagree	disagree	neutral	agree	Strongly agree	Total
My working hours are reasonable	No.	12	28	53	144	60	297
	%	4	9.4	17.8	48.5	20.2	100
I am never overworked	No.	34	69	79	87	28	297
	%	11.4	23.2	26.6	29.3	9.4	100
Creation of conducive work environment will encourage high performers to improve their performance more	No.	8	23	62	125	79	297
	%	2.7	7.7	20.9	42.1	26.6	100
The existence of safe working conditions has encouraged me to give sustained high performance at work.	No.	16	47	62	108	64	297
	%	5.4	15.8	20.9	36.4	21.5	100

Item no. 1 in the above table demonstrates that 144 (48.5%) of the respondents agrees on the reasonability of their working hours. This indicates that the majority do not have complained with regard to the number of hours they stay in the work place.

Item no. 2 indicates that the majority respondents i.e. 87 (29.3%) agrees on the existence of fair amount of work volume or work load. This indicates that the employees in the concerned public banks are not overworked or stressed with too much work to perform or customers to handle.

Item no. 3 indicates that the majority respondents i.e. 125(42.1%) agrees on the encouragement that the availability of conducive work environment could have on employees to perform higher. This implies that creating conducive work environment in the organization is appropriate in order to encourage employees to improve their performance level. In the same way the majority of the respondents i.e. 108 (36.4%) showed their agreement for the forth item regarding the existence of safe working conditions and only 47(15.8%) of them disagrees. This shows that employees will have constant or continuous performance if they are provided with a safe working condition in the organization they perform.

4.5. Employees performance

Table 8, Responses on Employee performance

Item		Strongly disagree	disagree	Neutral	Agree	Strongly agree	Total
Employees are rewarded based on his/her individual performance.	No.	35	61	61	112	28	297
	%	11.8	20.5	20.5	37.7	9.4	100
The existing benefit package (medical cost coverage..) are helping employees for higher levels of performance	No.	9	45	53	154	36	297
	%	3.0	15.2	17.8	51.9	12.1	100
The banking work environment is good for young employees in enabling them to optimally utilize their skills, knowledge and strong potential	No.	17	46	52	146	36	297
	%	5.7	15.5	17.5	49.2	12.1	100
The organization has a good culture of recognizing employees for successful completion of tasks	No.	20	113	69	68	27	297
	%	6.7	38.0	23.2	22.9	9.1	100
Performance standards in my organization are clear and easily understandable	No.	23	54	59	138	23	297
	%	7.7	18.2	19.9	46.5	7.7	100
The reward practices have a positive effect on the employees' job performance	No.	11	39	55	140	52	297
	%	3.7	13.1	18.5	47.1	17.5	100

As clearly shown on the above table the majority employees agree on the points that they are rewarded based on their performance, the existing benefit packages are helpful for their performance, the work environment in the public banks is good to optimally utilize the skill and knowledge of young employees and they have clear and easily understandable performance standards. This implies that almost all employees do have a good attitude towards the positive effect the reward practices have on their job performance. Except for the forth item, the majority of the respondents i.e. 113(30%) showed their disagreement, which implies that the organization have a poor experience of recognizing employees for successful completion of a task.

4.6. Employees perception

Table 9, Responses of employees’ perception on the reward practices of the organizations

Item		Strongly disagree	disagree	neutral	Agree	Strongly agree	Total
The organization’s reward practices strongly consider the level of my performance.	No.	24	72	104	75	22	297
	%	8.1	24.2	35	25.3	7.4	100
The organization’s reward practices strongly consider my educational status.	No.	35	65	97	84	16	297
	%	11.8	21.9	32.7	28.3	5.4	100
The pay I receive is internally equal with my colleague who is having the same experience and educational qualification.	No.	14	38	28	184	33	297
	%	4.7	12.8	9.4	62.0	11.1	100
I have a chance to be promoted equally with my colleagues who are with the same educational status and experience.	No.	33	141	55	51	17	297
	%	11.1	47.5	18.5	17.2	5.7	100
I believe that the organization’s reward practices are equivalent with level of my contribution.	No.	32	70	100	74	21	297
	%	10.8	23.6	33.7	24.9	7.1	100
The organization’s reward practices compensate excellent performer more than average performer.	No.	21	29	36	157	54	297
	%	7.1	9.8	12.1	52.9	18.2	100

In the above table when the respondents were asked that whether the organizations reward practices strongly consider their level of performance the response shows that most of them i.e. 104 (35%) are indifferent followed by 75 (25.3%) who agrees on the idea. This indicates that only some employee's thinks that the reward practices that their organization follows consider their level of performance. In the same way most of the respondents i.e. 97 (32.7%) stays in the neutral position for the second item.

