

**ADDIS ABABA UNIVERSITY
COLLEGE OF SOCIAL SCIENCE
FACULTY OF BUSINESS & ECONOMICS
MSC.MANGEMENT**



**The Effect of Financial Reward on Employees' performance: In the case of kolfe keranyo
sub city woredas'.**

**A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Master of
M.S.C in Management**

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DECLARATION

I, **DANGACHEW BEYENE GEBERE**, declare that the research project entitled: The Effect of Financial Reward System on Employees' Performance: in the case of kolfe keranyo sub city wordas' is my original work under the guidance and advice of my advisor, Assistant Professor TEWODEROS WUHHB. This research project is done as a partial fulfillment for the requirement of Masters of Science Degree in Management .This research has not been done before and all sources of materials used for the study have been appropriately acknowledged.

DANGACHEW BEYENE GEBERE

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This is to certify that Dagnachew Beyene has completed his thesis entitled — The Effect of Financial Reward System on Employees' Performance: in the case of kolfe keranyo sub city woredas' is his original work and is submitted for examination with my approval as thesis.

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This is to certify that the thesis entitled, *The Effect of Financial Reward System on Employees' Performance: in the case of kolfe keranyo sub city woredas'* was carried out by Dagnachew Beyene under the supervision of Tewodros Wuhib (Assistant professor) submitted in partial fulfillment of the requirements for the degree of Master of MSc in Management complies with the regulations of the University.

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LIST OF ACRONYMS

M	MEAN
SD	STANDARD DEVIATION
FD	FINANCIAL REWARD
P	P-VALUE
K.K	KOLFA KERANYO
S.C	SUB CITY
E.C	ETHIOPIAN CALENDAR

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ABSTRACT

The study attempts to explore the effect of financial reward on employees' performance the case of kolfa keranyo woredas', Addis Abeba, Ethiopia. To achieve the objective of the study, quantitative research methodology was used to explore data obtained from primary and secondary sources. Primary data were collected by means of survey questionnaire. Secondary data were generated through reviewing the works of scholars, published and unpublished documents. The data collected were analyzed, summarized, and interpreted through quantitative methods of data analysis. For the purpose, Statistical package for social sciences version 26 software was employed. The explanatory research method was used to explain and supplement the numerical data. This study adopted explanatory research design. Systematic random sampling was used to determine the sample unit. And simple random sampling was used to determine the sampling procedure and size to choose among 369 individual samples selected. The finding of the study reveals that the financial reward is not sufficient enough to motivate employees to exert their maximum effort for the job. The study has attempted to respond to the research questions stipulated. Accordingly, the findings of the study reveals that There is a positive significant relation($r=0.646, p<0.01$) between (employee performance and financial reward).Furthermore,the study has found out that there is a significant relation between salary and employees performance.That is,the result shows that there is a moderate positive relationship with($r=0.519, p<0.001$)between salary and employees performance .

KEY WORDS: Financial rewards; employees' performance; Basic salary; Allowance

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

According to Chan and Lynn (1991), employees performance is highly related to organization al performance, effective and efficient employee performance will positively influence organizati onal performance. According to the resource based view, employees are the resources and assets of an organization consequently organizations need to figure out strategies for identifying, encour aging, measuring, evaluating, improving and rewarding employees' performance at work. The goal of any organization is to attain its goal and general objective. In this 21th century the human capital are key to achieve this goals for any organization, at this modern and competitive time organization are in need to keep their employees satisfied by aiming to get maximum performance from them. In any organization, rewards play an important role in building and sustaining the commitment among employees that ensures a high standard of performance and workforce constancy(Wang et al.2004).The key component of an organization is the workforce by increasing performance of the work force organization can gain organization competitiveness. The critical component in any organization is the employee and by improving the employee's performance at work place organizations can successfully compete (Altrasi, 2014).

At this time of globalization there is saying that employees are the vital asset of any organization if any business need to be successful it have to keep its employees satisfied this Means especially in country like Ethiopia financial rewards play great role to keep employees satisfied and make them loyal to their organization.

Public service sectors are government owned and budgeted organizations .The salary and other financial rewards come from the budget of the government. Because of this fact the society that

get services from this public service in particular from woredas have to get good service from this institution but the reality is far from this.

Financial rewards enhance the direct satisfaction of employees and their engagement with the company(zafarullah&Dr sharje,2012,8). Financial rewards include pay, bonuses, transportation facility, health insurance, and pensions. Therefore, employees receive financial payments from their employers in the form of salary or commissions. Basically, there are different types of financial rewards. A bonus can be defined as an additional compensation given to an employee as a motivator or a reward for his/her hard work. In the public sectors employees get salary for their work, bonus in training form and incentives for extra work they will accomplish and transportation service on entry time and going back to home. in my study I would like to asses that this Financial rewards are sufficient to employees to build their moral ,motivation and their performance also try to see the financial rewards are distributed fairly to employees for example some incentive are going only to the political attached employees and political leaders .

Employee's job performance is in away related with the financial rewards they get from their job. Organization's expectation from employees are to follow the rules, policies and regulations of the organization and employee's expectations are better working environment, good monetary rewards especially higher pay. If an organization makes available more financial reward, the employees of that organization will be more motivated and satisfied so for our government to be successful in the police of employees reward and to get the maximum benefit from its employees need to study the matter carefully. Therefore the paper tries to find out possible relationships that exist between financial reward and employee performance. In this regard, many researches in the motivation field have come to decision that the organizations reward programs have an essential role in stimulating employees to perform creatively (Eisenberger,1992, Eisenberger & Rhoades, 2001, Armeli & Pretz, 1998).Creating reward mechanisms for good performance in the civil service is a hard task. There is not the same freedom as in the private sector to introduce bonuses or offer like company cars and holidays. The definition of what constitutes outstanding performance can be difficult. Much good performance comes down to effective team work rather than necessarily that of individuals. Poorly constructed reward schemes may distort performance achievements.

The general reward system is very important and critical issue that have to be set and implemented systematically, in developed countries they give very higher concern for the issue for example in u.s.a and japan their organizations practice this issue for more than century ,but in Africa the issue become important now a days. Especially in Ethiopia reward system is not designed systematically to improve employee's performance because of this fact I want to study the effect of financial reward on employee's performance of kolfa keranyo sub city woredas.

The sub city are responsible for day to day activity through structure of the woreda to the society that's are under its boundary, different sectors give different type of services to community for instance trade & industry sector are responsible for all trade transaction in the boundary, the vital events registration is responsible for death ,birth and national id card to the community, small and micro industry sector are responsible for creating job for youth ,the housing agency are responsible for houses under government ,the finance ,the public service and human resource are sectors that are responsible for employees of the woreda.

As all departments are important for day to day activity of the structure employee's motivation and initiations for their job have to be excellent one of the key factors to keep employee's satisfied are financial rewards.

1.2 STATEMENT OF THE PROBLEM

Guajardo (2011) found that monetary reward is strong incentive in Africa. Financial reward is the most important seditious factor to employees to achieve the objective of the company, at this 21th century human resource are seen as key to the success of an organization for the success to be effective whether organization are public sector, private or any organization they have to have their own rewarding strategies. In order to maximize the performance of workers, the organizational leaders must develop some policies and techniques, and provide a good system for these processes and select the rewards which stimulate the employees to satisfy them.

Rewards include both financial and non-financial rewards. Financial rewards enhance the direct satisfaction of employees and non-financial rewards are helpful for the recognition of employees and that recognition is a motivational tool for the employees and leads to the work engagement (Burgess &Ratto, 2003). The study tried to see only the financial rewards because it has direct relation with employee's performance.

The way organizations lead their financial reward determined or influenced the attitudes of employees towards work, as well as their performance. Studies also shows that employee's rewards policy in any organization controls the action and pattern of work hence a major driving force towards organizational development.

On the other hand, financial incentives can boost motivation, but non-financial incentives are more effective motivators because these incentives have an intrinsic motivational impact on the workers. So, workers who are intrinsically Non- financial incentives are rewards other than money, for instance recognition, training and development for employee's learning needs, and flexibility of working hours (zufaraullh waqas, 2014, p6). Any organization in general needs employees who are capable to perform their duty. The sub city in particular needs employees who can perform well. For without them customer satisfaction as well as basic function of the administration would also be affected. To use employee's full capacity and to get jobs done, to be loyal must care of their employees.

By 2009 E.C the Ethiopian government on national level had made new reform regarding the position and salaries. The governments try to implement this GAG project by studying all job's and the idea was to make same graded positions to get same level and same reward on national level.

As we know Ethiopia is one of the poorest countries of the world and the country current situation is known for low economy value and high number of unemployment rate. The Ethiopian government is trying solution by creating job opportunity to the youth to decrease the unemployment rate. In case of kolfe keranyo sub city a file which compiled by Human Resource planning and development team from (2009-2011) on average indicated that, the major reasons for leaving kolfe keranyo were the problem of reward System. The report Points out 90% of employees leaving the public service sector is related with financial reward system. The Studies by (Payam, Ali, Seyed, and Mohamed 2013) justify that the management of rewards process should be helpful to the firm to realize its goals by keeping the people's needs, and by developing their performance.

kolfe keranyo sub-city is one of Addis Ababa's city administrations that's having role to serve the general public of Addis Ababa in its territory. Even though it gives different service in terms of its quality of service there is big question. The aim of this study is to determine the relationship between financial reward and employee's performance among kolfa keranyo wordas employees. The public service is facing low employees performance in their job and high turnover, absenteeism and lack of job commitment. The study attempted to accomplish the effect of financial reward on employee's performance of wordas.

1.3 RESEARCH QUESTIONS

This study intended to respond to the following research questions

- ✓ Is the financial rewards from sub city are effective to improve employee performance
- ✓ Try to examine relation between salary and employees performance
- ✓ To examine significant relation between allowance and employees performance
- ✓ Which financial rewards have highest impact on employee's performance?
- ✓ Do employees believe fairness about distribution of allowance?

1.4 OBJECTIVE OF THE STUDY

1.4.1 GENERAL OBJECTIVE

The general objective of the study is to identify the relationship between financial reward and employees' performance.

1.4.2 SPECIFIC OBJECTIVE

The specific of the study was to

1. Try to investigate the level of effect of financial reward system on employees of the sub-city
2. Determine if there is any difference in the level of performance due to the financial rewards, salary, and allowance.
3. Determine the effect of financial reward on employee's performance is affected by demographic factor.

