



# **The Effect of Reward, Benefits & Incentives On Employees Performance In Case Of ZEMEN Bank S.C**

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DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

The EFFECT OF REWARD, BENEFITS, & INCENTIVES ON EMPLOYEES  
PERFORMANCE IN CASE OF ZEMEN BANK S,C

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## DECLARATION

I Surafel G/tsadik Wolde declare that the thesis entitled ‘**The effect of reward, Benefits & Incentives on employees’ performance in Case Of ZEMEN Bank S.C**’ is my original work. Moreover, this study has not been presented for any other program or university and that all sources of material used have been acknowledged accordingly.

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Surafel G/tsadik

## CERTIFICATION

This is to certify that Surafel G/tsadik has carried out his research work on entitled “**the Effect of Reward, Benefits & Incentives on Employees Performance in case of ZEMEN bank S.C**” for the partial fulfillment of Masters degree of Arts in Human Resource Management at Addis Ababa University School of Commerce. This work is original and it is suitable for submission of Masters of Arts in Human Resource Management.

Advisor: Abdurezak Mohammed (PHD)

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THANK YOU!!!

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## **Acronyms**

ETB- Ethiopian birr

BARS- Behavioral Anchored Rating System

HRM- Human Resources Management

MBO- Management by Objective

SPSS- Statistical Package for Social Science

SD- Standard Deviation

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## **ABSTRACT**

*Rewarding employees is critical in organizations in this era of competition due to the fact that organizations need to survive, grow and develop. Consequentially, reward has become an issue of strategic importance. This study was undertaken to investigate the effect of reward, benefits & incentives in case of ZEMEN bank s.c. Questionnaire and interview was used for the primary data collection and document evaluation as of secondary data. Exploratory research design based on frequency tables was used to provide information on the variables. The results are investigated in terms of descriptive statistics. A total of 170 questionnaires were distributed to the employees in the bank located only in Addis Ababa and a total of 160 employees completed the questionnaire properly. Hypotheses were developed to see the effect of all the independent variables (pay/salary, benefit, recognition, bonus and incentives) on the dependent variable (Employee Performance). The findings obtained indicated that reward, benefits and incentives have direct relationship to the employee's performance Furthermore, it provided suggestions to overcome the problems to improve employees' performance. Some of are like providing of non financial reward, establishment of labor union, fair distributions of reward, benefits and incentives.*

**Key words: Reward, Pay/Salary, Benefit, Recognition Bonus, Incentives, Employee Performance.**

# **Chapter one**

## **Introduction**

### **1.1 Background of the Study**

Focused the human aspect regarding management, strongly believes people who craft a formulation for an organization's success or failure are the chief executive-responsible for motivating his/her company employees in respect of their satisfaction and assurance of organizational success. Carnegie, (1987) therefore the need of this research is employees can determine the failures and success of the organization so it have to be studied.

In this skill needed business environment, business should retain and attract skill full employees, one of the system to retain and attract those employees is providing rewards, benefits and incentives for those skilled labors. Employees reward is about how people rewarded in accordance with their value to the organization. It is concerned with both financial and non financial rewards and the philosophies, strategies, policies, plans and process used by the organization to develop and maintain reward system. Armstrong, (1996). Therefore this research helps the bank to draft strong reward policy to retain & attract its employees based on the finding of this thesis

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. Reward management takes place within the context of the internal (corporate) and external environments. Reward policies cannot be considered, designed or operated Independently of their context. The approach to reward between organizations differs considerably and there are no universally effective or ineffective reward practices. Armstrong, (2007)

With regard to these, the benefit of human resource is measured to be one of the most important advantages of any organization; and in order to acquire the results with the highest efficiency and effectiveness from human resource, reward of employee is very essential. In fact, employees will do their highest when they feel or hope that their hard work are to be rewarded by their managers. The task of developing a strategic rewards framework for organizations is

usually challenging but necessary to survive in the competitive and changing market place. Njanja et.al, (2013) therefore these research helps the bank to listen its employees voice in order to get the employees best effectiveness.

Human resource is one of the important assets that organization owns. Reward helps management to retain efficient and experienced workforce in an organization. Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. Robert, (2007).

They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self development are also being rise and taken care of by their company. Employees are the engine of organization vehicles while reward, benefits and incentives are the fuels. No organization can achieve its stated objectives without its employees. Sajuyigbe, et.al (2013). According to the researcher observation employees efforts is not taken seriously because of this research is carried out.

Reward management is concerned with the formulation and implementation of strategies and policies the purpose which are to reward people fairly, equitably and consistently in accordance with the value to the organization and thus help the organization achieve its strategic goals. it is also concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. It deals with the design, implementation and maintenance of reward systems (reward process, practices and procedures that aim to meet the needs of both the organization and its stakeholders). Armstrong, (2010). As long as reward management is need to be formulated and implemented the bank have to be implemented the policy but not actually therefore this research is conducted.

Reward can generate as important role for employee performance. A good employee feel that value of the company is working for to enhance the better work they are well being. Taken seriousness by their employee and their career self assessment also taking care by their commonalty employee are the big part of organization like engine of the organization which else and fund the reward knows organization scan attain any objective with its employee Akerale, (1991). Employees have to get freedom in their work place, based on the preliminary informal interview with soma employees the freedom of employees is questionable.

The way people are rewarded increasingly determines the survival of the organization, one of the most important tools at the hand of any management is to attract and retain competent human resource is to administering an effective reward system. In order to achieve this goal an organization should decide on the type of tasks /objectives that should be rewarded, an organization can use reward management to show employees that their contribution to the organization is recognized. According to Robert (2007) benefits include Payment for injuries and illness both on and off (health and wale fare) the job Payment for vacation time or excused days from work(paid time) Payment for work no longer performed based on length of employment (retirement).

## **1.2 Back ground of the Bank**

ZEMEN bank is one of the private bank in Ethiopia since 2008 GC. After being operational on October, 2008, Zemen bank has brought innovative & new dynamism to the financial & banking sector in Ethiopia. It is the first Bank in Ethiopia to introduce multi-channel banking as well as service of excellence in the banking industry and unique to the Ethiopian banking industry with its offering of segmented service for customers which means, Zemen bank was a single branch strategy supported by its high technology. The bank targets corporate clients and high net worth individuals The Bank introduced innovative products and services tailored to the need of the customer with superior customer service. It has got its license from the National Bank of Ethiopia on June 27, 2008 to engage in banking business and officially started operation on Monday, October 2nd, 2008. The initial paid-up capital of the Bank was approximately Birr 95 million which currently reached more than 300 million. Now a day the bank single branch strategy has been changed to multi branch strategy the very reason of shifting from single to multi banking branch system was the new national bank directive which state that each private banks have to increase their branches by 25% of the base year (Directive No. NBE/40/2016).

ZEMEN bank before August, 2016 G.C have three consumer accounts in which each of them required their own requirement to open those accounts example to open personal saving account the bank require its customer 25000 ETB minimum average daily balance. This kind of account were be list cause the other two consumer accounts required more than that of 25000 ETB however now a day the bank add its fourth type of account which require 5000 ETB minimum average balance.

### 1.3 Problem of the Statement

Reward is very important for an organization to compete with this challenging and changing world. It is basically directly related to employee but its ultimate effect goes to organization because the end user is the organization itself. According to Goodwin's and Gremler (1976), found that the banking industry is in need of employees those are both satisfied and motivated, for without them, customer satisfaction levels would also be affected. The relationship established to the employees and the customer may lead to an increase in value perception with regard to the bank services. When a high perception of value is achieved these it is also highly likely that the customer will be satisfied, there by bringing in more business to the bank. Thus to satisfy and retain customers banks first and foremost must take care of their employees. This is done through designing effective rewards system.

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

In this high demand of human resource and volatile business environment, retain and attract the needed human resource is a key function of organizations to achieve their objectives, So far organizations draft many techniques to retain and attract human resources. One of them is providing many benefits and reward scheme for their employees. Although fail to do this, the consequence is highly hurt that organization productivity. Based on the observation of the researcher the reward provided by the bank is not that match attractive relative to the industry. Cause of this problem many employees are not satisfied on their job specially jobs below managerial level in addition to this employees are either grievance or turned over. This observed problem leads the researcher to conduct on the topic of total reward of the bank.

Many researchers give high attention for only financial reward, Asghar A. & Muhammad N. their research published in 2012 which published by Global Journal of Management and Business Research give high attention only for financial reward only more over research conducted by Edwinah, et.al in 2012, published by Research Journal of Finance and Accounting on the topic of "*Effective Reward and Incentive Scheme for Effective Organizations*" totally

ignore non financial aspect of reward however the researcher include financial rewards and fill the gap by adding non financial rewards.

The reward can be in the form of cash, recognition and praise or a combination of both. Sajuyigbe, et.al (2013). According to the researcher preliminarily informal interview of some employees response shows that the bank almost ignore non financial reward for the bank employees. Many authors suggest non financial rewards have to be in to consideration like that of the financial one but the bank reward practice is contradict to which means there is a gap between what those authors wrote and the bank reward practice, this highly affect employees performance. Most of the time managers try to achieve the organization profitability through reduction of cost, hence one of the costs is employees' benefits and rewards management level may face difficulties. This practical problem also the reason that initiate the researcher to conduct on this topic.

Managing reward is largely about managing expectations, it means that what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. Expectations are built into the employment relationship, the starting-point of which, from the reward point of view, is an undertaking by an employee to provide effort and skill to the employer, in return for which the employer provides the employee with a salary or a wage. Mirza. (2003).

Most of published research like "*The Relationship Between Rewards and Employee Performance*" by Gohari, et.al (2013). "*The Influence of Intrinsic and Extrinsic Rewards on Employee Results*" by Hatice, in 2012 and others I had read does not include the issue of employees expectation and organization profitability therefore this research tried to fill this gap by considering the issue of expectation and organization profitability. Moreover the researcher tried to make simple preliminary interview, based on the result there is practical problem in the bank. For more understanding the real observed example is, for the last three years the bank salary for its employees increase only the cost of leaving adjustment not the base pay and the rate of bonus were decrease from three month to one and half month bonus. Therefore there is a gap i.e. the profitability of the bank increase but the employees reward (bonuses) has been decrease or a gap between employees expectation and the bank practice that have been implemented.

Most of researches that the researcher have read are either rewards or incentives however this research tried to fill the gap by incorporate both reward and incentive and include benefits under the research topic.

## **1.4 Research Questions**

Based on the above observed problems and gap, the researcher was tried to raise the following research questions.

- What are the rewards which are offering to the employees in ZEMEN bank?
- How the employees perceive on the issue of the attractiveness of financial and non financial reward of the bank relatively to other banks?
- How the bank reward, benefits and incentives affect employees' performance
- How the rewards, benefits and incentives distribute to all level employees?
- What is the employee expectation from the bank regarding rewards of employees and profit of the bank?

## **1.5 Objectives of the Study**

### **1.5.1 General Objective;**

The general objective of this research is to find out the effect of rewards, benefits and incentives on employees performance as well as to be bring the alternative solutions and recommendations for the bank.

## **1.5.2 Specific Objectives;**

- To identify the type of rewards which the bank provided by the bank
- To evaluate the attractiveness of financial and non financial rewards of the bank by benchmarking the market. Both close and open ended questionnaires had been deployed.
- To identify factors that affect employees' performance in relation to reward, benefits & incentives of the bank.
- To assess the fairness and consistency of the reward, benefits and incentives practice of the bank at all level.
- To identify employees reward expectation from their bank after achieving of profit goal of the bank
- To provide alternative solution/recommendation.

## **1.6 Significance of the Study**

- 1 Since the topic is new for the ZEMEN bank, it may help to investigate problems in related to the topic and provide solutions.
1. Brings awareness to the bank how the performance of employees can be affected by the level of rewards provided to their employees
2. May give a way or serve as a source for other researchers who want to make further investigations in the area and to conduct detailed research on the issues.
3. The study may contribute or serve as an additional source of reference that will add to some existing literature.
4. It had suggested solutions that will be helpful to both the employees as well as the management.
5. It had Helps the management of the bank to understand the effect of rewards, benefits and incentives on employees performance.
6. It may help decision makers of the bank in establishing and implementing of the best reward, benefits and incentives program.
7. It may use as mediator between the employees and the bank in related to the topic.