For item no. 3 the majority of the respondents 184(62%) agrees that they receive equal pay with their colleagues with the same experience and educational qualification and only 12.8% of the respondents disagrees i.e. 38 respondents out of the 297. This implies that the pay provided by the organization to employees with the same experience and educational status is fair and consistent among employees working together.

Regarding the item which states about the existence of equal chance of being promoted in the organization, the majority of the respondents 141(47.5%) showed their disagreement. This implies that, employees in the respective public banks don't have an equal chance of being promoted equally with their colleagues who have the same educational status and experience.

For the fifth item the majority of the respondents 100(33.7%) are neutral or they are indifferent regarding the idea of the reward practices being implemented in concerned public banks being equivalent with the level of employees' contribution. This shows that employees are indifferent about the issue stated above and they are not sure whether their contribution is considered while providing the rewards.

For the last item, 157 respondents i.e. 52.9% out of the total 297 showed their agreement whether the reward practices provided compensate excellent performer more than an average performer and only 29(9.8%) of the respondents disagrees. This implies that the reward practices being implemented in the public banks considers performance level of employees and it gives priority for the higher performance level than the average performance.

4.7 Descriptive Statistics of reward and Employees performance

When some concepts are measured by several items (questions), the items can be summarized to calculate the mean values. This is called calculating total scale scores. To conduct the analysis

and to test the hypothesis, total scale scores was calculated for each variables of the study as depicted in the below table.

Table 10, Descriptive Statistic

Variables	No. of observation	Mean	Std. Deviation
Pay/salary	297	3.3410	.81276
Benefit	297	3.4360	.79144
Promotion	297	2.8440	.86471
Recognition	297	2.6832	.65384
Working condition	297	3.5210	.74192
Employee performance	297	3.3221	.68078

The above table shows the mean and standard deviation of selected reward practices and employee performance given by respondents of the study, when the researcher observe the mean value for salary, it is 3.3410, which makes it possible to conclude that that more than 50% respondents do have a good attitude towards the pay/salary offered by the public banks while the remaining are not satisfied with the existing salary and benefit packages.

The second variable is about the benefit packages of the organization; here the mean value is 3.4360, which indicates that majority of the respondents agree on the attractiveness of the benefit package provided to them.

The third variable is about the promotional opportunities available for employees; here the mean value is 2.8440, which indicates that the majority respondents are not satisfied with the existing promotional opportunities in their respective banks.

With respect to the fourth variable i.e. Recognition, the mean value 2.6832 which implies that majority of the respondents don't agree on the raised questions regarding the recognition practice of the respective public banks.

When coming to the next variable i.e. Working Conditions, the mean value is 3.5210, which indicates that the majority of the respondents agrees about the attractiveness of the working condition available in the organization they perform their work.

The last variable on the above table is the dependent variable of the study i.e. Employee performance and its mean value is 3.3221, which is close to the mid-point however, this can be understood in a way that a majority of the respondents agrees to the items raised under the employee performance section. And this indicates that most of the employees have a positive opinion regarding the issues of reward practices in relation to employee performance.

When we compare the overall mean values for all variables of the study, promotion and recognition scores are the least one; this indicates that promotional opportunities and being recognized for performing a successful job are not well managed and suitable in the concerned public banks. Therefore, the public banks needs to work on that in order to improve the performance level of employees.