1.5 SIGNIFICANCE OF THE STUDY

- The findings of this study benefits kolfa keranyo sub-city because both management and staff will gain a clear understanding on how rewards affect employee performance. In what way can be improved in way that all employees will be satisfied with police and rule and with its implementation.
- This study will be of significance to all other sub cities in Addis Ababa by providing ideas on how to deal with the effects of rewards on employee performance.
- This study will be used by human resources practitioners to make decisions regarding reward options of reward systems that they should consider for their respective organizations.
- This study will add value and knowledge to the body of researchers and academicians. Researchers can utilize these findings as a basis for testing hypothesis.
- This study aimed to achieve academic requirement for master's program from Addis Ababa University.

1.6 SCOPE OF THE STUDY

The research was conducted to kolfa-keranyo sub city woreda, which is found in Addis Ababa city, Ethiopia .The Study involved all Employees of kolfa keranyo sub city woreda employees that are permanent staff. The Study specifically gathered data on financial Reward management practice and employee performance. This study was conceptually delimited to examining the effect of financial reward practices on employee performance by considering selected types of reward pattern 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 there is a link between the selected reward practices and performance of employee. To make this research manageable, the scope of the study is limited to employees of the kolfa-keranyo sub city woreda employee. In addition, study only confined to financial reward system. Financial rewards focus only salary/base pay, performance based allowance and monetary benefits.

The study covers only permanent employee without part timer or contract workers and political managers. Lastly, for the sake of quality and specialization and to cope with the available time and resource constraints, this study focuses only the financial reward system practices of kolfakeranyo sub city woredas Employees.

1.7 ORGANIZATION OF THE PAPER

The study has five chapters. Chapter one provides background of the study, problem statement, research question, the aims and objectives, as well as the limitations and benefits of the study. It provides brief insight into the research study. Chapter two provides definitions of the most important concepts. This chapter provides a deep into these concepts by focusing on previous research in this area and presents reviewed literature relevant to this study. Chapter three describes the research design utilized. Specifically, the chapter describes the sample of the study, the measuring instrument used, the procedure followed to gather the data, and the statistical techniques used to analyze the data. Chapter four describes reports on the results of the analysis. The chapter proceeds with an analysis of the descriptive statistics on the variables under consideration. Chapter five describes the results of the study in greater detail and conclusion and recommendation will be given.

1.8 TERMS AND CONCEPTS

Financial reward : Financial rewards comprise all rewards that have a monetary value and add up to total remuneration base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance.

Basic pay (salary): It's a financial reward that an employee earns for the job he performed. Base pay is the amount of pay that constitutes the rate for the job or the person.

Allowance : Allowances are paid in addition to basic pay for special circumstances or features of employment. For example transport allowance, trainee allowance.

Employee's performance: is the productivity or result of the employee while doing the job. Employee performance means employee productivity and output because of employee development (Oroh, Lapia, & Pandowo, 2013).

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

This chapter reviews the theoretical and empirical findings around financial reward and employee's performance. The whole part of chapter is structured in to six sections (introduction, definition and concept, types of reward, philosophies of reward, employee's performance, and reward and employees performance

2.2 THEORETICAL LITERATURE REVIEWS

2.2.1 REWARD MANAGEMENT

Reward Management is concerned with the strategies, Policies and Processes required to ensure that the value of people and the contribution they make to organizational and team goal is recognized and rewarded Fairly, Equitably and Consistent. Assessing job through job evaluation and market Pricing. It should be emphasized that reward management is not just about financial rewards, pay and employee benefit. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility. A reward system consists of the interrelated processes and practices that combine to ensure that total reward management is carried out effectively to the benefit of the organization and the people who work there. For a reward system to be ideally motivational, the reward should satisfy a number of criteria; have value, be large enough to have impact, be understandable, be timely, the effect should be durable and finally the rewards should be cost efficient (Merchant, 2007).

An employee reward system consists of an organization's integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their market worth (Armstrong 2002). According to Armstrong, it is developed within the framework of the organization's reward philosophy, strategies and policies, and contains arrangements in the form of processes, practices, structures and procedures which will provide and maintain appropriate types and levels of pay, benefits and other forms of reward.

According to Michael Armstrong Reward management is essentially about designing, implementing, and motivating pay systems which help to improve organizational performance. Before employees do anything they look for reward (Agrawal, 2011). Reward management is now very important aspect of human resource management. Today, the reward infrastructures of modern organizations are comprised of two major categories of rewards financial and non-financial (Armstrong and Murlis, 2005 Milkovich and Newman, 2008). According to Holmes et al (2010), Reward systems are seen as the structured methods used by organizations in evaluating as well as compensating the performance of its employees. As part of the tools in motivation, workers can be made to remain satisfied within the organization if such structures are kept in place. All time these compensations are given out in financial forms and at other times, it is given out in non- financial forms. A financial form of rewards can come in the form of fringe benefits, salary/wage, etc. While non-financial form of reward could also come in the form of recognition, additional responsibility, etc. It is for these reasons that the researchers have decided to evaluate how financial reward systems would make the employees leave or want to remain in the organization. The issue of rewards was initiated by Herzberg et al. (1957) who labeled the achievement, recognition and advancement as an intrinsic reward that motivate the employees more than the extrinsic rewards, that is, salary, job security or working environment, etc.

Aims of Employee rewards

A reward system expresses what an organization values and is prepared to pay for. It is governed by the need to reward the right things in order to convey the right message about what is important in terms of expected behaviors and outcomes O'Neal(1994). The basic philosophy is that people should be rewarded for the value they create. As O'Neal (1994) points out: 'Pay is a function of the work system it supports. Pay systems will need to support the development of intellectual capital, universal use of information technology, strategic alliances, continuous learning, and employee populations that come and go.' The overall aim of employee reward is to support the attainment of the organization's strategic and shorter-term objectives by helping to ensure that it has the skilled, competent, committed and well-motivated workforce it needs. This means providing for the continuing improvement of individual, team and therefore

organizational performance, and taking steps that contribute to the creation of added value and the achievement of competitive advantage Lawler (1990). It has been emphasized by Schuster and Zingheim (1992) that 'People are the principal variable in organizational success.' Pay programs should aim to accomplish the following organizational objectives:

- ✓ To make best performance financially use full
- ✓ To communicate to best performers the importance of acceptable and better performance
- ✓ To communicate to less-than average performers the need to improve.

Total reward strategy is a holistic approach aligning with business strategy and people strategy; it encompasses everything employees value in their employment relationship like compensation, benefits, development and the work environment (Kaplan, 2007). This newly coming management approach acts according to the circumstance, helps with costing savings, brings about maximum return on the rewards strategy adoption, and builds up employment brand, all of which are likely to contribute to both short-term and long-term goals of an organization.

According to (Ronald, 2006) Reward could be done for the following purposes:-

- Reward people according to what the organization values and wants to pay for.
- Reward people for the value they create.
- Reward the right things to convey the right message about what is important in terms of behavior and outcomes.
- Develop a performance culture.
- Motivate people and obtain their commitment and engagement.
- Help to attract and retain the high quality people the organization needs.
- Develop a positive employment relationship and psychological contact.
- Align reward practices with both business goals and employee values.
- Operate fairly People feel that they are treated justly in accordance with what is due to them because of their value to the organization.

The Total Reward System comprises the financial reward and non-financial reward mechanisms available to an employer to motivate, attract and retain employees.

2.2.2 TYPE OF REWARD

Different Scholar has different study on the type of reward. Some classifies reward as extrinsic reward and Intrinsic rewards. And other defined as financial and non-financial reward will see all on this section of literature

2.2.2.1 EXTRINSIC REWARDS

Extrinsic rewards include benefits provided by the employer, usually money, promotion, or benefits (Decenzo & Robbins, 2007). Extrinsic rewards can be categorized into seven groups' compensation, benefits, workplace environment, development and feedback, promotion and career opportunities, and leadership. Extrinsic rewards are the non-job related rewards such as pay, salary and work conditions. Gupta and Shaw (1998) concluded in their research that financial incentives are indeed effective. They took the point of view that not all the jobs are interesting and challenging in nature, if we would live in an ideal world everyone would be intrinsically motivated and rewarded, but in many work places this is not the reality. They concluded that money matters to most of us and it motivates us because of the symbolic and instrumental value it bears. Symbolic value of money recaps what we ourselves and what others think about it, instrumental value of money means the ends we can get for exchanging it. When money is used to recognize the employees for the good work done according to Nelson this sends wrong signals to the employees the emphasis put on financial rewards drives employees to reach for individual gains and reduces team work. (Nelson 2004, 14) Gupta and Shaw (1998) also acknowledged the signals monetary rewards send to the employees but they appealed humans to be cognitive processors who understand the signals management is sending by rewards, rewarding shows employees what kind of behavior is valued. Armstrong et al. (2010, 5) said that the short-term solutions provided to solve the reward management programs might result in long-term problems referring to the use of extrinsic rewards when trying to motivate employees.

2.2.2.2 INTRINSIC REWARDS

Intrinsic rewards are based on positively valued experiences that an employee gets when performing a job. Sense of meaningfulness, of growth, sense of choice and sense of community.

Intrinsic rewards are satisfaction derived from the job itself, such as pride in one's own work, a feeling of accomplishment, or being part of a team.

Intrinsic rewards are the job inherent, intangible, non-financial rewards included in the job itself such as job tasks, challenging and interesting job and training possibilities offered to the employees. Nelson (2004, 14) noted that praise and recognition are the most efficient intrinsic rewards an employee wants to hear as employees want to feel that they are making a contribution at their workplaces. He mentioned Elisabeth Kanter on his article who said that "Compensation is a right; recognition is a gift." Nelson also said that recognition, especially if showed in public in front of the other employees sends favorable signals to the other employees of whom kind of behavior is favored and desirable by the management. According to Jensen et al. (2007) it is the intangible rewards which determine why an employee would choose one company over another when tangible rewards are given the same. This is a way how companies can really stand out of the crowd by the use of the attractive rewards. The main stream among the researchers believe that intrinsic rewards are more efficient while not neglecting the extrinsic rewards which are usually always present in organizational context. For example, Mottaz (1988, 478) emphasized the importance of intrinsic rewards but captured the significance of extrinsic rewards as follows few, if any, workers would continue to work on a job for very long if extrinsic rewards were completely inadequate. Also, Buckman (1991) argued that the monetary rewards act on the background but what really make difference in employee's organizational behavior is the intrinsic rewards. Kohn (1993) stated that financial rewards are at their best creating temporary compliance meaning that money motivates us as long as we get another pay increase. Temporary compliance refers to the short-sighted value it manages to add in individual's motivation. Once a pay increase is received it motivates for a short period of time until motivation is again declined and employees start to wait for another pay increase. He said that: "promising a reward to someone who appears unmotivated is a bit like offering salt water to someone who is thirsty." The criticism he presented against using money as a motivator is that money do motivate