## **1.7 Scope of the Study**

Cause of time and resource limit, This research had covered in terms of geographical location, the scope constitute employees of the bank working in branches in Addis Ababa only, those are main branch or head office (around KAZANCHIS), BOLE banking center (AROUND BOLE), CMC banking center (AROUND CMC ST MICHAEL CHURCH), ARADA banking center (AROUND PIASA) and GEBRIEL banking center (around SAR BET). Hence in terms of population, the study also covered those stated branches only. This research does not included employees who are work in regional branches the reasons are time and resource, most of are less than one year opening date, the employees are also less than one year experience because of this they are new for the practice of reward practice of the bank. On the issue of conceptual the research only covered the effect of reward, benefits and incentives on employee performance.

On the issue of methodologically the research contain salary, benefits, recognition, bonus & incentives are as of independent variables and employee's performance as dependent variable and time used from November 2016 up to June 2017.

## **1.8 Limitation of the study**

While conducting this study the researcher faced the following limitations;

- ✓ Difficulty of covering all the area of the population.
- ✓ Some participants were not willing to be interviewed and fill the questioner.
- ✓ Some respondents were afraid to respond the questionnaires cause of fear from their bosses.
- ✓ The researcher experience was also one of the limitation cause the researcher is inexperienced
- ✓ Some respondents were negligent to fill the questionnaires.
- ✓ Some of the respondents had not been return the questionnaires on time.
- ✓ Lack of books and journals in school of commerce library

## 1.9 Definition of Terms;

- **Reward;** deal with the strategy, policies and process required to ensure that the contribution of people to the organization is recognized by both financial and non financial means. . Armstrong, (2007).
- **Financial reward;** The financial rewards are rewards which include pay, bonuses, fringe benefits, transportation facility, medical, health and life insurance and benefits like vacation with pay meal facilities. (Saira Y., Madina L. Sumeria A. &Anam S. ,2014)
- **Non financial reward;** non-financial rewards are related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation. (Armstrong 2007)
- **Benefits;** refers to employee's satisfaction with pension, medical scheme and leave. Employee benefits refer to compensation other than hourly wage or salary.( Armstrong, 2010)
- **Employees' performance;** means employee productivity and output as a result of employee development. (Oroh, Lapian, &Pandowo, 2014).
- **Incentives;** defined both as methods used by institutions to encourage employees to work with high spirits and also as concrete and moral methods of satisfying the individuals' moral and material desires. ( Dr. Ashraf M., 2004 PP.326-346)

## 1.10 Organization of the Study

This research paper contained five chapters. In the first chapter, the researcher present the introduction part consisting of the background of the study, background of the bank, statement of the problem, objectives of the research, significance of the study, limitation of the study and scope of the study. In chapter two, the researcher discussed literature related to the study. And, in the chapter three, the researcher presented research methodology. Chapter four of the study present, analyze and interpret the data and Chapter five contained of the major findings, conclusions and recommendations.

## **CHAPTER TWO**

### **LITRATURE REVIEW**

#### **Introduction**

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

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

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

#### **2.1 Reward**

The idea of managing reward in organizations is crucial to all employers, and consequently, many definitions have been proposed, which are now introduced. Armstrong and Helen (2005) stated that reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization

Reward is the compensation which an employee receives from an organization for his or her service. It is not simply contains direct currencies and other forms which can convert to currencies, but also a comfortable office, favorable interpersonal relationship inside the organization, having access to decision-making involvement, the challenge and sense of achievement, preferable growth opportunities and so forth these kinds of forms which is difficult to measure in various currencies but they are also rewards.

Reward is the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service. It not simply contains direct currencies and other forms which can convert to currencies, but also a comfortable office, favorable interpersonal relationship inside the organization, having access to decision-making involvement, the challenge and sense

of achievement, preferable growth opportunities and so forth these kinds of forms which is difficult to measure in various currencies Zhou Jiang, (2009).

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

Reward system is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work, and motivate them to perform to high levels. The reward system consists of all organization components – including people processes rules and decision making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organization. Reward may be broke up in to two categories; intrinsic and extrinsic Mottaz et.al (2012). Intrinsic rewards are derived from ‘the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one's skills and abilities and sufficient feedback regarding the effectiveness of one's efforts. Extrinsic rewards on the other hand comprise promotions, private office space and the social climate. Other examples include competitive salaries, pay raises, merit bonuses and time-off’ Hatice, (2012).

## **2.2 Reward Management;**

Is about the development, implementation, maintenances, communication and evaluation of reward process. These process deals with the assessment of relative job values, he design, and management of pay structures, performance management, paying for performance, competency or skill (contingent pay), the provision of employee benefits and pension, and the management of reward procedure Armstrong. and Helen( 2005).

Reward management Armstrong, (2010), Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. These systems will include

arrangements for assessing the value of jobs through job evaluation and market pricing, the design and management of grade and pay structures, performance management processes, schemes for rewarding and recognizing people according to their individual performance or contribution and/or team or organizational performance, and the provision of employee benefits. Rewards management is now one of the strapping features that organizations use to attract and retain its most valuable and worthy assets, the employees. This includes both financial and non-financial rewards. Direct compensation (financial) comes in the form of wages, salaries, incentives, bonuses, commissions and so on. Indirect compensation or non-financial benefits include features such as paid vacation, annual leave entitlement, medical and hospitalization benefits, employer provident fund (EPF) contribution and etc. Productivity and efficiency are important performance indicators in any organization. In order to increase the productivity, members in the organization must perform well in their job. Job performances are relatively higher if the workers are fully motivated. Thus, rewards may affect job performance and workers' motivation level. Mansor et.al, (2012)

Armstrong, (2010), Reward management is fundamentally about people. It is stakeholder orientated, integrated, Strategic and evidence based. Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards. People are assessed according to the contribution they make to achieving organizational goals and rewarded accordingly. Having defined expectations, reward management can provide for people to be rewarded in line with the degree to which people meet them.

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

**Aims of Reward Management;** The aims of reward management according to (Armstrong, 2010) are to:

- A) . Reward people according to the value they create;
- B). align reward practices with business goals and with employee values and needs;
- C). reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- D). Help to attract and retain the high-quality people the organization needs;

- E). motivate people and obtain their engagement and commitment;
- F). Develop a high-performance culture.
- G). support the achievement of business goals through high performance;
- H). develop and support the organization's culture;
- I). define what is important in terms of behaviors and outcomes;
- J). reward people according to what the organization values;
- k). Win the engagement of people.

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

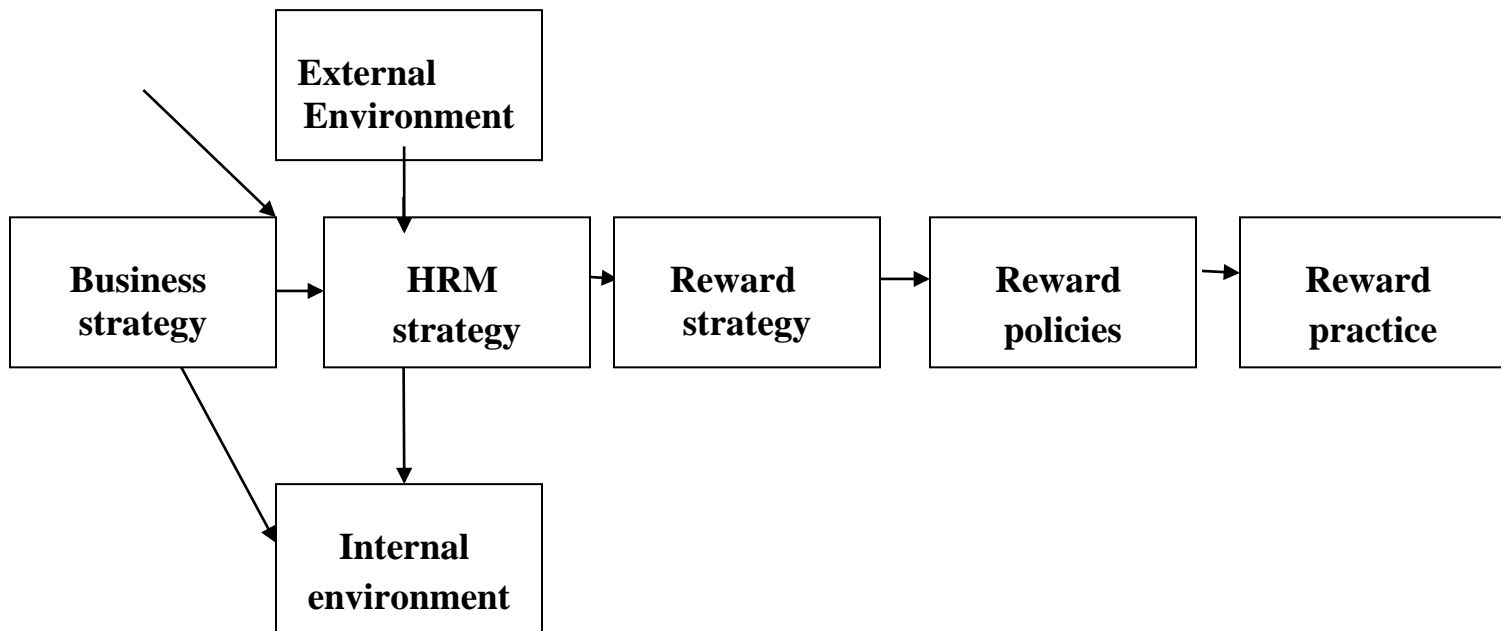
**Importance of Reward management ;** Reward management supports the achievement of business goals by helping to ensure that the organization has the talented and engaged people it needs. It contributes to the achievement of high performance by ensuring that the reward system recognizes and encourages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

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

### **2.3 Employees Reward**

Is about how people rewarded in accordance with their value to the organization. It is concerned with both financial and non financial rewards and the philosophies, strategies, policies, plan and process used by organization to develop and maintain reward system Armstrong (1996).

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



**FIG 1; Framework of reward management (Developed by Armstrong,2010)**

**2.4.1 Internal and External Environment;** the analysis of these provides the information required to help in the formulation of the strategic agenda for the organization and for human resource management strategy. The internal analysis also influence reward philosophy

**2.4.2 Business Strategy;** it is the direction in which the organization is going in relation to its environment in order to achieve its objectives.

**2.4.3 HRM Strategy;** this flow from the corporate strategy and is concerned with the key areas of resourcing, skills acquisition and development, performance and quality management, rewards and employees relation. The aim is to make strategies in each of these areas mutually supportive.

**2.4.4 Reward Strategy;** this define the intention of the organization on the reward policies, process and practice required to ensure that it has the skilled, competent, and well motivated people it need to achieve its business goals. It will flow from the business and human resource strategy of the organization and, like them, will be affected by environmental factor. Those preparing reward strategy essentially find out where the business intends to go and then take step

to help it get there. Reward strategy strongly influence reward policy and largely determine the form of pay practice, structures and procedures.

Reward strategy defines what an organization wants to do about reward in the next few years and how it intends to do it. It leads to the development of a reward system that consists of the interrelated processes and practices that combine to ensure that reward management is carried out to the benefit of the organization and the people who work there. This is strategic reward, an approach based on the beliefs that reward and business strategy should be integrated and that it is necessary to be forward looking – to plan ahead and make the plans happen.

#### **2.4.5 Reward Policies**

According to Armstrong and Helen (2005), reward policies provide guidelines for the implementation of reward strategies and the design and management of reward process. they will be influenced by the reward philosophy of the organization. The reward policies will concerned with;

- The level of reward
- The relative importance attached to market rate and equity
- The relationship of rewards to business performance
- The scope for the use of contingent rewards related to performance, competency or skill.
- The degree of flexibility required in the system
- The need to involve employees in the design of reward system.
- The need to communicate reward policies to employees.
- Transparency; the publication of information on reward values, structure and process to employees.

**2.4.6 Reward Practice;** financial and non financial rewards, job evaluation, external bench marking, pay structures, performance management and employees benefits.

#### **2.5 The Psychological Contract**

This term is highly inter-related to reward because managing reward is largely about managing expectation what employees expect from their employers and what employers expect from their employees (Armstrong and Helen, 2005) Therefore this expectation tied up by psychological.

Psychological contract can be defined as it implies that there is unwritten set of expectation operating at all time between every member of an organization and the various managers and others in organization schein, E. (1965).