4.8. Correlation Analysis

Correlation between Job Performance and the Independent Variables

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

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

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

Source: Cohen (1988)

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

Table 11, Correlation Analysis

Independent variables	No. of observations	Employees performance	
		Pearson Correlation	Sig. (2-tailed)
Pay/salary	297	.552**	.000
Benefit	297	.353**	.000
Promotion	297	.461**	.000
Recognition	297	.526**	.000
Working condition	297	.519**	.000

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

4.8.1. Pay/Salary and Employee Performance

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

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

The result on the above table shows that pay/salary ($r=0.552$, $p<0.01$) is positively and significantly related with employee performance. This means an increase or decrease in pay/salary will bring corresponding change in performance of employee. Thus, the null hypothesis is rejected.

4.8.2. Benefit and Employee Performance

H2:- benefit is positively related to Employee Performance.

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

From the above table it can be seen that benefit ($r=0.353$, $p<0.01$) is positively and significantly related with employee performance. Implying that a change in the benefit packages provided will have a corresponding change on employee performance. Thus, the null hypothesis is rejected.

4.8.3. Promotion and Employee Performance

H3:- promotion is positively related to Employee Performance.

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

From the above table it can be observed that promotion ($r=0.461$, $p<0.01$) is positively and significantly related with employee performance. This means that providing or withholding promotional opportunities will have a corresponding change on the performance of employee. Thus, the null hypothesis is rejected.

4.8.4. Recognition and Employee Performance

H4:- recognition is positively related to Employee Performance.

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

The above table reports that recognition ($r=0.526$, $p<0.01$) is positively related with employee performance. Implying that change in recognition given to employees for a successful job they perform has a corresponding effect on performance of employees. Thus, the null hypothesis is rejected.

4.8.5. Working condition and Employee Performance

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

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

From the above table it can be seen that working conditions ($r=0.519$, $p<0.01$) is positively correlated with employee performance. This means that a change in the working conditions will bring corresponding change on the performance of employees. Thus, the null hypothesis is rejected.

4.9. Regression analysis

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

recognition and working condition) explains the dependent variable (employee performance). Thus the last hypothesis was tested using the regression output.

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

Ho: - reward practices have no significant effect on the Employee Performance.

Table 12: **Regression Analysis**

Coefficients

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.	95.0%confidence interval for B	
	B	Std. Error	Beta			Lower bound	Upper bound
Constant	.595	.176		3.386	.001	.249	.941
Pay/salary	.194	.046	.232	4.222	.000	.104	.284
Benefit	.015	.041	.018	.367	.714	-.066	.096
Promotion	.156	.039	.198	3.973	.000	.079	.233
Recognition	.230	.052	.221	4.435	.000	.128	.332
Working condition	.271	.044	.296	6.136	.000	.184	.359
R= .703 R square=.495 Adjusted R square= .486 Std. Error of the estimate=.48798							

Dependent variable: Employee performance

As illustrated in table above the value of adjusted R square is .486 which indicated 48.6% of changes in employee performance can be accounted for by reward but the remaining change in employees' performance may be accounted for variables other than the variables included in this study.

The above table also depicts the extent to which each independent variables influence the dependent variable. The relative importance of reward types (independent variables) in

contributing to the variance of the employees' job performance (dependent variable) was explained by the standardized Beta coefficient. The beta values of the independent variables i.e. pay/salary, benefit, promotion, recognition and working condition are .232, .018, .198, .221 and .296 respectively. The result obtained from the regression analysis showed that working condition is more significant and statistically meaningful when compared with the other variables in terms of enhancing employee performance. This can be understood as a certain improvement on the working condition will increase employee's performance by .296 which is significant. Thus, the null hypothesis is rejected.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSITONS AND RECOMMENDATIONS

This chapter deals with summary of major findings of the study, conclusions and recommendations of possible solutions for the problems identified.