2.2.2.3 NON – FINANCIAL REWARD

Non-financial rewards these involve the non-monetary incentives. These are also important in motivating employees (Kalaiselvan, 2009). Non-financial incentives are

- **Job security:** Nothing can motivate a worker, appointed temporarily, better than provision of job security. Even if a temporary worker puts in greater efforts, lack of job security will always pose a threat.
- **Challenging work:** Workers who are dynamic in nature do not show preference for routine jobs. They are always ready to accept challenging assignments. It is, therefore, the duty of the employer to understand the capabilities of every individual in the organization and accordingly assign work to such worker. If a conservative person is given a job that requires a dynamic approach, such may not have any motivation to take it up. On the other hand, if a dynamic person is given a routine job, he/she will not feel induced.
- **Recognition:** It is important that the employer recognizes hard work. Even a word of appreciation from him would motivate the employees to maintain the same level of performance or do even better. Recognition need not necessarily be in the form of tangible benefits to employees. It may be any gesture from the employer which should come at the right time.
- **Better Designations:** The designation of an employee is yet another motivating factor. Employees do show preference for certain designations. A salesman, for example, would like to be designated as a sales executive.
- **Opportunities for advancement:** There should never be a stagnation point for any employee during the prime time of his/her career. The employer must always provide opportunities for employees to perform well and move up in the hierarchy.
- **Participation in decision-making:** Another non-financial incentive that stimulates any employee is the involvement in certain crucial decisions. For example, if the management decides to buy new machinery for the factory, the workers' viewpoints may be secured before making the final decision. The management should avoid unilateral decisions on such matters.
- **Competition:** The management can encourage healthy competition among the employees. This would, certainly, motivate them to prove their capabilities. The management can also rank employees to get more money, the employees according to performance. Such of those employees who have performed very well may be given merit certificates.

- **Job rotation:** By job rotation we mean that the employees will be exposed to different kinds of job. This certainly would break the monotony of employees. For example, in a bank an employee may work in the savings bank Section for some time after which he may be posted to the cash section. Such a change not only motivates the employees to perform well but also prepares him to be versatile.

Financial reward includes tangible rewards provided and controlled by firms (Kanungo and Hartwick, 1987). However, in contrast, Non –financial reward do not benefit employees in a monetary sense Examples include recognition, alternate work arrangements, and training and development opportunities. Money can be a major factor in an individual choice of to work or performance, but beyond that, other incentives are often more important when it comes to motivating him or her at the workplace. Non-financial incentives are the types of rewards that are not part of an employee’s pay. They are physical or perceptible incentives, and associated element which are used in an organization to encourage workers devoid of direct cash compensation. Perceptible, non-financial motivations denote physical substances which include citations, gift, certificates, clothing, key holders and discounted tickets to access different facilities at the workplace. While the concept of the money as a strong a motivator seems solid, the truth of the matter is that many people do not necessarily consider money to be the top motivator at all. (Wiesen, 1999), states that Non-financial incentive has the prospects to encourage workers devoid of cash rewards. Work related non-financial compensations have the probability to induce workers inherently. Jobs with different duties, accountability, independence, empowerment and career development prospects are very essential in gratifying workers particular wants and may arrive at a situation that makes the employee feel that the work in itself is noteworthy of putting more energy devoid of the necessity of any outside compensation. There are various types of non-monetary incentives used to motivate staff in organizations.

Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. Non-financial rewards can be extrinsic such as praise or recognition, or intrinsic, associated with job challenge and interest, and feelings that work is worthwhile (Armstrong, 2010). 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, associated with job challenge and interest, and feelings that the work is worthwhile. 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 non-financial 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.

2.2.2.4 FINANCIAL REWARD

Financial reward is a measure of influencing individual's drive to act towards desired direction. Monetary rewards comprised all rewards that have a monetary value and add up to total remuneration such as base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance (Armstrong, 2010). The monetary motivational factors are connected directly with money or measurable in monetary worth which is provided for better performance. These factors are extremely attractive to employees as they get the benefits quickly and in concrete terms.

Financial reward frequently is suggested as a method for motivating and improving the performance of persons who use and are affected by accounting information (e.g. Atkinson, Banker, Kaplan, Young, 2001). Further, researchers have been encouraged to employ incentives in experimental studies so that subjects are sufficiently motivated and participate in a meaningful fashion (e.g. Davis & Holt, 1993; Friedman & Sunder, 1994; Roth, 1995; Smith, 1982, 1991). The issue of whether performance-related pay really improves efficiency and productivity is highly contested (Francois 2000; Moynihan 2007). Bowen (2002) describes that reward is something which is given or received in return for a success or achievement in other words reward is used as an appreciation of certain behavior in the shape of monetary or non-monetary incentives after certain accomplishment or a success.

It is very unfortunate that various works of behavioral scientists such as Herzberg have affected the mindset of most employees in thinking that feedback, challenging jobs, cohesive teams and several other non-monetary factors are the factors that stimulate the motivation (Harunavamwe and Kanengom, 2013).but for country like Ethiopia monetary reward are important factor Pfeffer (1998); Armstrong; (2007) further affirms that employees actually work for money rather than a good working environment. This form of reward provides some form of power to the employee who can make him afford luxuries and necessities of life as well as keep him satisfied (Enyia, 2015). Just like the general saying that money rules the world, without money, most employees would not be respected in their homes, especially where they are the breadwinner.

Guajardo (2011) found that monetary rewards are the strongest incentive in Africa, especially salary increase or performance based rewards. Armstrong (2010) argued that monetary rewards are the core element in total reward. Similarly, a study conducted by Narsee (2012) in South Africa found that financial reward is the most important reward category. These findings cannot be far from the fact that people work so that they can satisfy their various needs and wants from the reward they get. Therefore, a good monetary reward package attracts not only competent workers and retain them, but also determine their commitments and attitudes towards work and kolfa keranyo employees are not exception.

Financial rewards are monetary incentives that an employee gets because of good performance. These rewards are connected with organizational goals. When an employee aids an organization in to obtain its goals, a reward often follows. All financial rewards are extrinsic.

The most powerful sayings advanced for monetary rewards is that those who contribute higher should be paid more. It is right and proper to recognize achievement with a financial and therefore tangible reward. This is in regard with the principle of distributive justice which, while it states that rewards should be provided equitably, does not require them to be equal except when the value of contribution is equal. Financial rewards can also be used to highlight key performance areas and generally to emphasize the importance of high performance. A recent empirical study (Wllams, McDanel, & Nguyen, 2006) found that employees felt more satisfied with their pay level when they had Positive perceptions of pay for performance, Positive

perceptions of their job design ,Larger base pay , Larger pay increases , Perceptions of pay fairness organization's strategic objectives

Financial rewards consist of the value of all cash payments such as base pay, contingent pay and allowances .And the starting point of the reward system is the business strategy of the organization. This identifies the business drivers and sets out the business goals. The drivers are unique to any organization but will often include items such as high performance (Armstrong 2007).

Financial reward can be different system in different company but the main types can be

Base Pay Approach

Merit Pay Approach

Performance based approach

Use of bonus

Group incentive and other (Environmental and Organizational Context)fred luthans 110

2.2.2.4.1 BASE OR BASIC PAY /SALARY

Salaries are defined as the monthly payments that employers pay their employees for services rendered based on contractual agreements (Boselie, Dietz & Boon, 2015). Fixed pay (also referred to as based pay or salary) is the cash compensation that an employer pays in return for the work performed by an employee. It reflects the value of the job or the person performing the job (his/her skills and knowledge). Its main purpose is to attract talented individuals, retain them and foster their long-term commitment to the organization.

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, for shop floor workers, the level of skill required. Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities are assessed by trackingmarket rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

Base pay may be expressed as an annual, weekly or hourly rate. This is sometimes referred to as a time rate system of payment. Contingent pay or allowances as described later may be added to base pay. The rate may be adjusted to reflect increases in the cost of living or market rates by the organization unilaterally or by agreement with a trade union (Armstrong 2007). Pratheepkanth (2011) equally argues that salaries and wages can only enhance employee performance to a certain level.

2.2.2.4.2 CONTINGENT PAY

Additional financial rewards may be supplied that are related to performance, competence, contribution, skill or experience. These are referred to as contingent pay may be added to basic salary, i.e. „consolidated“. If such payments are not fused (i.e. paid as cash bonuses) they are described as „variable pay“ (Losey 2005). Compensation is all forms of monetary rewards provided to employees in return for their services.

2.2.2.4.4 ALLOWANCES

Allowances are paid in addition to basic pay for special characteristics or features of employment. They may be determined unilaterally by the organization but they are often the subject of negotiation. The main types of allowances are location allowances, overtime payments, shift payments, working conditions allowances and stand-by or call-out allowances made to those who have to be available to come into work when required (Losey 2005).

2.3 EMPLOYEE’S JOB PERFORMANCE

The Oxford English Dictionary defines performance as “The accomplishment, execution, carrying out, and working out of anything ordered or undertaken”. The definition presented above explains about the outcome/output but it also articulates that performance is about doing the work as well as being about the results achieved (Armstrong, 2010). Performance is regarded generally as the outcomes achieved. It is taken as the something done by person irrespective of the purpose. While some of them argue that it should be defined as work outcome because they provide the strongest links to the strategic goals of the organization, customer satisfaction, and economic contributions. Traditionally performance was evaluated on the basis of outcomes only but now the parameters has emerged which not only look after the ends rather it also considers means. Compliance of stated method, compliance of ethics is also being evaluated now.

Employee performance is also defined as the achievement of set standards in terms of accuracy, and completeness over a specified period of time (Afshan et al., 2012). Fay and Thompson (2001) has indicated several studies about the evaluation of reward criteria in employer's viewpoint, but failed to locate a single evaluating strategy that prophases the rewards impact on employee's performance

Franco et al (2002) defined performance that relies on internal motivation but presence of internal factors such as necessary skills, intellectual capacity and resources to do the job clearly have an impact. As a consequence employers are supposed to provide appropriate working conditions in order to make Performance is indeed often regarded as simply the outcomes achieved: a record of a person's Accomplishments. Kane (1996) argues that performance 'is something that the person leaves behind and that exists apart from the purpose'. Bernardin(1995) believe that Performance Should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions sure the performance of employees meet the required standards.