Rousseau and wade-benonzi (1994) defined as It refers to beliefs that individuals hold regarding promises made, accepted and relied upon between themselves and others. Because psychological contract represent how people interpret promises and commitment, both parties in the same employment relationship (employer and employee) can have different view regarding specific term.

## **2.6 Reward System**

According to Nathaniel H, Geraldo C. & Marie P. (2010) a reward system is defined as a structured method of evaluating and compensating employees based on their performance. The compensations and rewards are known as incentives to the employees. The incentives can be bonuses in pay or added vacation or sick days, among other things. Reward systems can help to boost company morale, as well as productivity levels which increase overall revenue for the company. However, there are a lot of negatives that can come with reward systems if not implemented correctly. Sometimes, instead of helping with the company morale, it can hurt it by making some employees feel insignificant if the same people are being rewarded over and over again. Reward systems can be tricky if not implemented and carried out correctly, but when used effectively can have great positive impacts on the company and its employees.

There are three main types of reward systems commonly used by most companies:

- 1) **Management by Objective (MBO)**; Management By Objective defines the specific skills and actions of a certain job. The defined skills and actions need to be as clear and specific as possible. An advantage to using this method is that it engages the employee in the evaluating process; therefore they learn and understand the entire process. A disadvantage of this particular method is that it is extremely time consuming. In large companies, this might not be the best method to use because it would take the supervisor conducting the evaluations away from his or her other job responsibilities. Another disadvantage is that the goals can be too vague to make it clear enough to quantify any results. MBO is the most popular among most companies.

- 2) **Behaviorally Anchored Rating System (BARS);** Behaviorally Anchored Rating System, is a rating scale system that uses categories such as “very poor” to “excellent” to evaluate the employees’ performance. It consists of two columns. One column has the rating scale and the other one is where the anchor statement is written by the person evaluating the employee. The anchor statements reflect the category given for the particular area in question. One major downfall to this method can be the anchor statements if they are not specific enough. If the statement is too vague, it will not be of much help to the employee. However, the best part about this method of evaluating is that it focuses on specific areas and behaviors that can be chosen so that it does not necessarily have to be about every single aspect of the job. The comments and ratings then given back to the employee are specific to the questions being asked.
- 3) **Multi-Rating Assessment.;** The Multi-Rater Assessment is a type of ranking method that utilizes other employees, supervisors, managers, and sometimes even customers to rate the employee. The assessment itself is a questionnaire that targets all aspects of the job. The employee also takes the same questionnaire as a way of comparing the results from the other people to his or her own. One of the major benefits from using this type of assessment is the range of results that the employee gets. The employee has a chance to see how his or her performance is doing from all different levels in the company. However, this method is extremely time consuming and need to be done professionally. It needs to be done professionally in order to ensure the right questions are being asked in order to achieve the most useful results.

## **2.7 Types of reward**

**Intrinsic Reward;** According to Mansor, (2012) an intrinsic reward is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence. It fulfills employee’s intrinsic factors or motivators, thus motivating him. Examples include by giving challenging task, getting involved in decision making process, giving a higher rank in hierarchy etc. All these rewards do not require any increase in salary but the employee is still being motivated, feeling a sense of satisfaction of being given the opportunity of working at a higher management rank. An intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her.

Intrinsic rewards that are self-initiated rewards, pride in one's work, and a sense of accomplishments, or enjoying part of a work team. Job enrichment, for instance can offer employees intrinsic rewards by making work seem more meaningful Decenzo, (2007).

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

**a. Sense of Meaningfulness:** This reward involves the meaningfulness or importance of the purpose you are trying to fulfill. You feel that you have an opportunity to accomplish something of monetary or non-monetary value and something that matters in the larger scheme of things. You feel that you are on a path that is worth your time and energy, giving you a strong sense of purpose or direction.

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

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

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

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

Intrinsic motivation and rewards are affected primarily via job design and ongoing career development. Specific intrinsic rewards include feelings of competence, personal development, and autonomy. Intrinsic Rewards are derived from the workplace itself and are valued internally by the employee. These include opportunities for personal growth, quality of work life, job satisfaction, challenges, personal and professional development opportunities, a sense of belonging, freedom to act, visionary leadership. Intrinsic reward is a self generating outcome such as personal esteem and fulfillment derived from say undertaking 'interesting' or 'useful' work. Extrinsic reward is reflected in more tangible monetary and non-monetary payments in the guise of wages or fringe benefits provided by others, usually the employer. Stephen B. (2005).

### **Extrinsic Reward**

Extrinsic rewards are defined as those remuneration factors that are external to the job such as pay, work condition, security, benefits, promotion contract of services and work environment. It also refers to the core organizational reality, as equitable rewards distribution does drive employee's morale. Extrinsic rewards drive employee's morale and the rewards distribution has always loomed large in corporations with performance appraisals in present eras of globalization. An extrinsic reward in fact fulfills employees' extrinsic factors or hygiene factors, invariably discouraging him from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted. Extrinsic rewards and resource investment have been seen as necessary tools to motivate employee's creativity, especially in formalized tasks. Extrinsic rewards played a dominant role in earlier years, when work was generally more routine and bureaucratic, and when complying with rules and procedures were paramount Mansor, et.al (2012)

Extrinsic reward – in the form of salary, incentive pay and benefits serves the purpose of directly recognizing the comparative value of organizational roles and the contribution individuals may make in performing them. Extrinsic employee benefits and perks delivered in a non-cash form (e.g. company cars, paid holiday and health care), or deferred remuneration (e.g. predefined occupational pension benefits or equity share-based rewards that may be financially realized at a future Date), may reflect managerial efforts to keep rewards competitive, intended to Recruit and retain sufficient employees of the right caliber, and to secure work accomplishment for the organization. Benefits may also reflect an employer's interest in employee wellbeing. The nature

and combination of extrinsic reward is dynamic: for example, present-day contributions to an employee's 'portable' retirement income fund may be offered in place of a company pension, reflecting the increasingly flexible employment relationship. Stephen J& Geoff W. (2011).

### **Financial Rewards**

One research result show that there are different factors that affect the performance of employees which can be classified into two categories; financial and non financial rewards. Although financial rewards are important for employee motivation in third world countries because where the inflation rate is so high that people are struggling hard to retain their social status. Saira Y, Madiha f, Sumaira A and Anam (2014)

Armstrong (2010) highlights that the tangible (sometimes called monetary, transactional) components of a compensation program are of two general types. With the direct type of compensation, monetary rewards are provided by the employer and base pay and variable pay are the most common forms. Indirect compensation commonly consists of employee benefits.

### **Base Pay**

According to Armstrong (2010), many organizations use two base pay categories, hourly and salaried. Hourly pay is the most common means of payment based on time; employees who are paid hourly are said to receive wages, which are payments directly calculated on the amount of time worked. In contrast, people who are paid salaries receive payments that are consistent from period to period despite the number of hours worked.

Base pay should be value-added and competitive with the market in general, for which it is common to use individual rates, ranges, spot rates and broadband. When setting pay levels, ability to pay is paramount, supported by an examination of market rates, which may also be supported by a job evaluation database Armstrong, (2010). Henderson (2006) stated that pay rates must be equitable and competitive. Internal equity refers to the pay relationships among jobs within a single organization. This are translated into practice by the basic techniques, job analysis, job evaluation, and performance appraisal. External competitiveness refers to comparisons of the organization's pay relative to the pay of competitive organizations. Equitable and competitive base pay is seen as a key requirement if key talent is to be recruited and turnover reduced Henderson, (2006).

The payment systems that employees view as being fair and proportionate with their skills and expectation is called pay. Employees are offered a financial reward for their services called pay which is a foremost stipulation in human resource management. Pay must be closely linked to the performance according to high achievers.

Employees who do their best want reasonable pay that satisfies their needs. An equitable pay makes them feel appreciated so they expect to pay according to their efforts because they don't want to be unacknowledged for their services. Money is ranked at the top for creating because people require money to fulfill the basic necessities of life so it motivates the employees more than any other incentive. Others believe that money is influential for fulfilling their non-monetary needs such as authority, rank and belongingness with preferred groups. It is believed that people who have more money are more powerful in society as compared to those who have lesser money. So it is easier for them to have things their way. That's why money is often viewed as a sign of personal triumph and accomplishment Saira (2014).

According to Robbins et al (2003 P. 260), employees seek pay systems that are perceived as just. The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or the level of skill required Armstrong, (2010).

### **Variable Pay**

In contrast to base pay, variable pay changes relative to the performance level or results achieved, making it a more flexible and responsive method that rewards key measures of success. Many companies have moved to variable pay to reward different contribution, impact on profit, and increased performance based on the premise that what is measured and rewarded is likely to be demonstrated in greater amounts by employees Armstrong and Murlis (2005)

However, variable pay does not look the same in every organization, and the way it is structured and operates is heavily dependent upon the organization's culture and the relationships between it and other elements of the reward programs Armstrong and Murlis (2005). Thus, variable pay comes in several forms: Individual performance-related pay - increases in base pay or cash bonuses are determined by performance assessment and rating; Competence-related pay - this is determined by the level of competence achieved by the individual; Contribution-related pay - this relates pay to output and input; Skill based pay - the skill level achieved by an individual

determines the pay compensation; Service-related pay - pay is increased depending on the service in the job. Moreover, other kinds of variable pay are: Team performance pay which links pay increases to an assessment of performance at team level, and aims to encourage collaborative working. Organizational performance pays which links performance to its highest levels, with increased emphasis in better aligning with the business strategy as well as performance metrics. The most popular kinds of such are profit sharing and stock sharing.

### **Contingent pay;**

Contingent pay – planning and managing schemes that provide for pay progression related to performance, contribution, competence, skill or length of service. Armstrong (2009)

### **Bonuses**

When employees reach certain standards and quotas to achieve the objectives of certain organization they are given bonuses. A bonus is an additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to the company Saira. Et.al (2014).

### **Allowances**

Allowances are costs by the employers to their employees in order to cover some cost of employees this may include transportation allowance, mobile allowance, Deseret allowance etc federal negarit gazeta, 2(008).

### **Profit-related Pay**

Profit-related pay is a type of group performance-related pay scheme where a part of the employee's remuneration is linked to the profits of the organization. If the company's profits hit a pre-determined threshold, a bonus will be paid to all members of the scheme. Typically the bonus will be a percentage of the basic pay. The bonus may be paid during the year in question; for example, quarterly, or it may be deferred until some later date, such as the retirement of the staff. Bratton and Gold, (2007)

## **Non Financial Rewards**

Given the amount of time spent at work, it is unsurprising that people want more than pay from their job. Hence, the importance of non-financial rewards (sometimes called intangible, relational, and/or non-monetary) is growing. Intangible rewards are crucial in helping an organization stand out as a top employer, and also have the dual impact of increasing engagement among employees Henderson (2005). The following section provides a brief overview of the most important elements from this category of rewards.

According to Peter K (2014) The findings of his study revealed that majority of the respondents was more exposed to the use of non-financial rewards such as recognition, training, opportunities to handle greater responsibilities, employee promotion and participation in key decision making and challenging jobs to motivate exemplary performers.

According to Armstrong (2009) Non-financial rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth and acceptable working conditions. They include the non-financial recognition of achievements, the design of fulfilling jobs, giving people the scope to develop their skills and careers and offering a work environment that provides a high quality of working life and an appropriate relationship between work and private life (work–life balance) 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. Some of non financial rewards are;

### **Recognition**

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

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

The recognition should be meaningful, but also stay within established program boundaries: For example, recognition should be given only for performance considered over and above

established standards. Recognition rewards usually are relatively small and are given at the time of achievement Ruddy, (2007)

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

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

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

### **Promotion**

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

### **Working Conditions**

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

## **Praise**

At the most fundamental level, non financial recognition can be as simple as personal acknowledgement by managers to employees that they have performed well .perhaps the most obvious benefit of this approach is that a simple ,informal ‘thank you’ doesn’t cost anything. However, good management practice suggests that this should occur anyway, regardless of any scheme.

## **Vouchers**

An increasing number of organizations are finding voucher schemes are particularly liked because they give employees a certain element of choice. Moreover, unlike a cash award, vouchers cannot be absorbed in to the employee’s salary and quickly forgotten. Vouchers can also be seen as a double reward, that is, one reward when they receive the voucher and another when they spend it.