5.1. Summary of Major findings

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

1. The demographic result of the study indicates that 68.7% (204) were male and the remaining 31.3% (93) were females. Regarding the respondents` age category, 144 (48.5%) fall under the age category of 25-30. The next higher groups were 77 (25.9%) and 54(18.2%) fall under age categories of below 25 and 31-35 respectively. The remaining group 11 (3.7%), 6 (2%) and 5 (1.7%) were under the age categories of 36-40, 41-45 and above 45 years respectively.
2. The study also indicates the educational background of the respondents. Accordingly, 256 (86.2%) of the total respondents were holders of first degree followed by diploma holders 24 (8.1%). And only 17(5.7%) MA/MSC holders were found from the total respondents. In addition it has also been observed that 179 respondents fall under the salary range of 3501-5000 which is 60.3% of the total 297 participants.
3. The other result observed from the study shows the tenure of the respondents and 180 (60.6%) of the participants have year of service from 1-4 years, followed by 80 (26.9%) respondents with having length of service from 5-9 years and the other 25 (8.4 %) fall under the category of having year of service from 10-15. The remaining 3 (1%) and 9 (3%) respondents belong to groups 16-20 years and above 20 years respectively. With regard to the position of respondents 26 (8.8%) of them were managers and the remaining 271 (91.2%) were from the non managerial position. The results from the demographic data also show the name of organization of respondents. Accordingly, 232 (78.1%)

respondents were from CBE, 42 (14.1%) respondents were from CBB and the remaining 23 (7.7%) participants were from DBE.

4. The respondents were also asked to indicate their opinion about the current provision of the selected reward practices in the respective public banks. Accordingly, for pay/salary, the benefit packages and the working condition the majority of the respondents were in favor of the practices implemented in the public banks. This implies that the pay/salary scheme and the benefit packages provided to the employees are found to be attractive. However, the majority of the respondents indicated that the promotion and recognition practices were poor. This shows that the public banks don't provide the promotion opportunities and recognition in an effective way so as employees would get motivated to improve their performance level.
5. Descriptive statistics was used to indicate that the means for pay/salary, benefit, promotion, recognition and working condition. These are pay/salary (3.0410), benefit (3.4360), promotion (2.8440), recognition (2.9832) and working condition (.35210).the result has shown that employees of the respective public banks were more motivated or initiated by the working conditions available in their work place. The lowest mean was observed for promotion and recognition which implies the public banks have a poor practice of providing an opportunity for promotion and employees don't get recognized for a job well done.
6. Correlation coefficient was computed for the purpose of determining the relationship between the independent variables and the dependent variable i.e. employee performance. There was a positive and statistically significant relationship between the variables mentioned above. For pay/salary ($r=.552$, $p<0.01$), benefit ($r=.353$, $p<0.01$), promotion ($r=.461$, $p<0.01$), recognition ($r=.526$, $p<0.01$) and working condition ($r=.519$, $p<0.01$).all variables show positive and significant relationship with employee performance.
7. The regression analysis was done to ascertain the extent to which the variables mentioned explain the variance in employee performance. The value of Adjusted $R^2=.486$ which indicates 48.6% of variance in employee performance is explained by the variables pay/salary, benefit, promotion, recognition and working condition. It supported the hypothesis that the reward practices have a significant effect on employee performance.

5.2. Conclusion

Ethiopian public banks are expected to make an effort to fulfill the demands of their customers. The purpose of this study was to examine the role of rewards in the process of improving the performance of employees to deliver the service required from them for the purpose of meeting the organizational goal. Based on the study and the analysis made, the following conclusions can be made. Human resources are generally regarded as the most important asset in an organization. It is people who provide experience, talent, skills and knowledge necessary to achieve the organizational goals. The survival or progress of an organization depends on its ability to identify, select, train and retain the right people.

The researcher addresses the research questions raised based on the findings from the study and the following points states the conclusions made on the basis of the results.

1. What is the current provision of reward practices of the organization?

The study finding indicated that from the current provision of the reward practices, pay/salary scheme, benefit package and working conditions were found to be attractive. Briefly, the pay/salary scheme were considered significant in motivating employees performance level and similarly employees are in favor of the public banks benefit packages and the working condition. Generally, it can be concluded that there is an attractive reward practices in relation to the pay/salary scheme, the benefit packages and the working condition.

On the other hand the opportunity of promotion practice is poor and it needs to be carried out in a way that is favorable for the employees in order to improve their performance level. Moreover, the chance of employees being recognized for a job well done is also low since the findings from the study showed that the practice of recognition for a successful job performance in the respective public banks is poor.