Performance is a multicomponent concept and on the fundamental level one can distinguish the process aspect of performance that is behavioral engagements from an expected outcome (Borman,& Motowidlo, 1993; Campbell et al., 1993; Roe, 1999). The behavior over here denotes the action people exhibit to accomplish a work, whereas the outcome aspect states about the consequence of individual's job behavior (Campbell, 1990). Apparently in a workplace the behavioral engagement and expected outcome are related to each other (Borman, & Motowidlo, 1993), but the comprehensive overlap between both the constructs are not evident yet, as the expected outcome is influenced by factors such as motivation and cognitive abilities than the behavioral aspect. Performance in the form of task performance comprises of job explicit behaviors which includes fundamental job responsibilities assigned as a part of job description. According to David A.Decenzo and Stephen P.Robbins(2007),interests in effective use of rewards to influence workers performance to motivate them began in the 1970s.the performance of workers has become important due to the increasing concern of human resource and personnel experts about the level of output obtained from workers due to poor remuneration. Measuring performance is great importance to an incentive plan because it communicates the importance of

organizational goals. What get measured and rewards get attention Chaundry & Sharma,(2012). Measuring employee performance must include quality that can be measured by percentage of work output that must be redone or is rejected.

Performance is indeed often regarded as simply the outcomes achieved a record of a person's Accomplishments. Kane (1996) argues that performance is something that the person leaves behind and that exists apart from the purpose. Bernardin(1995) believe that Performance Should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions.

Performance could therefore be regarded as behavior the way in which organizations, teams and individuals get work done. Campbell (1990) states that Performance is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors. Measuring performance is of great importance to an incentive plan because it communicates the significance of established organizational goals. What gets measured and rewarded gets attention (Bohlander, 2001). In discipline of human resource management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is excluded; Customer satisfaction that can be measured by the number of noble customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given ascertain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006).The management of individual performance within organizations has traditionally centered on measuring performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation.

2.3.1 THEORY OF EMPLOYEE PERFORMANCE

2.3.1.1 THE GOAL SETTING THEORY

The goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in

motivating him for superior performance. Skills required include the ability to engage employees in mutual goal setting clarify role expectations and provide regular performance feedback. Time and energy will also need to be given to providing relevant performance incentives, managing processes, providing adequate resources and workplace training. It also advice that in order to drive the organization to peak performance managers and supervisors must put out front the human face of their organization. Principle here is the human-to-human interaction through providing individualized support and encouragement to each and every employee (Salaman et al, 2005).

2.3.1.2 THE EXPECTANCE THEORY

It is based on the hypothesis that employees adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The employees modify their behavior in such a way which is most likely to lead them to attain these goals. The theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Guest 2002).

The most widely accepted explanations of motivation have been propounded by Victor Vroom. His theory is commonly known as expectancy theory. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and shall result into realization of personal goal in form of some reward future events. The theory focuses on three things efforts and performance relationship, performance and reward relationship, rewards and personal goal relationship (Salaman et al, 2005).

2.4 MONETARY REWARD AND EMPLOYEES JOB PERFORMANCE

The subject between reward system and employee performance has been well studied in many literatures. For instance, Gerhart and Milkovich (1992), Colin Pitts (1995), Armstrong & Murlis (1998), Ballentine (2003), Armstrong and Brown (2006) and Bratton and Gold (2007) concluded that reward system has a significant effect on employee performance. According to them effective reward system can enhance the motivation of employees. This means organizations

with effective reward system can motivate their employees to increase organizational effectiveness. Behavioral theorists suggest that both financial and non-financial rewards possess motivational properties that satisfy multiple human needs and desires (Maslow, 1954). A clear reward performance link directs and reinforces organizationally valued behaviors (Bartol and Srivastava, 2002; Stajkovic and Luthans, 2003). Locke & Henna (1986), to access positive motivational properties, the distributed rewards made by organizations must be based on performance and any divergence in this ratio leads to unfairness. In this regard, managers who provide fair reward are better than those who do not. In other words, the employees who feel equality and fair in being rewards based on their effort, will be satisfied more and will attempt to act better for the future to get the other promised employer's reward. On the whole, it seems that rewarding is clearly comprehended hypothetically, accurately unbiased, and inflated; while the performance assessments have often been provided in economic researches.

Fredrick Herzberg mentioned that employees would not be satisfied just by meeting their lower-level needs. Indeed, gaining basic benefits and salaries, and having an appropriate working environment would not essentially make the staffs delighted and happy with their jobs (Herzberg, 1966). Non-financial rewards do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high-quality leaders (Nelson 1997)

A lot of research studies have already been carried out on the topic of reward and performance. This study analyzes and summarizes these studies to see the effects of financial reward on employee's job performance. Maslow's Need Hierarchy Theory Lower level needs are the basic biological human needs such as food, shelter, sex and dress while upper level needs are those which individual strives to achieve after the satisfaction of the lower level such as self-esteem and self-actualization.

There were a number of scholars who conducted research studies on an employee performance in the workplace. According to most of these theorists, such performance can actually be predicted, explained and influenced. One of these scholars is Nelson (1997) who established different reward way and relates with employee satisfaction and employee performance. The better satisfied employee expected to perform well. The important

relationships between employee performance and pay satisfaction have been well established in studies by Heneman, Kochan & Locke (1995). They showed that monetary compensation is one of the most significant variables in explaining better employee performance and job satisfaction. In addition, Hofrichter & Platten (1996) found financial rewards to have a significant impact on employee performance. According to Artz (2008) suggests overall, fringe benefits play a significant role in determining employee performance.

2.5 EMPIRICAL LITERATURE REVIEW

Different scholars have did study on the matter financial reward and employees performance .but all have different conclusion, some say financial reward are not major motivators for employees performance the other advocate that financial reward have significant impact on employees performance .will try to see all study that will help for our study.

There were a number of scholars who conducted research studies on financial reward and employee performance in the workplace. Danish & Usman (2010) suggested that a firm that fulfills both financial and non-financial rewards could be the best one. Moreover, they investigated the influence of financial motivators on the performance of employee. Indeed, the financial and non-financial rewards motivate the employees and this motivation leads to realize a higher performance level. For a very long period of time, it was commonly thought that financial incentive was the most powerful motivator. People went to work and did a good job in order to be paid a fair wage. If they work hard and long enough, that wage would increase, giving them additional pay. It was a full circle concept where Money= Motivation, Motivation= Work, Work= Money (Jennifer Foster, 2013). Therefore, the employee can be motivated since he or she is expecting a financial reward at the end of his or her performance. This is also supported by Taylor that indeed workers are motivated by financial incentives to be productive that is why his theory is often referred to money as a motivator theory. His theory said that workers are motivated by money and only by money.

Victoria Okojie (2009), focused on the various factors that influenced employee motivation in the National Library of Nigeria and also tried to find the impact of reward policies on the employees' satisfaction level. On analysis, the study concluded that an effective and efficient reward policy would greatly enhance employee motivation, which in turn leads to greater

productivity. Vroom (1964), supported the assumption that workers tend to perform more effectively if their wages are related to performance which is not based on personal bias or prejudice, but on objective evaluation of an employee's merit. The reward system must be related to the company's strategy, business environment and culture. Now the issue arises that how the financial reward system does fulfill employee needs and expectations? Bosses of organization want to hire the employee who is best fitted in organizational environment and works extra ordinary as compare to other employees. And it is possible only through the design of its reward system, (Wilson, Thomas, 1999). By Wilson, Thomas, (1999), The reward system acts as a tool for testing the capabilities of an employee required for the job and could be a measure of checking the willingness to follow the organizational goals and so creates an opportunity to select the right candidate for the job.

A study conducted by Payam, Ali, Seyed, & Mahmood (2013) attempts to review various variables in term of relationships between rewards and employee performance. In the study, two types of reward were identified, and they were financial reward and non- financial reward. The finding showed that reward can affect job satisfaction and thereby employee performance. Finally the study proposes a new framework based on mediating role of job satisfaction.

Isaack Korir, Dinah Kipkebut (2016) examines the effect of financial and non-financial rewards on organizational performance and employee commitment of employees in Universities in Nakuru County. Results indicated that there was a moderate significant positive relationship between financial rewards and affective performance and a weak significant positive relationship between financial rewards and normative commitment . The study found that financial reward management practices collectively have significant effect on organizational performance and commitment.

A research conducted on central bank of Nigeria, Abuja to examine relationship between rewards and employee performance. In this study, independent variables were intrinsic and extrinsic rewards and dependent variable was employee performance. They used random sampling technique to select sample collected data through questionnaire and analyzed data by Pearson's coefficient of correlation. It was finding of study that there exists strong and

significant relationship between extrinsic rewards and employee performance while the relation between intrinsic rewards and employee performance was insignificant.

Most study in Africa shows that financial reward and employee's performance has direct and significant relation. A few Pakistani researchers also assessed the impact of rewards on employee performance. Muhammad Arshad, Mohammad Safdar & Qamar-u-Din (2012), from their study presumed that better paid employees were more satisfied and highly motivated. Some studies suggest that financial performance rewards can have an opposite effect to the intended goal of enhancing performance (Forrest, 2008). Possible negative effects include, for example, unhealthy competition among employees and decreased job satisfaction due to a hostile work environment (Kellough & Seldon, as cited in Kim, 2010).

Said Kingir and Muammer Mesci (2010), on their study found social facilities like housing, transportation, medical benefits, etc as the most influencing factors of motivation on the performance level of the employees. The study on the employees working in 20 five star hotels in Mugla city, Turkey, found that employees gave more importance and preference to material rewards rather than non-material rewards. On the other hand Anna Axelsoon and Sandra Bokedal (2009), conducted a study on understanding the reward system on motivating the employees among different generations. The study on the employees working in Volvo Car Corporation concluded that the managers were not directly motivated by the reward system and the factors like challenging work and non-monetary rewards had impact on getting better results on the performance level.

On the other hand Gneezy and Rustichini (2000) provide evidence in a controlled laboratory environment. The authors find that, although performance increases with significant monetary compensation, small monetary incentives may actually undermine performance compared to a situation with no compensation at all. Ariely et al. (2009) and Pokorny (2008) provide experimental evidence that very high monetary rewards can also decrease performance. This evidence sheds light on the non-monotonic relationship between monetary incentives and performance. From all the empirical review we can see that on some case financial rewards are crucial and very important to enhance employees performance. Especially in poor country like Ethiopia,

Pakistan and Nigeria financial rewards are main motivators and increase performance of employees.

2.6 RESEARCH HYPOTHESIS

H1: financial reward has significant relation with employee's performance

H2: there is significant relation between salary and employees performance

H3: allowance has significant relation with Employee's performance

H4: organization has fair distribution of financial reward

H5: Demographic factors controls the relationship between financial reward and employee performance

2.7 CONCEPTUAL FRAMEWORK

As we see the theoretical and empirical literature review most study are supporting financial reward are important in increasing performance of employees .my study will apply independent and dependent variables in order to practice my research .my independent variable will be financial reward, salary and allowance and the dependent variable will be employees performance . On this study will try to see relation correlation and impact between the dependent and independent variables.