In actually selecting a voucher scheme, there are several issues for organization to consider. It’s all to easy for organizations to simply choose for the voucher which provides the most competitive discount without really considering the wishes of employee who will receive it .organization should aim to suit individual taste and provide enough choice to do this. in addition, the organization must take account of the utility of the voucher ,the time frame employees have to use their vouchers and employees ability to spend it (for examples, whether there is a branch /store in the local vicinity)

It is sensible therefore for organizations to involve employees in the design of the scheme. This can be done through employee surveys and focus groups to ascertain employee preferences.

Attention also needs to be paid to the internal promotion and marketing of the scheme. There are various vouchers available on the market. Some of these are specific to a particular store and these offer the advantage of associating the organization and its employees with aspirational brands that are held in high regard. Alternatively, there are some vouchers on the market which are much more flexible. for instance, some voucher companies offer vouchers that ca be redeemed in over 50 different high street stores.

## 2.8 Reward Philosophy

According to Armstrong (2009) the reward philosophy of the organization represents its beliefs about how people should be rewarded. Reward philosophies can be expressed as guiding principles that define the approach an organization takes to dealing with reward. They are the basis for reward policies and provide guidelines for the actions contained in the reward strategy. The reward philosophy can be communicated to employees so that they understand the background to the reward policies and practices that affect them. Guiding principles are often agreed by top management with advice from company reward specialists or external consultants. But they will be more acceptable if members of the organization are involved in their definition. Guiding principles can then be communicated to everyone to increase understanding of what underpins reward policies and practices. However, employees will suspend their judgment of the principles until they experience how they are applied. What matters to them is not the philosophy itself but the pay practices emanating from it and the messages about the employment 'deal' that they get as a consequence. It is the reality that is important, not the rhetoric. Reward guiding principles are concerned with matters such as:

- operating the reward system justly, fairly, equitably and transparently in the interests of all stakeholders;
- developing reward policies and practices that support the achievement of business goals;
- rewarding people according to their contribution;
- recognizing the value of everyone who is making an effective contribution, not just the exceptional performers;.
- creating an attractive employee value proposition providing rewards that attract and retain people and enlist their engagement;
- helping to develop a high-performance culture;
- maintaining competitive rates of pay;
- maintaining equitable rates of pay;
- allowing a reasonable degree of flexibility in the operation of reward processes and in the choice of benefits by employees;
- devolving more responsibility for reward decisions to line managers.

## **2.9 The Multi-Dimensionality of Reward**

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

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

## **2.10 Employment Performance**

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

Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set the rewards system to evaluate the employee's performance at all levels and rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically Aktar, Sachu, & Ali, (2012) A good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence end up accomplishing the organizational goals and objectives. A reward system that is given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance.

According to Njanja, et.al (2013), many writers in human resource management 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 rejected; Customer satisfaction that can be measured by the number of loyal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain 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). This buttresses the need to measure individual performance of employees as a way of weighing the effect the reward system has on the workforce and by extension, the organization. In addition, It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central Torrington, et.al, (2008).

### **Ways of Measuring the Performance of the Employees**

1-**The Amount of the Effort** : It refers to the amount of the physical or mental energy that the individual spends in a specific period of time in the work, in addition to the speed in performance.

2- **The Quality of the Effort**: It refers to the level of the quality of the done work and the degree of matching between the done work and some specific standards. Some kinds of work are not measured by the amount or the speed of performance; but rather by the degree of error-free performance and matching between the production and the required standards.

3- **Manner of Performance**: It is the way in which the work duties are done. For example, performance can be measured through the manner of performance, measuring problem-solving strategies or in problem detecting.

4-**Rates of Performance**: It refers to the process in which the evaluator increases the employee's productivity in order to determine the efficiency, the quality and the amount of the employee's work in a specific period of time. Then, he compares the employee's done work with the specified rate Al-Rabayah (2003).

## **2.11 Employees' Benefits**

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

Protection programs provide family benefits, promote health, and guard against income loss caused by catastrophic factors like unemployment, disability, or serious illnesses. Paid time-off policies compensate employees when they are not performing their primary work duties, such as during vacation, holidays, and bereavement.

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

a) Fringe Benefits - this can include a variety of options. Sick leave, paid vacation time, health club memberships, daycare services Ingham, (2007)

b) Health Benefits - most organizations provide health and dental care benefits for employees. In addition, disability and life insurance benefits are offered Ingham, (2007)

c) Flexible benefit - this benefit schemes allow employees to decide on the make-up of their benefits package within certain limits Armstrong, (2010)

Fringe benefits are forms of indirect compensation given to an employee or group of employees as a part of organizational membership Mathis and Jackson, (2003).

Benefits constitute an important part of the remuneration package. They are an addition to other forms of cash payment like wages and salaries that are intended to improve the quality of work life for employees and increase their cooperation and productivity. Employee benefits are provided for a number of reasons which include:

- To reward and promote employee loyalty to the organization
- To discourage unionization
- To make the remuneration package attractive and competitive enough to both attract and retain

competent workers.

- To provide for employees personal welfare in line with the paternalistic belief that employees cannot provide for their personal needs.
- To provide employees remuneration that is not heavily taxed (i.e. tax-efficient remuneration package) as most benefits are not taxed.
- To provide employees with accumulated tax free investment returns (e.g. deferred compensation).
- To satisfy legal requirements (e.g. social security retirement system)

### **Types of Employee Benefits**

- \_ Pay for time not worked for (e.g. sick leave, vacation, maternity leave etc).
- \_ Insurance benefits (e.g. job –related accidents and illness benefits).
- \_ Retirement benefits (e.g. pensions, profit sharing plans)
- \_ Employee service benefits (e.g. counseling, subsidized childcare, transport, meals etc).

Employee benefits can be mandatory and non-mandatory. Mandatory benefits are those required by law e.g. pensions, workers' compensation Edwinah et.al (2013)

## **2.12 Incentives**

By definition, incentives are an external persuading factor that encourages the motive which positively directs the individual into working harder, matching the required performance in the institution, as to get the incentive. Incentives are also defined both as methods used by institutions to encourage employees to work with high spirits and also as concrete and moral methods of satisfying the individuals' moral and material desires. Palmer (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he will work harder and produce more effectively when he feels satisfied in the institution. In addition to this, incentives can also be defined as the consideration of the excellent performance, assuming that the salary is enough to make the worker appreciate the value of the job that also satisfies his basic needs in life Palmer, (2012).

## **The Importance of Incentives**

The idea of incentives triggers much consideration especially from the beginning of looking for qualified employees who are able to efficiently achieve the institution's goals; it is because incentives play a major role in the employees' productivity. The importance of incentives originates from the need for the employee to be recognized and appreciated for his or her efforts. Actually, appreciating people for their efforts by giving them incentives is a very significant factor in satisfying the internal desires of an individual. The individuals' own skills are not enough to let them work with high productivity unless there is an incentive system that encourages their internal motives and then leads very hardworking efforts Locke and Braver, (2008).

### **2.13 Empirical review**

The research of Saba Saleem revealed positive and significant association between financial incentives and employee commitment and increase in financial incentives such as promotion and bonuses enhanced employee commitment which increases the employee's performance and reduces turnover and employees can only be loyal when their wants and desires are satisfied. Saba Saleem (2011)

According to dr Ashraf Mohammed (2014) in his thesis the result shows incentives, rewards, efficiency of reward system and promotions are four factors found to have significant impacts on employee performance in Jordanian travel and tourism institution.

A research conducted by Peter K. result shows that reward is a major motivational factor for employees performance Peter (2014)

The research conducted by Mirea result shows the companies reward should consider the profit of the specific company Moreover; the motivation must be closely linked to the performance. For this, it is required to the managers:

1. To follow the additional reasoning leading to the better performance;
2. Remember that additional resources allocated to the motivation does not mean solving of the automatic problem, rather they have to consider correctly allocating of these resources and the permanent relationship between motivation and performance. Mirea (2012)

The study conducted by Martha H (2013) investigated the effects of monetary and non-monetary rewards on motivation with respect to lower level employees in the retail industry. An empirical investigation result shows by using a sample of fifty (50) lower level employees drawn using the random sampling technique. The findings of the study indicated a moderate significant relationship effect of non-monetary rewards on lower-level employee motivation ( $r = .607$ ,  $p < 0.01$ ). There was significant relationship between monetary rewards and motivation ( $r = .71$ ,  $p > 0.01$ ). There was a positive but weak significant relationship between rewards in general and work motivation ( $r = .436$ ,  $p < 0.01$ ) in all cases, demographic variables such as gender and occupation played a significant role in the relationship between rewards and motivation.

According to Khawaja (2012) the study regression analysis was developed to test the relationship between rewards, motivation and job satisfaction. Results indicate that (1) rewards have positive significance on motivation, (2) motivation is positively related to the job satisfaction (3) rewards have a positive significant effect on job satisfaction.

## 2.14 **Research Hypothesis**

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

**Ho1;** there is no relation between salary and employees performance

**Ha1;** salary is positively related to employee performance

**Ho2;** benefits have no relationship with employees performance

**Ha2;** employees benefits have positive relationship with employees performance

**Ho3;** recognition for employees has no relationship with employees performance

**Ha3;** providing recognition for employees has positive relationship with employees performance

**Ho4;** bonus has no effect on employees performance

**Ha4;** bonus has effect on employees performance

**H<sub>05</sub>**; incentive practice has no effect on employees performance

**H<sub>a5</sub>**; incentive practice of the bank has effect on employees performance

## 2.15 Conceptual Frame Work

The conceptual framework of the study specifies the nature of the hypotheses of the study, which

were depicted in the diagrammatic form of Figure 1 According to the model, dependent variable is employee's performance and the independent variables mainly are reward, benefits and incentives. The relations of these variables are supported on the basis of review of literatures.

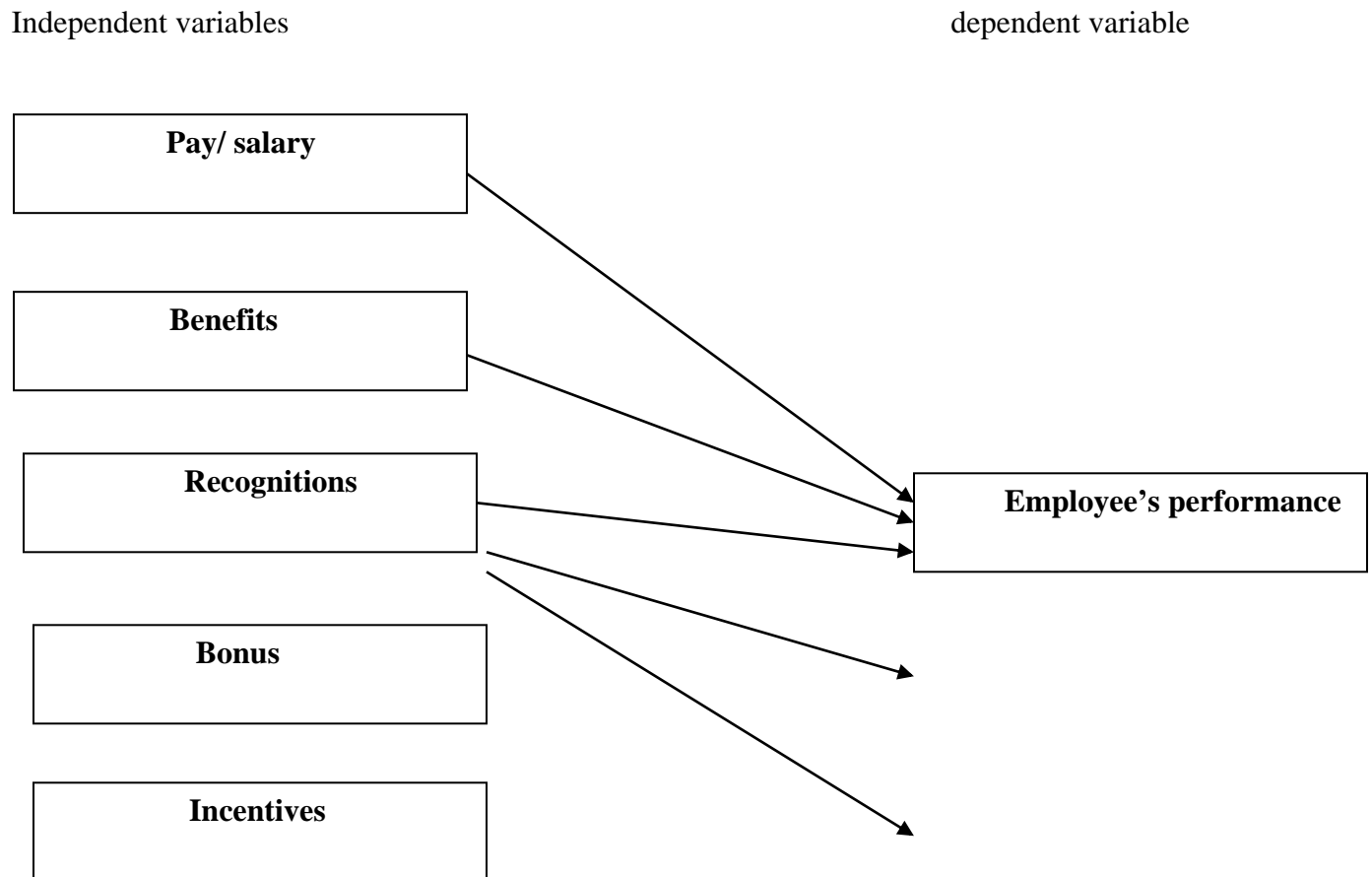


Fig 2 (Own develop, 2017)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Description Of The Study Area**