2. What is the effect of the reward practices on the employee's performance?

The research findings clearly shows that reward has a direct influence on the employee's performance and it tends to increase the actual performance of employee, given that there is a positive and significant relationship between the independent and the dependent variables. Reward improves the initiation of employees to perform their job at a higher level.

The study also demonstrates that Reward affects employees' job performance level. In other words, improved employees' job performance is to a large extent influenced by the implementation of appropriate and suitable reward practices. And also it has been observed that employees consider not only monetary reward types but also non monetary ones in order to be motivated by them and exhibit better performance level. However, it is important to note that only intrinsic or extrinsic reward types are not sufficient to initiate employees to attain best perform level. Rather, employers should implement a combination of both types of reward systems to get the best out of their employees.

3. Which kinds of reward practices mostly influence performance level?

The finding from the study showed that the correlation between the variables pay/salary, benefit, promotion, recognition, working condition and employee performance. And the result also showed that pay/salary, benefit, promotion, recognition and working condition have a significant and positive relationship with the employee performance.

While observing the extent to which each independent variables influence the dependent variable i.e. Employee performance, the result obtained demonstrates that the working condition is more significant in terms of enhancing the performance level of employees. And this helps to conclude that the public banks has created a favorable working conditions for their employees since the beta value of the working condition is .296, since, The larger value of Beta coefficient that an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable. Furthermore this shows that adjusting the working condition can provide a superior performance outcome than the other selected reward practices

4. How do employees perceive the existing reward practices of the company?

The findings from the study shows that the employees are indifferent whether the public banks reward practices considers their educational status and whether the reward practices provided are equivalent with the level of their contribution. This perception might be occurred due to the lack of awareness or information regarding the public banks reward policies and how it is implemented or due to the problem arise while providing the reward.

However, employees also have positive attitude towards the pay/salary scheme in the organization. And it can be concluded that it is fairly provided to employees with similar experience. In addition the reward practices in the public banks favors employees with higher job performance level than the average performer. This indicates that the public banks consider the performance level of employees while providing the rewards.

5.3. Recommendations

From the findings of this study it was observed that there is a direct and positive relationship between reward practices and employee performance which means that the reward practices are directly proportional to employee performance. This indicates that the change in reward necessarily results a change in the level of employee performance. This shows that management of the concerned public banks can make use of different tactics, strategies and policies to improve the level of performance of employees in the organization. Based on the finding and analysis of the study, the following recommendations are proposed:-

As indicated in the study the gap or the problem identified was that rewards provided to employees are mostly focused on cash related (monetary) types of reward and there is a time gap between good performance and the rewards provided. And the findings as well showed that there is good and attractive practice of the pay/salary and benefit packages. The working conditions in which the employees perform their job were also found attractive.

Therefore, it is recommended that in order to attract and retain competent employees, the organization must maintain its pay/salary scale to the highest level within the industry and must continuously upgrade its salary scale in response to internal and external conditions and the salary increment/ adjustments must be made within a logical period of time. And also alternative forms of reinforcement should be introduced and used frequently, including verbal reinforcement, letters of recognition for tasks performed well and creating an environment where the employees feel initiated to perform.

With regard to the benefit package, it can be said that even though there is an attractive benefit package in the public banks a periodic revision is necessary to initiate the employees for higher performance.

In the respective public banks employees have a positive attitude towards the working condition; this doesn't mean the banks must keep the current practice as it is, however the banks must still

work on the creation of conducive working environment, since it will encourage high performers to improve their performance more.

But regarding promotion opportunity and recognition the findings indicated that there is poor practice. Therefore, it is recommended that the concerned public banks should continuously recognize good performance and administer the promotional opportunities in a fair and transparent way which considers all employees. Moreover, through different channels, the public banks must clearly and repeatedly communicate its promotion and recognition policy and procedure or its reward system in general to its employees. For instance, for new employees, this has to be communicated at the induction program. Since communication plays a vital role to increase employees' awareness about what is expected of them and motivates them to work hard.

As much as possible, the organizations should include both financial and non-financial rewards with appropriate mix. Because in today's competitive and challenging business environment the management must try to acquire or retain a well educated, motivated and experienced workers by combining the financial and non financial rewards provided so as to be competitive in that market and to make the organization profitable.