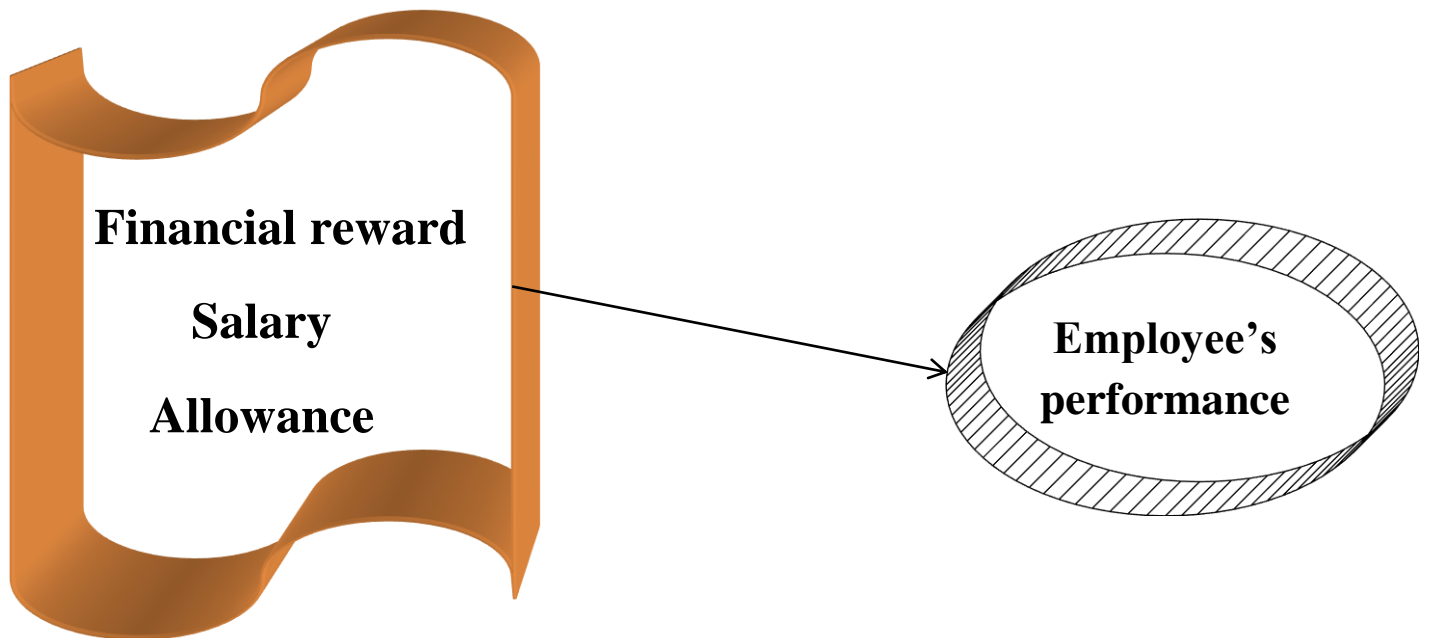


Fig 2.1 theoretical frame work

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presented the research design and methods used to conduct the study and the data collection methods used to answer research questions. This chapter focused on research design, study area, population of the study, sample size sampling technique, data source, data collection instruments data analysis and presentation.

3.2 RESEARCH APPROACH

The selection of a research approach is also based on the nature of the research problem or issue being addressed, the researchers' personal experiences, and the audiences for the study. It's a quantitative research framed in terms of using numbers (quantitative) and using closed-ended questions (quantitative hypotheses). Quantitative research paradigm emphasizes the importance of generalizability and reliability (Henn et al., 2006, p. 16). The aim is to apply the relationship obtained among variables to the general, i.e. the population. That is why the selection of a sample representative of the population is essential (Karasar, 1999).

3.3 RESEARCH DESIGN

A research design provides a framework or plan of action for the research, (Leedy, 1997, p195) defines research design as a plan for a study providing the overall framework for collecting data. The research is an explanatory kind of research that tried to find the cause and effect relationship between independent and dependent variable.

3.4 POPULATION OF THE STUDY

Population is the set of all elements of interest in a particular study (Anderson, 56). The targeted population for the study is 4687 kolfu keranyo subcity woreda employees that are permanent employees excluding contract employees and political leaders in 15 woredas. According to Hair, et al (2010) target population is a specified group of people or object for which questions can be asked or observed to collect required data structures and information.

3.5 SAMPLE AND SAMPLING TECHNIQUE

Sampling is the process of taking the representative of the population from the population. A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample. Sampling can be defined as the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen (Trachoma, 2006, n.p.).

Most of studies states that sample size is determined after considering statistical precision, practical issue and available resources. The study samples are chosen from the Kolfa Keranyo sub-city woreda employees from 4687 population target out of 15 woredas. According to StatPac (2012, n.p.) The advantage of probability sampling is that sampling error can be calculated. The study uses probability sampling. To select sample from 15 woredas the researcher chose to use systematic sampling and 3 woredas are selected: woreda 4, woreda 8, woreda 12 and simple random sampling used to select samples from the chosen 3 woredas.

3.5.1 SAMPLE SIZE

Sample size adequate depends on several issues which often confuse people doing surveys for the first time. Area of the study was the public sector particularly Kolfa Keranyo sub-city woredas and it's difficult to study the all woredas in sub-city. The sampling Technique used is **probability sampling method** because of the homogeneity of population out of 15 woredas, 3 woredas that are woredas 4, woredas 8, woredas 12 are selected in **systematic random sampling** method. Out of the population size of 4687 employees of Kolfa Keranyo permanent staff from the chosen 3 woredas in a **simple random sampling** 369 sample are chosen by This study adopted Denscombe (2007) sample size formula to determine the sample sizes as follows

$$n = \frac{N}{1 + Ne^2}$$

Whereby: -

n= sample size

N = total population

1 = Constant

e^2 = estimated standard error equal to 5% for 95% confidence level

The sample size of 369 chosen and each sample had 33 % being included in sample.

3.6 TYPE OF DATA AND DATA COLLECTION INSTRUMENT

Data collection is the systematic gathering of data using a specified scientific process (Cooper, 2014). This study used a structured questionnaire to collect primary data, Secondary data also analysed and used for this research.

3.6.1 PRIMARY DATA

Data that has been collected from first-hand-experience is known as primary data. Primary data has not been published yet and is more reliable, authentic and objective. Primary data has not been changed or altered by human beings therefore its validity is greater than secondary data. To collect primary data, the researcher employed the questionnaire method of data collection where questionnaire was distributed to the employees of kolfe keranyo woreda employees. The questioner was measured by five-point Likert scale assigned by 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree and 5= strongly agree. The Likert measures the level of agreement or disagreement. The Likert scale has scales that assist in converting the qualitative responses into quantitative values (Mugenda & Mugenda, 2003).questioner is constructed in different parts the first part is personnel information about respondent ,the second part is about financial reward and the last part is financial reward and employees performance .

3.6.2 SECONDARY DATA

Secondary data are information or data already collected by other researchers or institutions, usually for different purposes (Blumberg et al., 2008). Secondary data enable the researcher to place the study in the context of existing knowledge as well as broadens the researchers understanding to the research topic (Blumberg et al., 2008). Secondary data sources are financial statements, collective bargaining agreements, and senior staff conditions of service, newspapers and manuals on the subject matter which gave the researcher information about the performance of employees. The internet as well as other relevant publications were also consulted. For the purpose of the study, journal articles, organization policy manual and related previous research has been considered.

3.7 DATA ANALYSIS

To analyze the data obtained from the respondents both descriptive and inferential statistics were used. Accordingly, to assess the existing financial reward practice of the institute descriptive statistics such as mean and standard deviation were employed. On the other hand, to examine the relationship between the independent and dependent variable of the study. Pearson correlation coefficient was used. And, to determine the extent to which the dimension of financial reward affect employee's performance, the researcher used regression analysis.

3.8 MODEL DEVELOPMENT

To identify the existence and magnitude of correlation the researcher will use cross-sectional data regression. The dependent variable will be Employee's performance and independent variables are financial reward, salary, allowance.

$$E_p = f(x_1 + x_2)$$

$$E_p = \beta + \beta_1 x_1 + \beta_2 x_2 + e$$

Where

EP = Employee's performance

β = will be Employees performance if other variable are 0

x_1 = financial reward

x_2 =basic salary & allowance

e =error term or residual

$\beta_1, \beta_2,$ are coefficients of each independent variable

3.9 RELIABILITY AND VALIDITY

3.9.1 VALIDITY

Validity refers to the extent to which an instrument measures what is supposed to measure. Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable (Joppe 2000). To this end, the content of validity of the data collection instrument was determined through discussing the research instrument with the researcher experts in the field of study especially the researcher's supervisor. The valuable comments, corrections, suggestions given by the research experts assisted the validation of the instrument.

3.9.2 RELIABILITY

Reliability has been defined as stability of measurement over a variety of conditions in which the results should be obtained (Nunnally, 1978). According to Drost (2011), reliability of data from research instruments is affected by two errors namely random error and systematic error. To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was used (Mugenda 2008). Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization (Zinbarg2005).

3.10 ETHICS CONSIDERATION

Researchers need to protect their research participants develop a trust with them promote the integrity of research guard against misconduct and impropriety that might reflect on their organizations or institutions and cope with new, challenging problems (Israel & Hay, 2006). Discuss purpose of the study and how data will be used to participants, the right to participate voluntarily, to give personal address of the researcher if they have any question.to promise them that the information is secrete and not shared by other. Permission is also granted from all the selected wordas through formal letter. In addition, all who were assisted the researcher in one way or another was given due respect.

Chapter 4

RESULTS AND FINDINGS

4.1 INTRODUCTIONS

This chapter tries to represent the findings from the analysis of collected data. On this study tried to analyzed collected data through questioner that's primary data and secondary data that are collected from published and unpublished journals,book and reportes.369 questioners where distributed and 308 where filled and returned back that makes the response rate 84 %. The study emphasized on the effect of financial reward on employee's performance. The collected data were described and analyzed using statistical tools, Descriptive and inferential statistics with the help of SPSS. The response rate is above 50% margin confirmed sufficient so it's more than enough to make inference about the target population.

4.1 RELIABILITY ANALYSIS

The data collection tools (research instruments) should be designed in such way that they would be able to correctly measure the intended subjects under investigation and ensure the meaningfulness of the study findings. The reliability analysis was done using spss using cronbach alpha and the result was 0.800 and its shows that there is good internal consistence between the variables.