The history of modern banking industry in Ethiopia began in 1905 with the establishment of Bank of Abyssinia, which was based on a fifty year franchise given to the British-owned National Bank of Egypt. Currently according to national bank of Ethiopia “bank” means a company licensed by the National Bank to undertake banking business or a bank owned by the Government Federal negaritgazeta (2008). Currently there are seventeen banks in Ethiopia after the amalgamation of construction bank in to commercial bank of Ethiopia. Among seventeen two of them are government owned and the rest of fifteen banks are private owned banks. Among fifteen private banks in Ethiopia ZEMEN bank is one of them. ZEMEN bank has got its license from the National Bank of Ethiopia on June 27, 2008 to engage in banking business and officially started operation on Monday, October 2nd, 2008. The initial paid-up capital of the Bank was approximately Birr 95 million which currently reached more than 300 million. The registered capital of the Bank is about Birr 149 million. Currently, the Bank has more than 3000 shareholders. After being operational on October, 2008, ZEMEN bank has brought innovative & new dynamism to the Financial & Banking sector in Ethiopia

The Bank targets corporate clients and high net worth individuals The Bank introduced innovative products and services tailored to the need of the customer with superior customer service. zemen bank HRM & support staff orientation booklate (2014)

#### **3.2 Research Design**

Since A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.(Kothary, 2004). classifying research designs, from the viewpoint of objectives/purposes, a research can be classified as – descriptive, co-relational, explanatory or exploratory Geoffrey (2005) In this study exploratory research design had been applied. Since the purpose of

exploratory research design is formulating practical problems and investigates on it. It is characterized by the collection and analysis of quantitative data followed by the collection and analysis of qualitative data.

There are two basic approaches to research, viz., quantitative approach and the qualitative approach. The former involves the generation of data in quantitative form which can be subjected to rigorous quantitative Analysis in a formal and rigid fashion. Kothary, (2004). From this ground the researcher used both quantitative and qualitative approaches.

### 3.3 Data Source and Type

The researcher had been used both type of source of data those are primary and secondary source of data. In primary data survey method through questionnaire and interview was used as a source of data and in secondary data were used through document evaluation and referring of the bank report.

### 3.4 Population and Sample Size

Cause of time and cost limitation the total population covered only employees who work in Addis Ababa branch. This include main branch ( around KAZANCHIS), bole banking center( around BOLE), CMC banking center (around ST MICHAEL church CMC), ARADA banking center (around PIASA), and GEBRIEL banking center (around SARBET) The researcher used both probability i.e. random sampling technique and non probability sampling i.e. purposive sampling for top level managers while conducting the study. As of November, 30, 2016 the bank have 304 (three hundred four) employees in Addis Ababa branches, therefore based on this population the researcher deployed the following formula to determine the sample size because the following formula has two advantage the first one is it measure the acceptable error the second one is easy to use the formula.

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

Where, P = sample proportion, e= acceptable error q = 1-p; Z = value on standardized normal distribution curve corresponding to the level of significance.

N = number of total population n = sample size required; C.R. Kothari (2004)

The researcher assume 95% level of confidence and 5% acceptable error which means  $z=1.96$

And  $p=0.5$   $q=1-p$   $q=0.5$   $N=304$

$$n = \frac{1.96^2 * 0.5 * 0.5 * 304}{0.05^2(304-1) + 1.96^2 * 0.5 * 0.5}$$

$$n = 170 \text{ (approximately)}$$

Branches	population	percentage	Proportional sample size
MAIN BRANCH	196	64.47	110
BOLE BRANCH	34	11.2	19
CMC BRANCH	25	8.22	14
ARADA BRANCH	25	8.22	14
SARBET BRANCH	24	7.89	13
TOTAL	304	100	170

Table 3.1 Sample Size (Source: self developed).

### 3.5 Data Collection Procedure

After the researcher were in a position of data collection stage he was develop questionnaires and show it to him advisor and distribute fifteen questionnaires as a pilot test. Based on the piloting test some questions were modified, after modification the whole 170 questioners were distributed and 160 were collected. After the questionnaires collected the researcher were feed the data for the SPSS version 22.

### 3.6 Ethical Consideration

The study was conduct by considering ethical responsibility. This includes providing

Information to the respondents the purpose of the study and the use of the information as well. Information obtained was held in strict confidentiality by the researcher. Respondents' secret was kept, so that respondents were feel free and safe to express their ideas.

### **3.7 Data Analysis**

The data analysis had been done after the completion of relevant data collection and for this study to analyze the data. Data collection through interviews, open ended questions & document evaluations were analyzed by using narration. Those data collected through questionnaires were analyzed by using Statistical package for social science (SPSS) version 22. The researcher was used frequency distribution (Standard deviation, mean and percentage), correlation and regression to the collected data.

### **3.8. Validity**

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

Discussion with other researchers was also conducted since it is another way of checking the appropriateness of questions. Discussing with peers, the bank managers and persons who graduated in masters also conducted and their response took in to account. Moreover copies of the questionnaire were distributed to fifteen respondents as a pilot test. This was done to find out whether the developed instruments measures what it intends to measure & also to check the clarity, length, structure and wording of the questions. This test also helped the researcher to get valuable comments to modify some questions.

### **3.9 Reliability**

To ensure the reliability of the response ( internal consistency of items measuring the level of homogeneity of measures in the instrument and reliability over groups of respondents), the study did the reliability test to 15 selected target group respondents by calculating cronbach's alpha with all variable using SPSS version 22. Cronbachs alpha is commonly used as a measure of the internal consistency or reliability of the instrument. According to statistical interpretation, the closer the reading of Cronbach's Alpha to digit 1, the higher the reliability is in internal consistency. In

general, reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable and those over 0.80 good. (<http://www.ats.ucla.edu/stat/spss/faq/alpha.html>). The following tables shows the reliability of instruments for both dependent and independent variables.

Table 3.2 Reliability Analysis

Cron bach alpha		N of items
For independent variables	0.76	15
For dependent variable	0.75	15

(Source: survey questionnaire).

As shown in the above tables of reliability of dependent and independent variables the reliability is in good range or the statistical interpretation and depicting a strong internal consistency among the measurement items and the selected instrument can accurately measure the variables of the study.

## **Chapter Four**

### **Data analysis and presentation**

This chapter deals with analysis and presentation of the data collected through questionnaire and interviews. Descriptive statistics like frequencies, percentage and mean were used to analyze the data moreover Pearson correlation also used to show the relationship between dependent and independent variables finally regression analysis were deployed to show the effect of independent variables over the dependent.. The findings from the questionnaires were analyzed by using SPSS (version 22). The results from the study are presented in the form of frequency table.

As stated in the previous chapter of this paper, questionnaire were designed and distributed to a total of 170 employees of the employees of the bank. Accordingly, 160 questionnaires were appropriately filled and returned which gives 94.1% return rate that is assumed to be suitable for further analysis.

The first part of the questionnaire consists of seven items about the demographic information of the respondents. It covers the personal data of respondents, such as gender, age, educational attainment, experiences and the like.

The second part of the questionnaire contained four general questions about general view of reward with “yes/ no” questions.

The third part of the questionnaire is the main part of the thesis which contained 34 questions which intends to achieve the intended research specific objectives. The final part four questions contained 2 open ended questions which give the respondents freedom to express their idea.

#### 4.1 Demographic characteristic

Table 4.1 age & gender

Source; (own survey,2017)

variables	category	frequency	percent	Valid percent	Cumulative percent
age	18-26 years	93	58.1	58.1	58.1
	26-30 years	54	33.8	33.8	91.9
	31-35 years	11	6.9	6.9	98.8
	36-40 years	2	1.3	1.3	100
	41-45 years	0	0	0	100
	>45 years	0	0	0	100
	total	160	100	100	
gender	Male	97	60.6	60.6	60.6
	Female	63	39.4	39.4	100
	total	160	100		

As shown in the above table 1, of the respondents 60.6% (97) were male and the remaining 39.4% (63) were females. With regard to respondents` age category, 58.1% (93) of the respondents fall under the age category of 18-26. The next higher group were 33.8% (54) fall in the age group of 26-30 and 6.9% (11) fall under age categories of 31-35 finally the remaining 1.3 % (2) respondents are in the age group of 41-45 years hence there is no respondents above the age of 45 years. In overall the age and the gender data show us most of respondents are male as the same time most of respondents are young.

Table 4.2 marital statuses, education attainment and work positions

variables	category	frequency	percent	Valid percent	Cumulative percent
Marital status	Single	128	80	80	80
	Married	30	18.8	18.8	98.8
	Divorced	2	1.3	1.3	100
	Widowed	0	0	0	100
	total	160	100	100	
Educational attainment	Diploma	2	1.3	1.3	1.3
	Degree	149	93.1	93.1	94.4
	Masters	9	5.6	5.6	100
	total	160	100	100	
positions	managerial	5	3	3	3
	Non managerial	155	97	97	100
	total	160	100	100	

Source; (own survey,2017)

As shown in the above table most of respondents are single or 128 (80%) of respondents are unmarried. 30 (18.8%) of respondents are married and the remaining 2 (1.3%) are divorced, there is no widowed among the respondents. With regards of educational attainment 2 (1.3) are diploma holders, most of 149 (93.1) are degree holders, and 9 (5.6%) respondents are masters holders hence there is no doctorate degree and other educational attainments. The table also show us most of 155(97%) respondents are non managerial and 5 (3%) are managerial positions.

In general the above table show us most of the respondents are single in marital status therefore we can conclude most of the bank employees who working in Addis Ababa are single. In regards of educational attainment most of respondents are degree holders therefore the employees of the bank who working in Addis Ababa are degree holders and also the position of the employees are more of non managerial.

Table 4.3 Experiences and salary ranges

Variables	category	frequency	percent	Valid percent	Cumulative percent
Experiences	< 1year	18	11.3	11.3	11.3
	1-3 years	70	43.8	43.8	55
	3-6 years	55	34.4	34.4	89.4
	6-9 years	14	8.8	8.8	98.1
	>10 years	3	1.9	1.9	100
	total	160	100	100	
Salary range	3001-7000 ETB	82	51.3	51.3	51.3
	7001-11000 ETB	32	20	20	71.3
	11001-17000 ETB	43	26.9	26.9	98.1
	17001-25000 ETB	3	1.9	1.9	100
	>25000 ETB	0	0	0	100
	total	160	100	100	

Source; (own survey,2017).

As shown in table 5. years of experience in ZEMEN bank 18 (11.3%) have less than one year experience , 70 (43.8%) of them 1-3 years work experienced, 55 (34.4%) employees have an experience of 3-6 years, 14 (8.8%) are experienced 6-9 years the remaining 3 (1.9%) have more than 10 years work experience.

With regard of salary range the question starts from 3000 ETB because the salary scale for clerical (office worker) start from 3000 ETB for diploma holders and 4439 ETB for degree

holders . in line to the salary range 82 (51.3%) of the respondents are in salary range of 3001-7000 ETB, 32 (20%) respondents are between salary range of 7001- 11000 ETB, 43( 26.9%) are salary range of 11001-17000 ETB and the remaining 3 (1.9%) are in range of 17001-25000 ETB there is no respondents who get more than 25000 ETB.

In general the experience of the respondents is moderate and the salary range is more than half of the respondents are below 7000 ETB.