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

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

Bibliography

Aktar, S., Sachu, M. K., & Ali, E. (2012). The Impact of Employee performance in Commercial Banks of Bagladesh:An Emperical Study. *Journal of Business and Management* , 6, 09-15.

Armstrong, M. (2006). *A Hand Book of Human Resource Management Practice;10th ed.* United Kingdom: Kogan Page Limited.

Armstrong, M. (2007). *A Handbook of Employee Reward Management and Practice, 2nd ed.* London and Philadelphia: Kogan page ltd.

Armstrong, M. (2010). *Essential Human Resource Management Practice: A guide to people management, 1st ed.* USA: Kogan page ltd.

Armstrong, M. (2010). *Handbook of Reward Management Practices: improving performance through reward, 3rd ed.* London New Delhi: Kogan page ltd.

Carnegie, D. (1987). *Managing through people.* New York: Dale Carnegie & Associates, INC.

Chaundary, & Sharma, B. (2012). Impact of Employees Motivation on Performance in Private Organization;. *International Journal of Business Trends and Technology* , 8-10.

Chiang, F. F., & Birtch, T. A. (2006). An Emperical Examination of Reward Preferenes within and across National settings. 573-596.

Cohen, J. (1988). *Statistical power analysis for the behavioral sciences:* Hillsdale, NJ: Erlbaum.

Collings, D. G., & Wood, G. (2009). *Human Resource Management:A Critical Approach;1st ed.* USA & Canada: Routledge.

Commercial Bank of Ethiopia, 2013/2014 Annual Report, Addis Ababa

Creswel, J. W. (2003). *Researh Design: Qualitative, Quantitative and Mixed Methods Approaches;2nd ed.* London: Sage publications.

David, A. D., & Stephen, P. R. (2005). *Fundamentals of Human Resource Management; 8th ed* (Vol. 8). USA: John Wiley & Sons, Inc.

Eigenhuis, A., & Dijk, R. V. (2008). *HR Strategy for The High Performing Business; 2nd ed.* London and Philadelphia: Kogan page.

Gang, C. (2008). *Study material for MBA.* ZAD publication.

Gilley, A., Gilley, J. W., Quatro, S. A., & Dixon, P. (2009). *The Praeger Handbook of Human Resource Management.* London: Greenwood publishing group.

Gohari, P., Ahmadloo, A., Boroujeni, M. B., & Hosseinipour, S. J. (2013). The Relationship Between Rewards and Employee Performance. *Journal of Contemporary Research in Business* , 543-570.

Gomez-Mejia, L. R., Balkin, D. B., & Cardy, a. R. (2005). *Management: People, Performance, Change (2 ed.)*. USA: McGraw-Hill/Irwin.

Hafiza, N. S., Shan, S. S., & Jamshed, H. (2011). Relationship Between Rewards and Employees Motivation in the Non-Profit Organizations of Pakistan. *management science* , 327-334.

Ingham, J. (2007). *Strategic Human Capital Management: creating value through people; 1st ed.* Netherlands: Elsever ltd.

Khan, I., Shahid, M., & Nawab, S. (2013). Influence of Intrinsic and Extrinsic Rewards on Employee Performance: the Banking Sector of Pakistan. 282-291.

Khan, S., Zarif, T., & Khan, B. (2011). Effects of Recognition-based Rewards on Employees' Efficiency and Effectiveness. *journal of manageent and social sciences* , 7, 01-07.

Kothari, C. (2004). *Research Methodology: Methods and Techniques; 2nd ed.* New Delhi: New Age International P(ltd).

Lawyer, E. E., Boudreau, J. W., & Mohrman, S. A. (2006). *Achieving strategic Excellence: An Assessment of Human Resource Organizations.* Stanford California: Stanford University Press.

Mansor, M., Borhannuddin, S., & Yusuf, B. (2012). The Effect of Rewards towards Job Performance among Chemical based Employees. 1-11.