		N	%		
Cases	Valid	308	100.0		
	EXcluded ^a	0	.0		
	Total	308	100.0		

Reliability Statistics

Cronbach's Alpha	N of items
.800	

Table 4.1 Reliability analysis

4.2 DEMOGRAPHIC DATA

This study demographic data focus on the gender, age, year of service in the organization, educational level, salary and current position. The descriptive statics are discussed below

4.2.1 PARTICIPANT GENDER

This study had a gender response rate of (51%) female that's 157, and (49%) male that's 151 as the number is very proportional it's have almost equal chance of representing the male and the female even though the women have 2 % chance to be represented more .

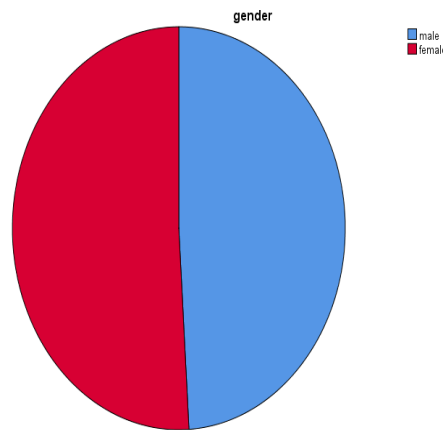


Figure 4.1 Gender data

4.2.2 PARTICIPANT AGE

Respondents age was part of the demographic data sought out by the researcher. The finding show that respondents whose age was between 18-25 years are 150 that's 48.7 % and those between 26-36 years were 98 (31.8%); respondents between 37 and 47 years were 42 (13.6 %) and participant on a range of 48 - 57 years were 18 (5.8 %) but we do not have participant above 58 years old and data is shown by table

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	150	48.7	48.7	48.7
	26-36	98	31.8	31.8	80.5
	37-47	42	13.6	13.6	94.2
	48-57	18	5.8	5.8	100.0
	Total	308	100.0	100.0	

Table 4.2 Age data

4.2.3 RESPONDENTS NUMBER OF EXPERIENCE

On the question I asked about how much years' experience you have on this organization out of 308 respondents 107 participants that are 34.7 % are less than 2 years' experience , 97 that's 31.5 have experience of 2-5 years, 40 respondents that's 13 % have 6-10 years and 64 respondent that's 20.8 % have more than 10 years' experience.

Years' experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 2 years	107	34.7	34.7	34.7
	2-5 years	97	31.5	31.5	66.2
	6-10 years	40	13.0	13.0	79.2
	greater than 10 years	64	20.8	20.8	100.0
	Total	308	100.0	100.0	

Table 4.3 years of experience

4.2.4 PARTICIPANT EDUCATIONAL LEVEL

When we see the level of education, the highest portion have B.A/B.Sc. 204 employees (66.2%), of respondents that had college diploma level education are 55 (17.9%), 24(7.8%) had master's degree,19(6.2%) had a grade level 1-12 grade while the remaining 6(1.9%) had certificate level education

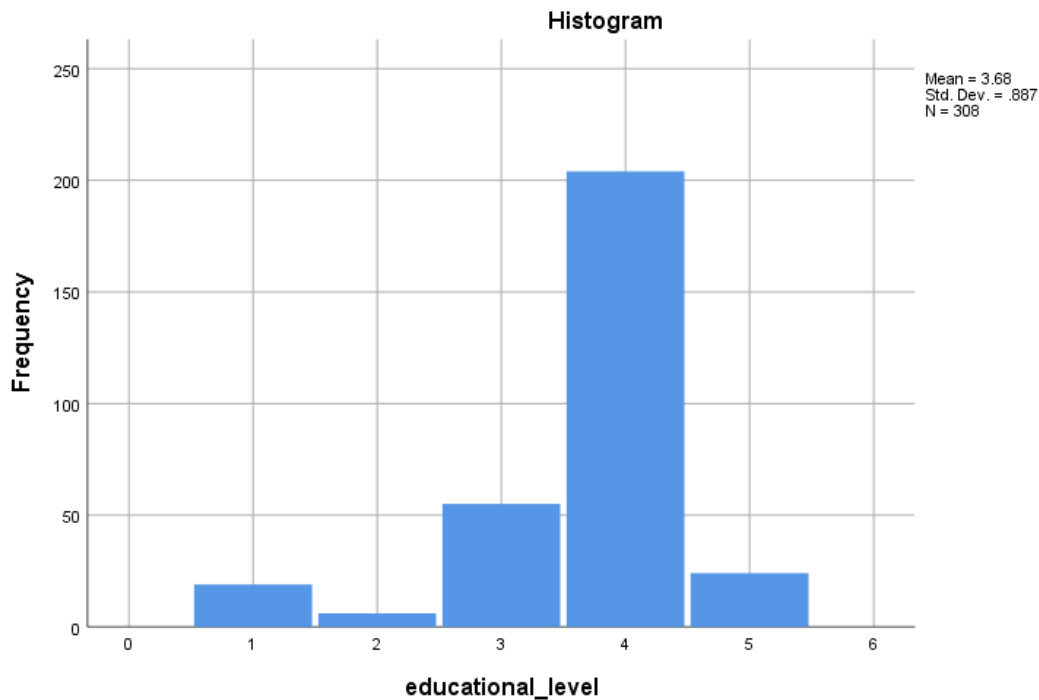


Figure 4.2 participant level of education

4.2.5 PARTICIPANT SALARY AND POSITION LEVEL

The last two question on the questioner try to find the level of each variable salary level and position based on different categories out of those the highest level of respondent fall in the salary category of 3501 -5000 birr that are 114 officers out of 308 respondents , the next category is 2001-3500 birr that are 94 officer ,the 3rd category is 1001-2000 birr that are 43 officer ,the 4th one is category 5000-10,000 birr that are 23 officer and 19 group leaders and lastly the 5th category is greater than 10000 birr that are 1 officer and 14 group leaders are shown in the table below

salary * current position Cross tabulation

Count

		Current position		Total
		officer	group leader	
Salary	1001-2000 birr	43	0	43
	2001-3500 birr	94	0	94
	3501-5000	114	0	114
	5001-10000 birr	23	19	42
	greater than 10000 birr	1	14	15
Total		275	33	308

Table 4.4 salary and current position

4.3 DESCRIPTIVE STATISTICS

4.3.1 FINANCIAL REWARD AND EMPLOYEE’S PERFORMANCE

The study tries to determine whether financial reward has impact on employee’s performance on kolfa Kearny woreda employees. Participants was asked different question regarding financial reward on a Likert Scale of five levels (strongly disagree for 1, disagree for 2, somewhat agree for 3, agree for 4 and strongly agree for 5) was adopted.

The five point likert scale is considered an interval scale. The mean is interpreted as follow

Values from 1 up to 1.80	strongly disagree
1.81 up to 2.60	Disagree
2.61 Up to 3.40	somewhat agree
3.41 Up to 4.20	Agree
4.21 up to 5	strongly agree
Values from 1 up to 1.80	strongly disagree

Table 4.5 value of the five point likert scale

Regarding the first independent variable financial reward respondent where asked nine different question and their response will be described below with table and narration.

	N	Mean	Std. Deviation
higher-financial-rewards-increase-performance	308	3.58	1.417
i believe that the general strategy of organization concerning financial reward is excellent	308	2.98	1.272
increased in financial rewards impacted my job performance	308	3.59	1.408
my salary level has a direct effect on my performance	308	3.56	1.434
i am happy with the frequency of financial reward	308	2.18	1.304
i believe that there is fair distribution of financial reward in the organization	308	2.61	1.315
the financial reward of my organization is good compared with other public sectors	308	2.81	1.408
the financial reward of the organization has positive effect on employees performance	308	3.37	1.362
overall the financial rewards system and policy of the organization is excellent	308	2.58	1.244
Valid N (list wise)	308		

Table 4.6 Descriptive Statistics

In the first statement regarding question one higher-financial-rewards-increase-performance it has mean value of 3.58 this means most of the respondents agree to the statement ,for the second question i believe that the general strategy of organization concerning financial reward is excellent the mean value is 2.98 and this shows that some respondent agree with the statement and other did not, for the 3rd question increased in financial rewards impacted my job performance it has a M value of 3.59 and SD=1.408 consecutively this also shows that majority of respondent agree with the statement, for the 4th question my salary level has a direct effect on my performance M=3.56 and SD=1.434 this interpretation tells as that most of the respondents agree

with this question, regarding the next two question have a $M= 2.18$, $SD=1.304$ and $M=2.61,SD=1.315$ consecutively this means majority respondent disagree with the first statement and most participant somewhat agree with the last one, for the question the financial reward of my organization is good compared with other public sectors $M=2.81$ and $SD=1.408$ most of them responded somewhat agree, for the 8th question $M= 3.37,SD=1.362$ this means some agree with statement and other does not ,for the last question from FR variable overall the financial rewards system and policy of the organization is excellent $M=2.58,SD=1.244$ this means majority of respondent disagree with the statement.

4.3.2 SALARIES, ALLOWANCE AND EMPLOYEE’S PERFORMANCE (INDEPENDENT VARIABLE)

Regarding the second independent variable salary, allowance and other financial reward respondent where asked ten different question and their response will be described below with table and narration.

	N	Mean	Std. Deviation
I'm satisfied with the salary scale of the organization for the job i am doing	308	2.12	1.278
the annual increment on the basic salary is fair and timely	308	2.10	1.248
I'm satisfied with the allowance from the organization for the job i am doing	308	2.31	1.300
i am happy with the financial reward of the organization	308	2.61	2.185
salary increment are made based on employees performance	308	2.32	1.328
allowance and bonus are rewarded according to employees performance	308	2.65	1.501
group work and team work are rewarded well in the organization	308	2.91	1.462
there is fair distribution of allowance throughout the organization	308	2.49	1.347

employees are rewarded for a job well done in my organization	308	2.63	1.286
i am satisfied with the financial benefits i receive	308	2.23	1.411
Valid N (list wise)	308		

Table 4.7 Salary, allowance Descriptive Statistics

Regarding question on this variable in the first statement I'm satisfied with the salary scale of the organization for the job i am doing the $M=2.12$, $SD=1.278$ majority of respondent disagree with statement, secondly respondent where asked the annual increment on the basic salary is fair and timely the $M=2.10$, $SD=1.248$ this means majority of respondents disagree with the statement, the 3rd question I'm satisfied with the allowance from the organization for the job I am doing the $M=2.31$ and $SD=1.300$ this one also shows that most respondents disagree with the question, the next question have $M=2.61$, $SD=2.185$ on this question majority of respondents somewhat agree with question, the 5th statement have $M=2.32$, $SD=1.328$ most respondent disagree with the statement, the question allowance and bonus are rewarded according to employees performance respondent respond $M=2.65$, $SD=1.501$ shows that most of the respondent somewhat agree with question, 7th question group work and team work are rewarded well in the organization answered $M=2.91$, $SD=1.462$ this also majority somewhat agree with question, 8th and 9th question have $M=2.49$, $SD=1.3417$ and $M=2.63$, $SD=1.286$, regarding the last question i am satisfied with the financial benefits i receive it shows $M=2.23$, $SD=1.411$ that most employees are not satisfied with the financial benefit they get from the company.