Table 4.4 General questions

Source; (own survey,2017).

General questions	category	frequency	percent	Valid percent	Cumulative percent
do you think zemen bank has pay scale which consider market value of each professionals	yes	37	23.1	23.1	23.1
	no	123	76.9	76.9	100
	total	160	100	100	
have you ever got reward in zemen bank	yes	128	80	80	80
	no	32	20	20	100
	total	160	100	100	
are you motivated for better performance by reward management policy of zemen bank	yes	37	23.1	23.1	23.1
	no	123	76.9	76.9	100
	total	100	100	100	
does zemen bank reward management policy consider inflation	yes	31	19.4	19.4	19.4
	no	129	80.6	80.4	100
	total	100	100	100	

As we can see the above table, the researcher raise the first question by asking “do you think ZEMEN bank has pay scale which consider market value of each professions?” for this question most of respondents 123 (76.9%) said “NO” & the remaining 37 (23.1%) said “YES”. When we

came to the second question of general question most of respondents 128 (80%) are got reward & the remaining are not. The third question responses show that most of respondents 123(76.9%) are not motivated by the bank reward management policy however the remaining 37 (23.1%) are motivated for better performance. The last general question result shows the reward management policy does not consider the inflation of the country this supported by 129 (80.6%) of respondents respond the reward policy of the bank does not consider the inflation of the country & the remaining 31 (19.4%) respondents said the reward policy of the bank does consider the inflation of the country.

In general the pay scale of the bank & reward management policy does not consider market value and inflation rate respectively, cause of this reason the respondents are not motivated for better performance.

**4.3 Types Of Rewards Provided By The Bank**

The third section the questionnaire shows, types of reward in ZEMEN bank. Like that of the previous section, in this section employees were requested their opinion with regard to the type, attractiveness of financial and non financial reward how reward, benefits and incentive affect employees performance, fairness of reward, and expectation of reward and benefit of employees from the provided in the form of Likert Scale: strongly agree(1), agree (2),neutral(3), disagree (4)and strongly disagree(5).

Table 4.5 types of rewards

Item		Strongly	agree	neutral	Disagree	Strongly	total	mean	SD
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		agree				disagree				
The bank provides financial reward (bonus, salary, allowance...	number	95	65	0	0	0	160	1.41	0.33	
	percent	59.4	40.6	0	0	40.6	100			
The bank provide non financial rewards	number	10	4	81	65	0	160	4.26	0.54	
	percent	6.3	2.5	50.6	40.6	0	100			
the bank provide intrinsic reward like challengeable work	number	3	101	15	23	18	160	2.7	0.84	
	percent	1.9	63.1	9.4	14.4	11.3	100			
the bank provide extrinsic reward like pay, bonus, benefits, incentives	number	56	78	12	8	6	160	1.94	0.98	
	percent	35	48.8	7.5	5	3.8	100			
the financial reward of the bank affect your performance positively	number	7	19	7	32	95	160	4.18	1.29	
	percent	4.4	11.9	4.4	20	59.4	100			

Source; (own survey,2017).

Starting from the issue of financial reward 95 (59.4%) of respondents said they are strong agree and 65 (40.6%) said they are agree with the idea or item of the question, hence there is no respondent either neutral, disagree or strongly disagree therefore we can conclude the bank provide financial reward, the mean value 1.41 (SD=0.33) also close to strongly agree idea it means that on average most of respondents strongly agree the bank provide financial reward.

As shown in the table regarding of providing non financial rewards by the bank 10 (6.3%) of respondents agree , 4 (2.5%) are neutral, 81 (50.6%) are disagree 65 (40.6%) are strongly

disagree and non of the respondents are strongly agree. From this we can understand most of the respondents 116 (91.2%) are disagree or they believe the bank does not provide non financial rewards, moreover the mean value 4.26, (SD=0.54)) shows on average most of respondents believe the bank have not yet provide non financial rewards.

as shown in the above table the respondents respond for the idea of the bank providing intrinsic reward like challengeable work 3 (1.9%) of respondents said strongly agree, 101 (63.1%) are agree 15 (9.4%) are neutral 23 (14.4%) are disagree and 18 (11.3%) are strongly disagree from this we can understand that the mean value 2.7, (SD=0.84) shows the respondents are close to be neutral because 2.7 is near to 3.

With regard of the bank provide extrinsic reward like bonus, pay, benefits etc 56 (35%) are strongly agree 78 (48.8) are agree, 12 (7.5%) are neutral, 8 (5%) are disagree with the idea and 6 (3.8%) are strongly disagree. Therefore from we can understand the bank provide extrinsic rewards, the mean value 1.94, (SD=0.98) which close 2 (agree) shows the respondents are agree with the idea.

With regard of the effect of financial reward on employees performance, 7 (4.4%) of the respondents are strongly agree, 19 (11.9%) are agree, 7 (4.4%) are neutral, 32 (20%) are disagree and 95 (59.4%) are strongly disagree. From this we can understand the financial reward of the bank is not affect the employees performance positively or it is not encourage the employees for better performance, the mean value 4.18, (SD=1.29) also show the respondents are disagree with the idea.

In general with regards of the type of reward, the bank provide financial rewards and extrinsic rewards but not non financial rewards, the issue of intrinsic reward is moderate, and finally the effect of reward on employees performance in ZEMEN bank have no positive effect.

#### **4.4 Attractiveness Of Financial and Non-Financial Rewards**

Table 4.6 attractiveness of financial and non financial rewards

Item		Strongly agree	agree	neutral	Disagree	Strongly disagree	total	mean	SD
I am satisfied by the bank pay grade	number	6	15	11	47	81	160	4.14	1.13
	percent	3.8	9.4	29.4	50.6	59.4	100		
The bank provide comparable pay value in the bank industry	number	2	25	18	46	69	160	3.91	1.13
	Percent	1.3	15.6	11.3	28.8	43.1	100		
The bank pay according to contribution to the attainment of bank objective	Number	4	23	21	39	76	160	3.96	1.18
	Percent	2.5	14.4	13.1	24.4	45.6	100		
The bank pay competent bonus in the market	Number	4	28	10	50	68	100	3.94	0.99
	Percent	2.5	17.5	6.3	31.3	42.5	160		
The bank cover medical expense up to tolerable amount	Number	41	76	15	10	18	160	2.3	1.2
	Percent	25.6	47.5	9.4	6.3	11.3	100		
The bank cover transportation /litter allowance is attractive than the other banks	Number	8	28	23	94	7	160	3.4	0.99
	Percent	5	17.5	14.4	58.8	4.4	100		
The bank insurance coverage is attractive than the other banks	Number	18	85	37	16	4	160	2.39	0.91
	Percent	11.3	53.1	23.1	10	2.5	100		
The bank allow to purchase share for the employees	Number	0	11	5	31	113	160	4.54	0.85
	Percent	0	6.9	3.1	19.4	70.6	100		
The bank give proper recognition for outstanding performance employees	Number	6	31	33	58	32	160	3.49	1.12
	Percent	3.8	19.4	20.6	36.3	20	100		

Source; (own survey,2017).

As shown in the above table for the satisfaction of the bank pay grade 6 (3.8%) are highly satisfied with the bank pay grade, 15 (9.4%) are satisfied, 11 (6.9%) are neutral, 47 (29.4%) are dissatisfied, and 81 (50.6%) are highly dissatisfied. From this we can understand 80% of the respondents are dissatisfied moreover the mean value 4.14, (SD=1.13) shows the respondents are dissatisfied by the bank pay grade.

as shown in the above table for the item of “ the bank provide comparable pay value in the bank industry “ 2 (1.3%) are strongly agree, 25 (15.6%) are agree, 18 (11.3%) are neutral, 46 (28.8%) are disagree and 69 (43.1%) are strongly disagree therefore 71.9% of respondents are not agreed with the item moreover the mean value 3.91, (SD=1.13) also shows the respondents are not agreed with the item.

As shown in the above table the respondents are not agreed with the item it has been shown by the mean value 3.96 (SD=1.18) of the respondents. Moreover out of 160 respondents 4 (2.5%) are strongly agree, 23 (14.4%) are agree, 21 (13.1%) are neutral, 39 (24.4%) are disagree and 73 (45.6%) are strongly disagree.

As shown in the above table for the item of the bank pay competent bonus in the market, 4 (2.5%) are strongly agree, 28 (17.5%) are agree, 10 (6.3%) are neutral, 50 (31.3%) are disagree and 68 (42.5%) are strongly disagree. These table shows most of respondents are not agree with the item, the mean value 3.94 (SD=0.99) also shows the respondents are close to with the idea of disagree.

As shown in the above table for the statement of” the bank cover medical expense up to tolerable amount” 41 (25.6%) are strongly agree, 76 (47.5%) are agree, 15 (9.4%) are neutral, 10 (6.3%) are disagree and 18 (11.3%) are strongly disagree. Therefore from this we can understand and the mean value 2.3 (SD=1.2) also shows the bank cover medical expense up to tolerable amount.

As shown in the above table the respondents are respond for the item and this result shows 8 (5%) are strongly agree, 28 (17.5%) are agree, 23 (14.4%) are neutral, 94 ( 58.8%) are disagree and 7 (4.4%) are strongly disagree. Hence the mean value 3.4 (SD=0.99) is close to 3 (neutral) the respondents are not that match happy or not that matches unhappy they are moderate.

As shown in the above table of response for the item 18 (11.3%) are strongly agree with the item, 85 (53.1) are agree with the item, 37 (23.1%) are neutral, 16 (10%) are disagree and 4 (2.5%) are strongly disagree. Therefore the bank attractiveness of insurance coverage is good which shown by the mean value 2.39 (SD=0.91) of the responses.

As shown in the above table of responses for the item there is no strongly agree response, 11 (6.9%) are agree with the item, 5 (3.1%) of responses are neutral, 31 (19.4%) of responses are disagree with the item and 113 (70.6%) are strongly disagree with the item. Moreover the mean value 4.54 (SD=0.85) which close to 5 shows the bank does not allow purchase share for the employees this implicate first the employees benefit from having share is disallowed second the employees may feel belongingness and faithfulness for the bank.

As shown in the above table of responses for the item 6 (3.8%) are strongly agree, 31 (19.4%) are agree, 33 (20.6%) are neutral, 58 (36.3%) are disagree and 32 (20%) are strongly disagree. Moreover the mean value 3.49 (SD=1.12) of the item shows the respondents are moderate.

In general the salary and bonus of the bank is not satisfied the employees and not compared to the market. The medical coverage benefits are attractive for the employees but not the transportation allowance. The bank disallow to purchase share by the employees create dissatisfaction among the employees.

#### 4.5 How Reward, Benefits and Incentives Affect Employee's Performance?

Table 4.7 How Reward, Benefits and Incentives Affect Employee's Performance?

Item		Strongly agree	agree	neutral	Disagree	Strongly disagree	total	mean	SD
The bank reward, benefit & incentive policy have effect on employee performance	number	112	36	8	4	0	160	1.4	0.7
	percent	70	22.5	5	2.5	0	100		
The pay grade in the bank have positive effect on employee performance	number	7	16	7	57	73	160	4.08	1.1
	Percent	4.4	10	4.4	34.6	45.6	100		
Salary adjustment or increment is made on reasonable time period	Number	3	11	13	32	101	160	4.36	1.1
	Percent	1.9	6.9	8.1	20	63.1	100		
I get credit/ recognition what I did for the bank	Number	4	12	21	111	12	160	3.72	0.8
	Percent	2.5	7.5	13.1	69.4	7.5	100		
Employees are rewarded based on his/her individual performance	Number	8	20	16	56	60	160	3.88	1.1
	Percent	5	12.5	10	35	37.5	100		
The existing of benefits are motivating employees to perform max.	Number	2	18	17	36	87	160	4.18	0.99
	Percent	1.3	11.3	10.6	22.5	54.4	100		

Absence of labor union in the bank affect employees performances	Number	98	41	14	5	2	160	1.58	0.87
	Percent	61.3	25.6	8.8	3.1	1.3	100		
Bonus payment and profit of the bank are matched (bonus based on profitability of the bank)	number	3	20	19	54	64	160	3.98	1
	Percent	1.9	12.5	11.9	33.8	40	100		

Source; (own survey, 2017).