- Mathis, R. L., & Jackson, J. H. (2011). *Human Resource Management;13th ed.* USA: South Western Cengage learning.
- Neckermann, S., & Kosfeld, M. (2008). The Effect of Non material Awards on Employee performance, Goethe-University Frankfurt, Germany. *International Journal of Arts and Commerce* .
- Njanja, W. L., Maina, R. N., Kibet, L., & Njagi, K. (2013). Effect of Reward on Employee Performance: A case of Kenya Power and Lighting Company Ltd. *International journal of Business and Management* , 8, 1833-3850.
- Oroh, R. V., Lapian, S. J., & Pandowo, M. (2014). Comparative Analysis of Reward and Employee Performance based on gender at Central Bank of Bank Sulut. 335-343.
- Pallant, J.(2005). Spss survival manual: 2nd ed. Allen & Unwin.
- Philips, J. J. (2007). *Accountablity in Human Resource Management.* Digital Printing.
- Robbins, S. P., & Judge, T. A. (2013). *Organizational Behaviour;15th ed.* USA: Pearson Education, Inc.
- Ruddy, A. C. (2007). *The Worldatwork Handbook of compensation, Benefits and Total Rewards: A comprehensive guide for HR professionals.* New Jersey: Jhon Wley & sons Inc.
- Sajuyigbe, A., Bosede, O. O., & Adeyemi, M. (2013). Impact of Reward on Employees Performance in a selected manufacturing companies in Ibadan, Oyo State, Nigeria. *International Journal of Arts and Commerce* , 2.
- Steen, S. L., Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2009). *Human Resource Management;2nd ed.* canada: McGraw-Hill.
- Stephen B. (2005). *Managing Human Resources.*4th ed. Blackwell Publishing ltd.
- Stredwick, J. (2005). *An Introduction to Human Resource Management, 2nd ed.* Great Britain: Elsevier Butterworth Heinemann.
- Stone, D. L., & Stone-Romero, E. F. (2008). *The Influence of Culture on Human Resource Management Processes and Practices.* New York: Taylor and Francis Group,LLC.

Thomas, K. (2009). *The four intrinsic rewards that drive employee engagement*,. *Business Journal* .

Torrington, D., Hall L. and Taylor S. (2008). *Human Resource Management*; 7th Ed. Prentice Hall.

Winfield, P. W., Bishop, R., & Porter, K. (2004). *Core Management: For HR Students and Practitioners* (2nd ed.). United Kingdom: Elsevier Butterworth-Heinmann.

(<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>)

(<http://www.combanketh.et>)

<http://www.dbe.com.et/>

APPENDEX 1 - Questionnaire

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

Department of Business Administration and Information System

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

Note

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

Thank you very much, in advance, for your sincere cooperation.

If you have any comment and questions you can contact me through the following address;

Betelhem Tsegaye (+251913551531) (bettytse_tmm@yahoo.com)

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

Part one: Demographic Information

1. Gender Male Female

2. Age

Under 25 <input type="checkbox"/>	25-30 <input type="checkbox"/>
31-35 <input type="checkbox"/>	36-40 <input type="checkbox"/>
41-45 <input type="checkbox"/>	above 45 <input type="checkbox"/>

3. What is your current educational status?

Diploma <input type="checkbox"/>	Masters Degree <input type="checkbox"/>
First Degree <input type="checkbox"/>	Other, please specify _____

4. Years of service in the bank

Less than 1 year <input type="checkbox"/>	1-4 <input type="checkbox"/>
5-9 <input type="checkbox"/>	10-15 <input type="checkbox"/>
16-20 <input type="checkbox"/>	above 20 <input type="checkbox"/>

5. Current position: Managerial Non-managerial

6. In which of the following salary ranges fall your salary?

2,000-3,500 <input type="checkbox"/>	3,501-5,000 <input type="checkbox"/>
5,001-6,500 <input type="checkbox"/>	above 6,500 <input type="checkbox"/>

7. Name of your organization

CBE CBB DBE

Part two: Type of reward practices provided

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

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

The following questions are presented on a five point Likert scale.