4.3.3 EMPLOYEES PERFORMANCE (DEPENDENT VARIABLE)

This study try to ask to respondent about the dependent variable and 10 suitable question on a Likert scale where distributed and the result will be discussed below:-

	N	Mean	Std. Deviation
salary increment made for high performance will motivate other to perform more	308	3.35	1.542
the financial policy set forth by the organization has positive impact on employees performance	308	2.98	1.276

timely measurement of employees performance is made for financial reward	308	2.78	1.412
individual performance is recognized and rewarded according to the policy set forth by the organization	308	2.69	1.298
employees turnover is related with organization reward system	308	3.22	1.323
employees commitment to the organization is directly related with financial reward of the organization	308	3.08	1.224
as financial reward increase employees performance will increase	308	3.62	1.456
i feel that the reward management practice enables me to perform my work with greater accuracy and precisely	308	3.18	1.358
employees reward for a job well done in my organization	308	2.54	1.344
the aim of performance appraisal of our organization is to effectively measure contribution of employee for organization and to reward employees as per value they create to the organization	308	2.86	1.429
Valid N (list wise)	308		

Table 4.8 Employees performance Descriptive Statistics

Regarding question on this dependent variable in the first statement salary increment made for high performance will motivate other to perform more the $M=3.35$, $SD=1.542$ majority of respondent somewhat agree with statement, secondly respondent where asked the financial policy set forth by the organization has positive impact on employees performance the $M=2.98$, $SD=1.276$ this means majority of respondents somewhat agree with the statement, the 3rd question timely measurement of employees performance is made for financial reward the $M=2.78$ and $SD=1.412$ this one also shows that most respondents somewhat agree with the question, the next question have $M=2.69$, $SD=1.298$ on this question majority of respondents somewhat agree with question, the 5th statement have $M=3.22$, $SD=1.323$ most respondent agree with the statement, the question employees commitment to the organization is directly related with financial reward of the organization respondent respond $M=3.08$, $SD=1.224$ shows that most of the respondent

somewhat agree with question ,7th question as financial reward increase employees performance will increase answered M=3.62,SD=1.456 on this statement also majority agree with question,8th and 9th question have M=3.18,SD=1.358and M=2.54,SD=1.344,regarding the last question I am satisfied with the financial benefits I receive it shows M=2.86,SD=1.429 that most employees fell that they somewhat agree with the statement .

4.4 CORRELATION ANALYSIS

A person correlation coefficient test is made to measure the direction, strength and significant relationship between the dependent variable and independent variable and a person correlation coefficient was conducted to examine relationship between financial rewards and employee’s performance, salary & allowance and employee’s performance and financial reward and salary & allowance. Financial reward was strongly positively related with employees performance $r(308)=0.646, p < 0.001$, when we look at salary & allowance relation with the dependent variable it have positive relation $r(308)=0.519, p < 0.01$ and when we see the correlation between the two independent variable financial reward and salary & allowance this one also have strongly positive relation $r(308)=0.605, p < 0.01$.

		Finacial_rew ard	employee_pe rformance	salary_alowa nce
Finacial_reward	Pearson Correlation	1	.646**	.605**
	Sig. (2-tailed)		.000	.000
	N	308	308	308
employee_performanc e	Pearson Correlation	.646**	1	.519**
	Sig. (2-tailed)	.000		.000
	N	308	308	308
salary_allowance	Pearson Correlation	.605**	.519**	1

Sig. (2-tailed)	.000	.000	
N	308	308	308

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

Table 4.9 person’s correlation coefficient

4.5 REGRESSIONS ANALYSIS

Since our correlation Analysis shows that there is positive strong relation multiple regression analysis is done to see the independent variable impact on the dependent variable and amount of its effect on the dependent variable. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable .The findings Show that the study had an adjusted R square of (0.439) meaning that 43.9 % of employee performance variation is due to changes in independent reward variables at 95 percent confidence interval. R square 0.443 as showed in the table explain 44.3% the dependent variable is explained by all independent variable but the rest 55.7 % is unexplained in the result .employees performance is not explained by only this independent variable there are different other factors that affect the dependent variable.

Model	Constant	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	Financial reward	.666 ^a	.443	.439	.72791

- a. Predictors: (Constant),
- b. Finacial_reward ,salary_alowance
- c. Dependent Variable: employee performance

Table 4.10 Model summary

R is correlation coefficient which shows the relationship between the dependent and independent variable it shows that there is positive strong relationship with value of 0.666.

ANOVA^a

Model	Sum of squares	Df	Mean square	F	Sig

1	Regression	123.279	2	61.639	121.339	.000 ^b
	Residual	154.938	305	.508		
	Total	278.217	307			

a. Dependent Variable: employee performance

b. Predictors: (Constant), Finacial_reward

c. Predictors: (Constant), Finacial_reward, salary- allowance

A linear regression was calculated to predict the effect of financial reward and salary-allowance on employee's performance on kolfa keranyo sub city woreda. There was no violation of the assumption of normality, linearity and multi-collinearity. Significant regression equation was found $F(2,305)=121.339$ $p<0.05$ with R square 0.443

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.636	.164		3.875	.000		
	Finacial_reward	.632	.065	.524	9.757	.000	.634	1.578
	salary_alowance	.183	.049	.202	3.764	.000	.634	1.578

a. Dependent Variable: employee performance

In the final model all the independent variable where stasticaly significant with fancial reward t-value 9.757 ,p-value <0.01and β_1 0.636 while salary and allowance T-value 3.764,p-value <0.00and β_2 0.183on employees performance.

The regression model will be $E_p = \beta + \beta_1x_1 + \beta_2x_2 + e$

$$EP = 0.636 + 0.632(FR) + 0.183(SA) + e$$

EP=Employees performance

FR=Financial reward

SA=salary& allowance

E=error term

For this equation keeping other variable constant employees performance will be 0.636.As financial reward increase by one unit it will bring a 0.632 increase on employees performance and for salary and allowance a one unit increase increase in salary or allowance it will bring increase of 0.183 increase on employees performance.

HYPOTHESIS TESTING

Based on the following multiple regression model the hypothesis of the study are tested and presented as follows

H1: financial reward has significant relation with employee's performance

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646 ^a	.417	.415	.72791

a. Predictors: (Constant), Financial_reward

b. Dependent Variable: employee performance

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	116.081	1	116.081	219.080	.000 ^b
	Residual	162.136	306	.530		
	Total	278.217	307			

a. Dependent Variable: employee performance

b. Predictors: (Constant), Financial_reward

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.626	.168		3.737	.000
	Finacial_reward	.780	.053	.646	14.801	.000

a. Dependent Variable: employee performance

Table 4.11 hypothesis testing one

The $P < 0.05$ and the Value of Beta value 0.780 which shows that 41.5 % variance in employee performance is determined duo to Finical reward. Thus financial reward has positive and significant relation with employee’s performance. Therefore H1 is supported

H2: there is significant relation between salary and employee’s performance and **H3:** allowance has significant relation with Employee’s performance

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.519 ^a	.269	.267	.81509	1.193

a. Predictors: (Constant), salary_allowance

b. Dependent Variable: employee performance

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	74.919	1	74.919	112.766	.000 ^b
	Residual	203.298	306	.664		
	Total	278.217	307			

- a. Dependent Variable: employee performance
- b. Predictors: (Constant), salary_allowance

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.887	.117		16.091	.000
	salary_allowance	.469	.044	.519	10.619	.000

a. Dependent Variable: employee performance

Table 4.12 hypothesis testing two

The $P < 0.05$ and the Value of Beta value 0.519 which shows that 26.7 % variance in employee performance is determined duo to salary & allowance. Thus salary-allowance has positive and significant relation with employees’ performance. Therefore H2:H3 is supported

H4: organization has fair distribution of financial reward.

	N	Mean	Std. Deviation	Std. Error Mean
i believe that there is fair distribution of financial reward in the organization	308	2.61	1.315	.075

One-Sample Test

Test Value = 5

T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper

i believe that there is fair distribution of financial reward in the organization	-31.880	307	.000	-2.390	-2.54	-2.24
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Table 4.13 One-Sample Statistics

With $P < 0.05$ and t value -31.826 which shows that we can reject the null hypothesis. Therefore H4 is supported

H5: Demographic factors control the relationship between financial reward and employee performance

Independent t test and one-way anova

The independent T-Test and one-way anova – is used for testing the differences between the means of two independent groups. In this research, it is applied to test whether there were differences in employee performance based on gender and employees current position. The one way anova is applied for factors like age and income level because this factor has more than two categories.

Gender and employees performance

Employees performance	Gender	N	Mean	Std.deviation	Std.error mean
	Male	151	3.2781	.92764	.07549
	Female	157	2.7930	.91645	.07314

Independent Samples Test

		F	Sig	T	Df	Sig Sig.(2-tailed)	Mean difference	95% Confidence Interval of the Difference	
								Lower	Upper

								limit	limit
employee performance	Equal variances assumed	.600	0.439	4.617	306	0.000	.48515	-.30670	.21255
	Equal variances not assumed			4.616	305.199	0.000	.48515	-.28727	.19312

Table 4.14 gender and employees performance independent t test

The above table 4.14 analyzes that there is the statistical significance of the mean performance for male is 3.2781 and female 2.7930 in Levens table t-test was applied. From the table it can observe that there is significant Equal variance difference in performance between male and female employees

Age and employees performance

	Age	N	Mean	Std.devation	Std.error mean
employee performance	18-25	150	2.9733	1.14362	0.9338
	26-36	98	3.0204	.77645	0.7843
	37-47	42	3.3119	.50423	0.7780
	48-57	18	2.9111	.78056	0.18398

ANOVA

Employee performance	Sum of squares	Df	Mean square	F	sig
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Between group	4.083	4	1.361	1.509	.212
Within group	274.134	304	902		
Total	278.217	307			

Table 4.15 age and employees performance independent t test

As employees performance and age there no statistical significance of the mean of employee performance for different age. From the anova test for age with employee's performance the p-value greater than 0.05 is shows that the employee's performance is not statically different for all age categories. Age does not control relation between financial reward and employee's performance. We cannot reject the null hypothesis.