As shown in the above table 92.5 % (148) respondents are agree the reward, benefits and incentives have effect on employees however 8 (5%) are neutral for the item and 4 (2.5%) are disagree. Moreover the mean value 1.4 (SD=0.7) shows the respondents believe reward, benefits and incentives have effect on employees performance.

As shown in the above table the response for the item shows 7 (4.4%) are strongly agree with the item, 16 (10%) are agrees with the item, 7 (4.4%) are neutral, 57 (35.6%) are disagree, and 73 (45.6%) are strongly disagree. Most of respondents 130 (81.2%) denied the pay grade have positive effect more over the mean value 4.08 (SD=1.1) which close four shows the respondents are disagree with item.

As shown in the above table the result of the item or salary adjustment is made on reasonable time period shows 3 (1.9%) are strongly disagree with the item, 11 (6.9%) are agree, 13 (8.1%) are neutral, 32 (20%) are disagree, 101 (63.1%) are strongly disagree, this result show us salary adjustment period of the bank is not reasonable or on time the mean value 4.36 (SD=1.1) also shows the respondents disagree with the item.

As you can see the result of the item (getting of credit for the job done by the employees) 4 (2.5%) are strongly disagree with the item, 12 (7.5%) are agree with item, 21 (13.1%) are neutral with the item, 111 (69.4%) are disagree with the item and 12 (7.5%) are strongly disagree.

In general the above table and the mean value 3.72 (SD=0.8) shows the employees are denied their job by the bank.

The above table shows 8 (5%) are strongly agree, 20 (12.5%) are agree with the item, 16 (10%) are neutral to the item, 56 (35%) are disagree with the item, 60 (37.5%) are strongly disagree with the item. The above table and mean value 3.88 (SD=1.1) which close to four (disagree) shows employees are not rewarded individually.

The above table shows the existing benefit package item responses shows 2 (1.3%) are strongly agree, 18 (11.3%) are agree with the item, 17 (10.6%) are neutral with the item, 36 (22.5%) are disagree with the item, and 87 (54.4%) are strongly disagree. The mean value 4.18 (SD=0.99) shows the existing benefits package are not motivating employees.

The above table result show the absence of labor union affect the employees performance the mean value 1.58 (SD=0.87) which close to 2 shows the respondents agree with the absence of labor union affect their performance. In detail 98 (61.3%) are strongly agree with the item, 41 (25.6%) are agree with the item, 14 (8.8%) are neutral with the item, 5 (3.1%) are disagree or it means the absence of labor union does not affect their performance, and 2 (1.3%) are strongly disagree with the item.

The above table result shows 3 (1.9%) are strongly agree with the item, 20 (12.5%) are agree with the item, 19 (11.9%) are neutral with the item, 54 (33.8%) are disagree with the item, and 64 (40%) are strongly disagree with the item. This results shows bonus payment and the profit of the bank are not matched or the profitability of the bank increase but not the bonus, the mean value 3.98 (SD=1) also implicate bonus and profit of the bank are not matched.

In general the bank reward, benefits, and incentive policy have effect more over it have negative effect. The period of salary adjustment period is not reasonable time, absence of labor union affect employees performance indirectly and also the benefit package and bonus also affect their performances.

#### 4.6 Distribution Or Fairness Of Reward, Benefit And Incentive At All Level

Table 4.8 Fairness Of Reward, Benefit And Incentive At All Level

Item		Strongly agree	agree	neutral	Disagree	Strongly disagree	total	mean	SD
The bank has highly favored better benefit package, reward system & incentive scheme for managerial positions	number	118	25	8	8	1	160	1.43	0.85
	percent	73.8	15.6	5	5	0.6	100		
Salary increment is fair and based on your performance	number	2	16	24	98	20	160	3.74	0.85
	percent	1.3	10	15	61.3	12.5	100		
The payment structure is more favored to managerial position	number	132	18	5	1	4	160	1.29	0.7
	percent	82.5	11.3	3.1	0.6	2.5	100		
Everyone have equal chance to be promoted	number	6	96	21	24	13	160	2.64	0.9
	percent	3.8	60	13.1	15	8.1	100		
Distribution of bonus to all level (both managerial & non managerial) is fair	number	2	12	15	31	100	160	4.34	1
	percent	1.3	7.5	9.4	19.4	62.5	100		
The gap between salary scale of managerial & non managerial employees is too wide	number	144	9	2	0	5	160	1.21	0.75
	percent	90	5.6	1.3	0	3.1	100		

Leave arrangement is fair to all level	number	17	18	16	94	15	160	3.45	0.99
	percent	10.6	11.3	10	58.8	9.4	100		
Staffs are promoted & rewarded fairly	number	5	17	20	106	12	160	3.64	0.89
	percent	3.1	10.6	12.5	66.3	7.5	100		
The bank provide incentive for the employees	number	8	23	27	90	12	160	3.47	0.99
	percent	5	14.4	16.9	56.3	7.5	100		

Source; (Own survey, 2017).

The above depicting table shows 118 (73.8%) of respondents are strongly agree with the item, 25 (15.6%) are agree with the item, 8 (5%) are neutral with the item, 8 (5%) are disagree with the item, and 1 (0.6%) of respondents are strongly disagree. The mean value 1.43 (SD=0.85) shows respondents are strongly agree or the favored better benefit package, reward system, and incentive scheme for managerial position.

As shown in the above table result salary increment is not fair and base on their performance. The mean value 3.74 (SD=0.85) and 108 (73.8%) are disagree, 24 (15%) are neutral, 16 (10%) are agree and 2 (1.3%) are strongly agree with the item or the believe salary increment is fair and based on their performance.

The above table result shows 132 (82.5%) are strongly agree with item, 18 (11.3%) are agree with the item, 5 (3.1%) are neutral with the item, 1 (0.6%) is disagree with the item and 4 (2.5%) are strongly disagree with the item. The mean value 1.29 (SD=0.7) shows the payment structure is more favored to managerial position.

As shown in the above table in regard of everyone have equal chance to be promoted 6 (3.8%) are strongly agree with the item, 96 (60%) are agree with the item, 21 (13.1%) are neutral with the item, 24 (15%) are disagree with the item, 13 (8.1%) are strongly disagree with item and the mean value 2.64 (SD=0.9) which close to 3 shows the respondents have moderate response for the item

As shown in the above table result 2 (1.3%) are strongly disagree with the item, 12 (7.5%) are agree with the item, 15 (9.4%) are neutral with the item, 31 (19.4%) are disagree with the

item, 100 (62.5%) are strongly disagree. Moreover the mean value 4.34 (SD=1) shows the respondents disagree with the item of fairness of distribution of bonus at all level.

As shown in the above table 144 (90%) and mean value 1.21 (SD=0.75) of respondents strongly agree there is too wide salary scale gap between managerial and non managerial employees. 9 (5.6%) are agree with the item, 2 (1.3%) neutral, 5 (3.1%) are strongly disagree and there is no disagree respondents.

The result of the above table shows the respondents are almost moderate with the mean value of 3.45 (SD=0.99) and 17 (10.6%) are strongly disagree with the item of leave arrangement is fair at all level, 18 (11.3%) are agree with the item, 16 (10%) are neutral with the item, 94 (58.8%) are disagree with the item and 15 (9.4%) are strongly disagree.

As shown in the above table 5 (3.1%) are strongly agree with the item, 17 (10.6%) are agree with the item, 20 (12.5%) are neutral with the item, 106 (66.3%) are disagree and 12 (7.5%) are strongly disagree in general the mean value 3.64 (SD=0.89) which close to 4 shows the respondents response disagree with the item of staffs are rewarded and promoted fairly.

In regard of the incentive item the mean value shows 3.47 (SD=0.99) is implicate the respondents have moderate responses for the item. 8 (5%) are strongly agree with the item, 23 (14.4%) are agree with the item, 27 (16.9%) of responses are neutral, 90 (56.3%) are disagree and 12 (7.5%) are disagree with the item. Even if the mean value shows moderate responses more than half of respondents are disagree with the item

In general the fairness of reward, benefits and incentive is highly favored to managerial position. The pay gap between managerial and non managerial position is too wide. Leave arrangement and providing of incentives is moderate

#### 4.7 Expectation Of Rewards And Benefits Of Employees From The Bank

Table 4.9 Expectation Of Rewards And Benefits Of Employees From The Bank

item		Strongly agree	agree	neutral	Disagree	Strongly disagree	total	mean	SD
Your expectation regarding loan benefit is satisfied	number	15	15	10	58	62	160	3.86	0.88
	percent	9.4	9.4	6.3	36.3	38.8	100		
The employees get enough & comparable bonus than that of other banks	number	8	14	16	64	61	160	4.01	1.05
	percent	3.1	8.8	10	40	38.1	100		
Salary increment of the bank is matched or similar to what you expect	number	7	15	18	35	85	160	4.1	1.18
	percent	4.4	9.4	11.3	21.9	53.1	100		

Source; (own survey, 2017).

The result regarding the expectation of loan benefit shows 15 (9.4%) are strongly agree with the item, 15 (9.4%) are agree with the item, 10 (6.3%) are neutral, 58 (36.3%) are disagree with the item, and 62 (38.8%) are strongly disagree. Moreover the mean value 3.86 (SD=0.88) which close to 4 shows the expectation of loan benefit is not satisfied

As shown in the above table result 8 (3.1%) are strongly agree with the item, 14 (8.8%) are agree with the item, 16 (10%) are neutral with the item, 64 (40%) are disagree and 61 (38.1%) are strongly disagree with the item of employees get enough and comparable bonus than that of the other bank. Moreover the mean value 4.01 (SD=1.05) shows the respondents are disagree with the item.

The above table shows salary increment and expectation of employees result shows 7 (4.4%) are strongly agree, 15 (9.4%) are agree, 18 (11.3%) are neutral, 35 (21.9%) are disagree and 85 (53.1%) are strongly disagree. The mean value 4.1 (SD=1.18) shows most of respondents are disagree with the item.

In general with regard of the expectation of loan benefits, employees bonus relatively to other banks, and expectation of salary increment and actual increment of salary are dissatisfied by the bank loan benefit, bonus and salary increment.

## **4.8 Open ended Questions and Interview results**

### **Open ended questions result**

**Q.1** In order to conclude the questions how do you think the bank pay grade compared to other banks? The feedback of respondents shows different kind of responses. According to few respondents, the bank is doing good in the pay grade and others say it's good but not good enough it need to be improved to be competent in the industry and there are also responses that says the bank is not competent . Some even say its pay grade is “absolutely unfair” compared to other banks. Some respondents respond that, the bank salary and pay structure adjustment is just promise from the board not in practice. According to others it is not even appropriate question they do believe it is not competent and not satisfying it didn't match with the workload & the risk as many believe the pay grade is low compared with other banks. Most of respondents believe it was good earlier but not now and respondents believe the adjustment time is now.

**Q.2** When we come to the question saying how do you think the bank reward, benefits and incentive program affect your performance? The research come up with certain kind of responses, to summaries them, almost all respondent says it have direct impact on their performance. They believe that better salary and incentive leads to better performance. Even though their perspective reward and benefit almost all says reward, benefit and incentive program will lead the employees to better performance. There also few respondents said that it is good but not good enough reward, benefits and incentive practice. In overall the research find the result the response shows that, it has negative affect & the bank reward practice must be revised.

### **Interview result**

The researcher conduct unstructured interview with three managerial positions at branch level. The result of the interview in general is the managers believe the reward practice of the bank specially salary and bonus have to be revise in line to these they told me in the coming June there will be salary adjustment for the employees and the necessarily bid for studying the market pay rate is completed therefore the salary increment is on process, in addition they told me the result of this paper also used to speed up the increment.

## **4.9 Correlation Analysis**

### **Correlation between Employees Performance and the Independent Variables**

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

$r = 0.3-0.29$  (small relationship)  $r = 0.3-0.49$  (medium relationship) and  $r = 0.5-1$  large relationship (Choen 1988)

Table 4.10 correlation analysis

\*\* . Correlation is significant at the 0.01 level (2tailed). Source; (own survey,2017)

Independent variables	No. of observations	Employees performance	
		Pearson correlation	Sig (2-tailed)
Salary/pay	160	0.365	.000
Benefits	160	0.327	.000
Recognition	160	0.53	.000
Bonus	160	0.457	.000
Incentives	160	0.267	.000

Ha1:- pay/salary is positively related to Employee Performance.