1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

Part Three: The effects of reward practices

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

Part Four: the influence of each reward practices

	Salary/pay	5	4	3	2	1
1	My salary is satisfactory in relation to what I do					
2	The amount of basic pay I receive is fair relative to the industry's average					
3	The basis of payment, for example overtime payment is reasonable					
4	Salary adjustment/increment is made within a reasonable / logical time period					
5	Salary increments are made based on the performance results of workers					

6	Salary increment made for high performers will encourage others to perform more					
	Benefit packages (medical, insurance, loan)	5	4	3	2	1
7	The medical and insurance schemes are attractive					
8	The organization's housing loan policy is attractive					
9	Provision of attractive housing loan policy will help to retain high performers					
10	Benefit packages are modified as necessary to ensure organization's competitiveness					
	Promotion	5	4	3	2	1
11	Everyone has an equal chance to be promoted					
12	The existence of promotion has no effect on the level of performance of my work					
13	The organization's promotion policy is clearly communicated to all employees					
	Recognition	5	4	3	2	1
14	I get credit for what I do					
15	I receive constructive criticism (positive feedback) about my work					
16	The existence of recognition for good work, has given me an opportunity to work beyond the requirements of my job.					
17	Proper recognition of high performers will encourage low performers to work hard					
	Working conditions	5	4	3	2	1
18	My working hours are reasonable					
19	I am never overworked					
20	Creation of conducive work environment will encourage high performers to improve their performance more					
21	The existence of safe working conditions has encouraged me to give sustained high performance at work.					

No.	Employee performance	5	4	3	2	1
1	Employees are rewarded based on his/her individual performance.					
2	The existing benefit package (medical cost coverage..) are helping employees for higher levels of performance					
3	The banking work environment is good for young employees in enabling them to optimally utilize their skills, knowledge and strong potential					
4	The organization has a good culture of recognizing employees for successful completion of tasks					
5	Performance standards in my organization are clear and easily understandable					
6	The reward practices have a positive effect on the employees' job performance					

Part four: Employees' perception

		5	4	3	2	1
1	The organization's reward practices strongly consider the level of my performance.					
2	The organization's reward practices strongly consider my educational status.					
3	The pay I receive is internally equal with my colleague who is having the same experience and educational qualification.					
4	I have a chance to be promoted equally with my colleagues who are with the same educational status and experience.					
5	I believe that the organization's reward practices are equivalent with level of my contribution.					
6	The organization's reward practices compensate excellent performer more than average performer.					

APPENDEX 2 – Correlations output

Correlations

		Pay/salary	Benefit	Promotion	Recognition	Working condition	Employee performance
Pay/Salary	Pearson Correlation	1	.437**	.523**	.453**	.368**	.552**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	297	297	297	297	297	297
Benefit	Pearson Correlation		1	.312**	.301**	.357**	.353**
	Sig. (2-tailed)			.000	.000	.000	.000
	N		297	297	297	297	297
Promotion	Pearson Correlation			1	.358**	.195**	.461**
	Sig. (2-tailed)				.000	.001	.000
	N			297	297	297	297
Recognition	Pearson Correlation				1	.420**	.526**
	Sig. (2-tailed)					.000	.000
	N				297	297	297
Working condition	Pearson Correlation					1	.519**
	Sig. (2-tailed)						.000
	N					297	297
Employee performance	Pearson Correlation						1
	Sig. (2-tailed)						
	N						297

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

APPENDIX 3 – REGRESSION OUTPUT

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 ^a	.495	.486	.48798

a. Predictors: (Constant), pay/salary, benefit, promotion, recognition, working condition

b. Dependent Variable: employee performance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	67.890	5	13.578	57.021	.000 ^b
	Residual	69.295	291	.238		
	Total	137.185	296			

a. Dependent Variable: employee performance

b. Predictors: (Constant), salary, benefit, promotion, recognition, working condition

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
	1constant	.595	.176				.	.001	.249	.941		
Pay/salary	.194	.046	.232	4.222	.000	.104	.284	.552	.240	.176	.577	1.732
Benefit	.015	.041	.018	.367	.714	-.066	.096	.353	.022	.015	.754	1.327
Promotion	.156	.039	.198	3.973	.000	.079	.233	.461	.227	.166	.699	1.431
Recognition	.230	.052	.221	4.435	.000	.128	.332	.526	.252	.185	.700	1.430
Working condition	.271	.044	.296	6.136	.000	.184	.359	.519	.338	.256	.747	1.339

a. Dependent Variable: employee performance