Income level and employees performance

Table 4.16 income level and employees performance

ANOVA

Employee performance	Sum of squares	Df	Mean square	F	Sig
Between group	20.147	4	5.037	5.914	.000
Within group	258.070	303	0.852		
Total	278.217	307			

Regarding income level greater mean value is showed on the salary level greater than10000 is $M= 3.7400$, $SD=.72486$ and seeing anova table it have p-value of less than 0.05 this shows there is controls of level of salary level on the employees performance.

Current position and employee's performance

	Current position	N	Mean	Std.devation	Std.error mean
Employee-performance	Officer	275	2.9767	.96986	0.5848

	Group leader	33	3.4818	.63662	.11082
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Levene's Test for Equality of Variances

		F	Sig	T	Df	Sig. (2- tailed)	Mean Differe nce	Std. Error	95% confidence interval of the difference	
									lower	upper
Employee performan ce	Equal variances assumed	11.492	0.001	-2.915	306	.004	-.50509	.17327	-84605	-16413
	Equal variance not assumed			-4.031	51.837	.000	-.50509	.12531	-75656	-.25363

Table 4.17current position independent t test

The above table 4.8 analyzes that there is the statistical significance of the mean performance for officer is 2.9767 and group leader 3.4818 in Levens table t-test was applied. From the table it can observe that there is significant difference in performance between officer and group leader.

Therefore, Hypothesis5: demographic factors control the relationship between financial reward and employee.H5 is supported. All mentioned demographic factors can controls employee performance in relation to financial reward except age.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

The studies try to investigate effect of financial reward on employee's performance in case of kolfa keranyo wordas based on questioner distributed and collected data. Through simple random and systematic sampling method 354 Employees where selected, from distributed 354 questioners 308 was returned back and the response rate 87 % which are acceptable for data analysis and discussion of the study, it's kind of descriptive research.

Regarding descriptive statistics out of 308 respondents 151(49 %) are male and 157(51 %) are female, concerning age majorities of respondent is in age categories of 18-25 years this shows that higher number of employees are young and regarding year of experience 107 (34 %) have less than 2 years' experience this shows that there is high amount of employees turn over. The income level also will support the above argument.

The first research question for the study examined whether financial rewards has significant effect on employee performance. The findings show the existence of a significant relationship between financial rewards and employee performance. The components examined under financial rewards including all monetary rewards that have contributed to the significant relationship.

The second research question for the study examined whether salary has effect on employee performance. The findings show the existence of a significant relationship between salary and employee performance. The components examined under salary including monthly salary that have contributed to the significant relationship.

The there'd research question was to see relation between allowance and employees performance .the result also shows we have significant relation between the two variable and the fourth statement was to check whether the company has fair financial reward and employees responded against the statement.

The last research question was try to see if demographic factors will control relationship between financial reward and employees performance the result shows that they control relationship between the two variables.

Regarding the central tendency respondents response for statement like over all the financial reward system and policy of the organization is excellent $M=2.58$ shows that employees are not happy about the policy of financial reward. For the statement I believe that there is fair distribution of financial reward in the organization $M=2.61$, $SD=1.351$ shows that most employees do not believe that financial reward distribution is fare.

Descriptively, the average or mean level of employee performance was ($M=3.0308$, $SD=.95197$) on a five-point Likert Scale. This implies that, on the average, the employees of the organization are good performer in return for any kind of financial rewards.

Respondent where asked about salary level and majority of respondent respond for question I am satisfied with my salary level 35.5% strongly disagree and 27 % disagree with statement this shows that employees are not satisfied with financial reward of the organization. Organization commitment is directly related with reward system most respondent agree with statement but in this organization employees years of service is very low that's less than two years this shows as there is high employees turn over due to low financial reward system.

The relation between dependent and independent variable shows that there is statistically significant relationship exist between all variables of financial rewards and employee performance. The financial and salary-allowance has positive and significant relationship with performance, financial reward variables have high degree of relationship with performance of employee's and salary-allowance variables in the study (financial reward ($r=0.646^{**}$) while salary-allowance($r=0.519^{**}$). The researcher infers that financial reward factors could affect employee performance of the organization.

The model summary of reward system in aggregate multiple regression analysis revealed that the R square value of .443, demonstrates that 44.3% of variation in employee performance explained by all by the independent variable ,The F-Statistic suggests that all the independent variables of employee performance together significantly predict the variation in job performance at 95% confidence level. All performance determinants, financial reward and salary-allowance are statistically significant in determining the variation in performance at 95% confidence level.

5.2 CONCLUSION

Based on the research findings and observed that there is significant and positive relationship between financial reward and employee performance which means that the financial reward are directly proportional to employee performance .when an increase is made on financial reward there will be a change in employees performance and also increase in salary or allowance also will bring increase in employees performance. From the study

- ✓ The salary scale have to be improved regardless of employees position should have to be based on employees performance
- ✓ Employees are not satisfied with allowance and have to be adjusted according to employees performance
- ✓ The general reward policy and system of the organization have to be revised
- ✓ Other study regarding other reward like non-financial have to be seen
- ✓ The financial reward provided to employees is insufficient, not consistent and the reward is given without relating to performance results
- ✓ As we see employees experience majority of employees have less than 2 years' experience this shows that there is high employees turnover because of the reward system.
- ✓ As this organization is public servant organization they have to give excellent service to society this only possible if we keep employees satisfied but my study shows the financial reward policy have to be set again.
- ✓ My study shows that employees do not believe that the organization financial reward is not distributed fairly .this means reward is not rewarded based on employee's performance.
- ✓ The reward provided to these organization employees is insufficient, not consistent and the reward is given without relating to performance and implementation is very poor.

- ✓ Employees do not believe that in the organization there is fair distribution of financial reward.

5.3 RECOMMENDATIONS

Based on my study findings and conclusion drawn I will like to give the following recommendation

- ❖ As budget and all resources are provide to this public sector from the government financial reward policy should have to be revised again by the government.
- ❖ Financial reward have significant effect on employees performance by increasing the financial reward, employs performance can be increased.
- ❖ Timely and appropriate reward mechanism has to be set.
- ❖ On this modern and competitive world the key inputs are the human resource and keeping this variable satisfied will bring higher production.
- ❖ Employees have to believe that there is fair distribution of financial reward regarding employee's performance.
- ❖ Employee's appraisal should be timely and appropriate for reward system.
- ❖ By adjusting the financial reward system the organization can reduce employees turn over.
- ❖ Customers in my case the community who are getting services from this organization will be satisfied if employees are satisfied.
- ❖ The political leaders need to understand the working environment and how employees feel about the financial rewards and to take corrective action.

- ❖ Bonus need to be introduced in the financial reward system because it's effective to increase employee's performance.

My study on give focus only on the financial reward but other should have to see the non-financial and other factors that will increase employee's performance.

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APPENDIXES

Appendix I

Addis Ababa University

College of Business and Economics

Department of Management

Survey Questionnaire

Dear Respondent,

This questionnaire is designed by the final year post graduate students of Addis Ababa University to carry out a research on the impact of financial reward on employee's performance in case of Kolfe Keranyo Woredas in Addis Ababa city for the partial fulfillment of the course "MSC THESIS". The information supplied by you will be held strictly confidential and is used for academic purposes only. You will not be held responsible for anything arising thereof.

I kindly request you to duly fill and return back the questionnaire by providing your honest opinion to the questions provided below.

I appreciate in advance for your kind cooperation.

If you have any comment and questions you can contact me through the following Addresses:
abubau323@gmail.com, , [cellphone](tel:+251911878804) (+251911878804)

Note: - you can make (√) mark on the box provided

PART 1: General Information about the respondent

Instruction: Please indicate your response by putting (√) mark in the appropriate box provided.

1: PERSONAL DATA

1. Respondent no_____

2. Gender: Male Female

3. Age:

18- 25 years 26-36 years 37-47 years

48-57 years 58 years and above

4. Year of services in the organization:

Less than 2 year 2-5 years

6-10 years 10 years and above

5. Educational level

Grade 1-12 Certificates

College/ diploma BA/BSC

MA/MSC PhD

6. Which of the following Salary ranges fall your salary?

less than 1000 Birr 1001-2000 Birr

2001-3500 Birr 3501-50 Birr

5001-10000 Birr greater than 10,000 Birr

7. Your current position?

Officer Group leader

PART TWO: Please respond to each of the items in this section by ticking the column that clearly represents your opinion. 1= Strongly Disagree, 2= Disagree, 3= Somewhat Agree, 4= Agree, 5= Strongly Agree

2.1 Financial reward (independent variable) and employee’s performance

	Description	1	2	3	4	5
1	Higher financial rewards increase performance					
2	I believe that the general strategy of organization concerning financial reward is excellent					
3	Increased in financial rewards impacted my job performance					
4	My salary level has a direct effect on my performance					
5	I am happy with the frequency of financial rewards					
6	I believe that there is fair distribution of financial rewards in the organization					
7	The financial reward of my organization is good as compared with other public sectors					
8	The financial reward of the organization has a positive effect on employees performance					
9	Over all the financial rewards system and policy of the organization is excellent					

2.2 salary ,allowance and other financial rewards (independent variable)

	Description	1	2	3	4	5
1	I’m satisfied with salary scale of the organization for the job I am doing					
2	The annual increment on the basic salary is fair and it’s timely					
3.	I’m satisfied with the allowance from the organization for the job I am doing					
4	I am happy with the financial reward of the organization					



5	Salary increments are made based on employee's performance.					
6	Allowance and bonuses are rewarded according to employees performance					
7	Group work and team works are rewarded well in the organization					
8	There is a fair distribution of allowance throughout the organization					
9	Employees are rewarded for a job well done in my organization					
10	I am satisfied with the financial benefits I receive					

PART THREE: Please respond to each of the items in this section by ticking the column that clearly represents your opinion. 1= Strongly Disagree, 2= Disagree, 3= Somewhat Agree, 4= Agree, 5= Strongly Agree

3.1 employee's performance

	Description	1	2	3	4	5
1	Salary increment made for high performers will motivate other to performer more.					
2	The Financial policy set forth by the organization has a positive impact on employees performance					
3	Timely Measurement of employees performance is made for financial reward					
4	Individual performance is recognized and rewarded according to the policy set forth by the organization					
5	Employees turnover is related with organization reward system					
6	Employees commitment to Organization is directly related to financial reward of the organization					
7	As finical reward increase employees performance will					

	increase					
8	I feel that the reward management practice enables me to perform my work with greater accuracy and precisely.					
9	Employees rewarded for a job well done in my organization					
10	The aim of performance appraisal of our organization is to effectively measure contribution of employee for organization and to reward employees as per value they create to the organization					

Thank you so much