Ho1: - there is no positive relationship between pay/salary and employee performance. The result on the above table shows that pay/salary ( $r=0.365$ ,  $p<0.01$ ) is positively and significantly related with employee performance. This means an increase or decrease in pay/salary will bring corresponding change in performance of employee. Thus, the null hypothesis is rejected.

Ha2:- benefit is positively related to Employee Performance.

Ho2: - there is no positive relationship between benefit and employee performance. From the above table it can be seen that benefit ( $r=0.327$ ,  $p<0.01$ ) is positively and significantly related with employee performance. Implying that a change in the benefit packages provided will have a corresponding change on employee performance. Thus, the null hypothesis is rejected.

Ha3:- recognition is positively related to Employee Performance.

Ho3: - there is no positive relationship between recognition and employee performance. The above table reports that recognition ( $r=0.53$ ,  $p<0.01$ ) is positively related with employee performance. Implying that change in recognition given to employees for a successful job they perform has a corresponding effect on performance of employees. Thus, the null hypothesis is rejected.

Ha4:- bonus is positively related to Employee Performance.

Ho4: - there is no positive relationship between bonus and employee performance. The above table reports that bonus ( $r=0.457$ ,  $p<0.01$ ) is positively related with employee performance.

Implying that change in bonus given to employees for a successful job they perform has a corresponding effect on performance of employees. Thus, the null hypothesis is rejected.

Ha5:- incentives are positively related to Employee Performance.

Ho5: - There is no positive relationship between incentives and employee performance. From the above table it can be seen that incentives ( $r=0.267$ ,  $p<0.01$ ) is positively correlated with employee performance. This means that a change in the working conditions will bring corresponding change on the performance of employees. Thus, the null hypothesis is rejected, however the relationship is small

#### 4.10 regression analysis

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. That is, it allows us to make statements about how well one or more independent variables will predict the value of a dependent variable.

Table 11 regression

Model	Un standardized coefficients		standardized coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	.595	.176		3.386	0.000
Pay/salary	.194	.046	.232	4.222	0.000
Benefits	.015	.041	.018	.367	0.000
Recognition	.156	.039	.198	3.973	0.001
Bonus	.230	.052	.221	4.435	0.000
incentives	.271	.044	.296	6.136	0.000

Source; (Own survey,2017) dependent variable “employees performance”

R= .83 R square=.72 Adjusted R square= .708 Std. Error of the estimate=.48798

As illustrated in table above the value of adjusted R square is 0.708 which indicated 70.8% of changes in employee performance can be accounted for by reward but the

remaining change in employees' performance may be accounted for variables other than the variables included in this study. The above table also depicts the extent to which each independent variables influence the dependent variable. The relative importance of reward types (independent variables) in Contributing to the variance of the employees' performance (dependent variable) was explained by the standardized Beta coefficient. The beta values of the independent variables i.e. pay/salary, benefit, recognition, bonus and incentives are .232, .018, .198, .221 and .296 respectively.

## **CHAPTER FIVE**

# SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

## 5.1. Summary of Major Findings

- Most of the respondents are single in marital status therefore we can conclude most of the bank employees who working in Addis Ababa are single. In regards of educational attainment most of respondents are degree holders therefore the employees of the bank who working in Addis Ababa are degree holders and also the position of the employees are more of non managerial. the experience of the respondents is moderate and the salary range is more than half of the respondents are below 7000 ETB.
- Generally the pay scale of the bank & reward management policy does not consider market value and inflation rate respectively, cause of this reason the respondents are not motivated for better performance.
- with regards of the type of reward, the bank provide financial rewards and extrinsic rewards but not non financial rewards, the issue of intrinsic reward is moderate, and finally the effect of reward on employees performance in ZEMEN bank have no positive effect.
- Generally the salary and bonus of the bank is not satisfied the employees and not compared to the market. The medical coverage benefits are attractive for the employees but not the transportation allowance. The bank disallow to purchase share by the employees create dissatisfaction among the employees.
- The bank reward, benefits, and incentive policy have effect more over it have negative effect. The period of salary adjustment period is not reasonable time, absence of labor union affect employee's performance indirectly and also the benefit package and bonus also affect their performances.
- The fairness of reward, benefits and incentive is highly favored to managerial position. The pay gap between managerial and non managerial position is too wide. Leave arrangement and providing of incentives is moderate.

- With regard of the expectation of loan benefits, employees bonus relatively to other banks, and expectation of salary increment and actual increment of salary are dissatisfied by the bank loan benefit, bonus and salary increment.
- Finally regression and correlation results shows the dependent and independent variable have direct relationship

## **5.2 Conclusion**

After detail investigation of effect of reward, benefits and incentive the researcher remark the following conclusions.

- Most of the respondents are single in marital status therefore we can conclude most of the bank employees who working in Addis Ababa are single. In regards of educational attainment most of respondents are degree holders therefore the employees of the bank who working in Addis Ababa are degree holders and also the position of the employees are more of non managerial
- The experience of the respondents is moderate and the salary range is more than half of the respondents are below 7000 ETB. The experience of the bank is good but not that match satisfactory.
- with regards of the type of reward, the bank provide financial rewards and extrinsic rewards but not non financial rewards, the issue of intrinsic reward is moderate, and finally the effect of reward on employees performance in ZEMEN bank have no positive effect.
- The salary and bonus of the bank is not satisfied the employees and not compared to the market. The medical coverage benefits are attractive for the employees but not the transportation allowance. The bank disallow to purchase share by the employees create dissatisfaction among the employees.
- Absence of labor union affects the employee's performance negatively. A salary adjustment is not made on reasonable time. The befit package did not motivate for better performance all of this result shows the employees performance is affected negatively.

- In general the fairness of reward, benefits and incentive is highly favored to managerial position. The pay gap between managerial and non managerial position is too wide. Leave arrangement and providing of incentives are moderate
- With regard of the expectation of loan benefits, employees bonus relatively to other banks and expectation of salary increment and actual increment of salary is differ it creates dissatisfaction among the employees by the bank loan benefit, bonus and salary increment.

### **5.3 RECOMMENDATIONS**

From this study it was observed that there is a direct and positive relationship between reward, benefits and incentives and employee performance which means that the total rewards are directly proportional to employee performance. This indicates that the change in total reward necessarily results a change in the level of employee performance. This shows that management and board of directors of the ZEMEN bank have to use of different tactics, strategies and policies to improve the level of performance of employees in the organization. Based on the finding and analysis of the study, the following recommendations are proposed:-

- According to the result of the paper the bank mostly provide financial rewards. Therefore the researcher recommends the bank to provide non financial rewards like that of financial rewards.
- The second recommendation is revision of salary/pay grade is mandatory, because first to compete in the market and to narrow too wide gap of salary between managerial and non managerial positions. Too wide gap of salary between managerial and non managerial position leads the bank to assume the average salary of the bank is bigger than event in the market but not actually because the average salary expense of the bank is rise because of too wide gap between managerial and non managerial pay grade therefore the researcher recommend the bank to use pyramid structure salary adjustment.
- The third recommendation is the bank is better allow to purchase of share for employees. If the bank allows purchase of share to its employees it creates self of belongingness and the employees became faithful and loyal for the bank.

- The fourth recommendation is as long as the person who works in the bank industry the main benefit is loan benefit, the researcher recommend the bank to provide one and half of salary for house and vehicle loan like united bank, Buna international bank and other banks.
- The final recommendation of the researcher is the bank have to allow the employees to establish labor union because it affect employees performance indirectly.

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## APPENDIX

# Addis Ababa University School of Commerce

## *Department of HUMAN RESOURCE MANAGEMENT*

Dear respective respondents I am a post graduate student in MA in Human Resource Management and I am conducting my senior thesis on the title “**The effect of reward, benefits & incentives on employees performance in case of ZEMEN bank**” and the objective of this questionnaire is to collect data from ZEMEN bank employees which help to measure the effect of reward, benefits & incentives on employees performance. The information collected shall be used for research purpose only. I assure you that your responses will not disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated. Thank you!

### **Notice**

No need to write your name.

please put a “√” mark in the boxes for your answers

Thank you very much, in advance, for your sincere cooperation. If you have any comment and questions you can contact me through the following address; Surafel G/tsadik (+251910580341) (surichishashti@gmail.com)

### **KEY WORDS**

**Financial rewards;** include base pay, variable pay, bonuses, all kind of allowance....

**Non financial rewards;** rewards other than cash like recognition, promotion, work condition, praise....

**Extrinsic rewards;** reward from the bank or external like pay, benefits, bonuses...

**Intrinsic rewards;** reward from the work itself like satisfaction of doing hard work

**Benefits;** include insurance coverage, retirement benefit, and all kind of leave

**Incentives;** it is reward for better performance or special contribution for the bank

### **Part I: -Demographic Information**

**1. Age Category**

- 18-26                       26 – 30                       31 – 35                       36 – 40
- 41 - 45                       46 and above

**2. Marital Status**

- Single                       Married                       Divorced                       Widowed

**3. Gender**

- Male                       Female

**4. Educational Attainment**

- High school certificate                       College Diploma                       Bachelor’s Degree
- Master’s Degree                       Doctorate Degree                       Other (Please Specify).....

**5. Work position**

- managerial                       non managerial

**6. Your experience in work life/career**

- < 1 Years                       1 – 3 Years                       3-6 Years                       6-9 Years
- 9-10                       > 10 Years

**7. In which salary range does your salary level**

- < 3000 birr                       3001 - 7000 birr
- 7001 –11,000                       11,001 – 17,000
- 17001- 25000                       > 25000

**Part II: - General questions about reward management**

**8. Do you think ZEMEN bank has pay scale which consider market value of each professional?**

- Yes     No

**9. Have you ever got reward in ZEMEN bank?**

Yes  NO

10 . Are you motivated for a better performance by the reward management policy of zemen bank?

Yes  No

11. Does zemen bank reward management policy consider inflation?

Yes  No

**Part III specific questions or main questions**

**1) Type of reward**

No.	description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	The bank provide financial reward (like bonus, salary, allowances)					
2	The bank provide non financial reward (recognition, praise, certificate)					
3	The bank provide intrinsic reward like challengeable work					
4	The bank provide extrinsic reward like pay , bonuses, benefits, incentives					
5	The financial reward of the bank affect your performance positively					

**2) Attractiveness of financial & non financial rewards**

No.	description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	I am satisfied by the bank pay grade					
2	The bank provide comparable pay value in the bank industry					
3	The bank pay according to contribution to the attainment of bank objective					
4	The bank pay competent bonus in the market					
5	The bank cover medical expense up to tolerable amount					
6	The bank cover transportation /litter allowance is attractive than the other banks					
7	The bank insurance coverage is attractive than the other banks					
8	The bank allow to purchase share for the employees					
9	The bank give proper recognition for outstanding performance of employees					

### 3) How reward, benefits & incentives affect employee performance?

No.	description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	The bank reward, benefit & incentive policy have effect on employee performance					
2	The pay grade in the bank have positive effect on employee performance					

3	Salary adjustment or increment is made on reasonable time period					
4	I get credit/ recognition what I did for the bank					
5	Employees are rewarded based on his/her individual performance					
6	The existing of benefit package (medical coverage, paid vacation time, insurance coverage) are motivating employees to perform optimally(maximum)					
7	Absence of labor union in the bank affect employees performances					
8	Bonus payment and profit of the bank are matched (bonus based on profitability of the bank is matched)					

**4) Distribution or fairness of reward, benefit and incentive at all level**

No.	description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	The bank has highly favored better benefit package, reward system & incentive scheme for managerial positions.					
2	Salary increment is fair and based on your performance					
3	The payment structure is more favored to managerial position					
4	Everyone have equal chance to be promoted					
5	Distribution of bonus to all level (both managerial & non managerial) is fair					

6	The gap between salary scale of managerial & non managerial employees is too wide					
7	Leave arrangement is fair to all level					
8	Staffs are promoted & rewarded fairly					
9	The bank provide incentive for the employees					

**5) Expectation of reward and benefits of employees from the bank**

No.	description	Strongly agree	agree	neutral	Disagree	Strongly disagree
1	Your expectation regarding loan benefit is satisfied					
2	The employees get enough & comparable bonus than that of other banks					
3	Salary increment of the bank is matched or similar to what you expect					

**Part four open ended questions**

1) How do you think the bank pay grade compared to other banks?

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 .....  
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2) How do you think the bank reward, benefits and incentives program affect your performance?

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*Thank you a lot for your time*